TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

9:30 a.m.
Tuesday,
July 31, 2001
State Capitol Extension
1400 Congress
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chairman
ROBERT BREWER
JAMES DAROSS
SHADRICK BOGANY
VIDAL GONZALES
C. KENT CONINE
MARSHA WILLIAMS
LYDIA SAENZ
NORBERTO SALINAS

STAFF PRESENT:

DAISY STINER, Executive Director
DELORES GRONECK

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MR. JONES: It's my privilege to call to order the board meeting for the Texas Department of Housing and Community Affairs for July 31, 2001.

The first thing I'd like to do is give a special thank you to Representative Bill Carter, chairman of the Urban Affairs Committee, who is the sponsor of us using the Capitol Auditorium today.

State agencies can use the other rooms, but anyone who wants to use the auditorium must have a sponsor, and this has to be either a member of the House of Representatives, the Senate, or the Governor's Office. And Chairman Carter has so graciously agreed to be our sponsor.

In fact, Chairman Carter has been a real friend of this Department on many, many occasions. And we thank him for everything he does for us. And we do appreciate him allowing us to be here.

I think, for this particular meeting, at this time of the year it's the most comfortable situation we've ever been in. And I certainly thank him for that.

I know we have a number of special guests, but I would like to recognize Donna Chatham, who is here from the Urban Affairs Committee. Donna?

I thought she was here; maybe she's not. All
right. Well, if she comes, I'll be happy she's here.

With that, if I would, I have a number of people who would like to participate in the -- oh, first, we'd better certify the quorum, hadn't we?

James Daross?

JUDGE DAROSS: Here.

MR. JONES: Shadrick Bogany?

MS. BOGANY: Here.

MR. JONES: Robert Brewer?

MR. BREWER: Here.

MR. JONES: Kent Conine?

MR. CONINE: Here.

MR. JONES: Mr. Gonzalez?

MR. GONZALEZ: Here.

MR. JONES: Ms. Saenz?

MS. SAENZ: Here.

MR. JONES: Mayor Salinas?

MR. SALINAS: Here.

MR. JONES: And Ms. Williams.

MS. WILLIAMS: Here.

MR. JONES: And the chair is here -- and everybody is here, and we do have a quorum.

The next item on our agenda is public comment, and I have a number of people who have submitted witness affirmation forms that would like to speak to the board.
In going through these, it appeared that everyone who had submitted one wished to speak with regard to the tax credit issues. Is that correct?

(No response.)

MR. JONES: Is there anybody that would like to speak to other issues?

(Inaudible response.)

MR. JONES: Yes. Thank you.

MS. FORD: I'd like to speak regarding the capacity building awards.

MR. JONES: Excuse me?

MS. FORD: I'd like to speak regarding the capacity building awards.

MR. JONES: Okay. Would you like to speak now or would you like to speak when that issue comes up?

MS. FORD: When that issue comes up.

MR. JONES: Thank you. Please remind me of that, too, if, for any reason, we get by. Is there anybody else that would like to speak on other issues?

Seeing that, I've talked to Ms. Stiner, and what we would like to suggest is that staff has a presentation with regard to the tax credit items, and that we allow staff to make that presentation to the board and then that we take public comment concerning those tax credit items after that.
And I think that might be the most orderly way to proceed unless one of my fellow board members might object. Hearing no objections that the way, I suggest that we proceed.

Moving then from public comment to item number 1 on our agenda, which is the presentation, discussion, and possible approval of minutes of the board meeting of July 12, 2001.

JUDGE DAROSS: I move the minutes be approved as mailed.

MR. JONES: We have a motion they be approved. Is it seconded? That was by Judge Daross.

MR. BOGANY: Second.

MR. JONES: It's been seconded by Mr. Bogany. Any discussion? Comments? Amendments?

(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? The ayes have it.

VOICES: Abstained.

MR. JONES: Okay. We have three people abstained -- Ms. Williams, Ms. Saenz, and Mr. Conine. All right. Motion passes.

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With that, we'll turn to item 2 on the agenda, which is the presentation, discussion, and possible approval for Low-income housing Tax Credit items. And I will refer it to staff's presentation. And, also, I believe, board members, this is going to be a visual presentation and we may want to go sit in the audience.

(Board members move to audience.)

MR. NJIE: Good morning, board members, ladies and gentlemen. My name is Cherno Njie, manager of the tax-credit program. Before we begin the slide presentation, I wanted to give a brief overview of the allocation process for this year.

In this allocation round the Department's recommendation will provide housing opportunities for a diverse group of low income and very low income tenants in all areas of the state through the utilization of the regional allocation process.

The overall demand versus available credit statewide was three to one, with some regions showing more demand than others. The qualified allocation plan provides the Department with some opportunity to provide adjustments to the regional targeted amount and set-asides depending on the level of demand exhibited provided we maintain the federally-mandated 10 percent non-profit set-aside.
Our primary goal in evaluating projects through the threshold and selection review process is to ensure consistency and fairness in the evaluation of the applicants. We do that by setting up a peer review process of at least two staff members at each stage of the evaluation.

Furthermore, after the threshold review we send deficiency notices to applicants to clarify inconsistencies in the application or incomplete information.

The Department's underwriting staff, together with the program staff, with the assistance of our regional offices, conduct site evaluations to assess the suitability of the different locations. The underwriters also completed the evaluation of financial feasibility for each project.

The compliance division reviewed the compliance record of all the applicants, as a result of which several were disqualified due to material noncompliance for projects that they currently operate in the program.

Although our recommendations was determined mainly by points, the Department took into account several other factors. For example, in each region we took into account the project's contribution to community revitalization and also the number of existing tax credit
allocations in that city relative to its population.

Support of services were also important part of the evaluation. Some of these services included computer learning centers to provide computer training for tenants, adult education services, health screen, et cetera.

The Department also provided consideration for projects involving joint ventures between non-profit and for-profit entities and those controlled by women or minorities.

To ensure that the projects proceed as planned, the recommendations are going to be subject to a number of conditions. Firstly, carryover allocations must be completed by the second Friday in October this year. Number two, the project owner must close the construction loan by the second Friday in June 2002. And thirdly the project owner must commence and continue substantial construction not later than second Friday in 2002 as well.

Staff will be seeking recommendations regarding the issuance of forward commitments as well and to develop a waiting list should the present applicants being recommended are unable to proceed for whatever reason. We will seek that the board provide us with some flexibility to choose from among these projects in order to meet our 10 percent set-aside and to also be able to utilize the available credits.
With that, I'll be -- I'm happy to turn it over to Brooke Boston to go over the slide presentation.

MS. BOSTON: Hi. My name is Brooke Boston. I'm the program analyst for the tax-credit program. As Cherno mentioned, we will be presenting on the actual -- some of the numbers behind the recommendations this year.

The goal of the agency is to encourage diversity through allocating our credits as much as we can across the state and across the different regions and getting the maximum bang for our buck for our credits.

To make sure that adequate public input was received, we had two series of hearings. The first hearing we had seven in both metropolitan and rural areas. And that gave people an opportunity to comment on the QAP, which is the qualified allocation plan and rules. It's the document that governs our program.

At that time people were able to give comment on the evaluation factors, selection criteria, and threshold criteria that we've used to actually evaluate the applications this round.

The next set of hearings that we held were actually after all the applications had come in. And, again, we went to metropolitan Amarillo areas and gave people an opportunity to speak either in support or opposition of the 162 applications that came in.
This year we issued 167 numbers. The first five were issued to forward commitments that were made last year for 2001 credits. Out of the 162 applications we received six were withdrawn by the applicant, 13 were determined, 102 were underwritten, and 41 were not underwritten.

Upon receipt of the applications the staff reviewed them for threshold criteria. At that point we give -- have an opportunity for applicants to -- as Cherno mentioned, to make revisions to specific administrative errors.

We give people three days to submit those documents. On the fourth day the applicant would lose five points. On the fifth day they'll lose another five points. And at close of business on the fifth day the application would actually be terminated. This year we issued 150 of those deficiency notices.

At the same time that we're reviewing applications for threshold and selection criteria our compliance division is also reviewing those applications to make sure that the applicant entities associated with those applications do not have any instances of material noncompliance. In the case that someone does have material noncompliance those are terminated. And this year there were six applications that had that event
occur.

We also look to make sure, in reviewing our allocation recommendations, that no one applicant receives more than 1.8 million credits and that no one project exceeds more than $1.2 million in credits.

Cherno mentioned some evaluation factors. In accordance with our QAP, in addition to scoring and underwriting, we are required to look at several other factors.

The first factor is project feasibility. We look to make sure that the credits are actually the proper amount to make sure that the financial feasibility can take place. We also make sure that the project is going to be a viable low income development over time.

We also look at the geographic dispersion of credits within each region. We also evaluate the concentration of tax credits and any other affordable developments within the markets or submarkets.

We look at site conditions. Every single site is visited. And staff ranked them based -- excuse me, not ranked -- but they evaluate them based on a score rating of excellent, acceptable, poor, or unacceptable.

We also evaluate the experience of the development team to ensure that, as a group, they will be able to pull off a successful project.
Likewise, we evaluate housing type so that we might serve a broader segment of the population. And the type in this instance would be elderly versus family.

We also make sure that the projects that we allocate meet the goals of our program. We also try to make sure that we're serving the needs of the local entities which could involve local preservation plans, revitalization -- whatever the case is.

And then, finally, we also would like to make sure that we allocate credits among as many different entities as practicable without diminishing the quality of the housing.

This year one of the big changes was adherence to a regional allocation formula, which was passed as law. Basically, the regional allocation formula is developed based on housing need across the state. There are eleven service regions, and each amount -- each region has a targeted amount based on the formula that we strive to reach.

The formula is based on three components, which includes severe housing cost burden on very low income renters, substandard housing stock that's occupied by low income renters, and poverty levels.

In addition, because tax credit developments that are associated with bond deals are able to occur in
larger metropolitan areas, we also account for that in
developing the regional allocation formula.

This map just depicts the state broken out into
the eleven service regions.

The pie chart depicts basically the credit that
we had to allocate this year, excluding the 2001 forward
commitments -- those first five projects that I
mentioned -- broken out into regions showing what the
targeted amount should be for each of those regions by
both percentage and dollars. And there were handouts out
front as well that have the slide show in there, so you
can have these numbers to take home with you.

This actually shows what we are recommending as
an allocation to the board broken out in the same way. It
shows the percentage and the dollar figure for each
region, with our total credit allocation recommendation
being 27.9 million.

This shows -- we had a legend, but it kept
messing up. The red stars are actual recommended awards.
The small black triangles represent applications made.
And the little blue symbols, which, unfortunately, aren't
coming out very well, recommend forward commitments.

For each of the new few slides I'm just going
to go over -- we have some basic statistics for each of
the regions. We're going to go with the regional target,
which is what we're shooting for based on the allocation
plan, the number of credits that were actually requested,
the number of applications made, the recommended credit
amount, the number of recommended awards, the number of
recommended low income units, the percentage of the
state's population in that region, and the percentage of
the actual allocation that we're recommending to the
board.

In Region 1 people requested $1.7 million in
credits. We're recommending 1 million. And that will be
155 low income units.

In Region 2 our target was .7 million. We are
recommending .9 million, which will be two developments
with 114 units.

In Service Region 3 we were targeting 4.5
million. We're recommending 4.7 million with nine awards
totaling 696 low income units.

In Region 4 people requested -- excuse me. We
were targeting 1.6 million. We are recommending 1.8
million, which will be through six developments with 339
low income units.

In Region 5 the target was $1.2 million. We're
recommending $1.2 million, which will be 212 low income
units with three park developments.

In Service Region 6 the regional target was 5.4
million. We're recommending 5.9 million, which will be
942 units at ten different developments.

    In Service Region 7 we were targeting $2.1
million, with a credit -- recommended credit amount of $2
million, which will be through four developments with 276
low income units.

    In Region 8A we were shooting to hit 3.0
million, and we are recommending 3.1 million, which is
seven developments with 574 low income units.

    In Region 8B the target was $5.4 million.
We're recommending 4.3 million, which ten developments
with 768 low income units.

    In Region 9 the target was .8 million, and
we're recommending 1 million with four developments at 200
low income units.

    And in Region 10 we were targeting 1.6 million.
We're recommending 1.6 million with eight developments
totaling 262 low income units.

    This basically shows -- to the left of the
screen is what people requested, and to the right is the
recommended to the board. And it breaks it out by our
set-asides. This year we had, not only the rural set-
aside and non-profit set-aside that we've had in the past,
but also an elderly set-aside.

    This just shows the actual breakout of credits

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by construction type between the requested and the recommended. Basically, new construction was $89 million -- requested 4.6 million for rehab. And we're allocating 31 million for new construction and .77 for rehab is recommended.

I'd also like to point out that there's a -- it looks like a very dramatic difference between rehabilitation and new. Rehabilitation developments typically don't use the same -- the development costs are less than a brand-new development because they do have a structure to start with and everything. We do require that a rehabilitation project have a minimum of $6,000 in rehab per unit.

This just shows our credit distribution for the requested credits and the recommended credits broken out by type of housing, which is the population served -- family and elderly.

And this actually shows the same issues that we just showed, but by units instead of by credit dollars, broken out between new versus rehab and elderly versus family. And, as you'll note, we're going to have -- we'll be creating, based on this recommendation, 7,100 units of housing.

This just shows affordable low income units -- a breakout by the -- 46 percent of the low income units
will serve people at 50 percent of area median income or lower and 54 percent -- well, serve about 60 percent of area median income. And also 29 units are at 30 percent rents.

This just actually shows the recommended units by -- broken down by bedroom size. The bulk of them, as you can see, are two-bedroom units, with the remainder of units going to one and three bedroom.

And just some final statistics that show averages across the different awards. The average credit award was $450,000. The average credits per unit was $5,700. The average cost per unit was roughly $69,000. Looking at about 970 square feet per unit for their size. About 92 units per development. And the average credit value this year was 77 cents. And that summarizes our presentation.

(Pause.)

MS. STINER: Thank you, Mr. Johnson. Thank you on behalf of the staff. Mr. Jones now will be taking public comments on the tax credit allocations.

MR. JONES: Thank you, Ms. Stiner. The first person I have is Mr. Eric Boutte, and, if you would, come right into the podium, sir.

MR. BOUTTE: Good morning to the members of the board.
MR. JONES: Good morning.

MR. BOUTTE: My name is Eric Boutte. And, on behalf of State Representative Joe Deshotel, as chief of staff, we're here in support of the Port Arthur Townhome Project.

And part of our process -- when requests do come to our office, one of the things we try to find out is how much community support is there. And the project persons here that are associated with this project have been involved extensively in the community in providing not only information, but helping in planning for the need of affordable housing in our community.

The Representative also wanted me, for the record, to enter this letter of support, too, if that's okay with you guys.

MR. JONES: Thank you.

MR. BOUTTE: But that's it for our testimony, if that's okay.

MR. JONES: Thank you. Please thank the Representative.

MS. STINER: I want to read this into the record.

MR. JONES: Yes. And I think Ms. Stiner has something else she'd like to read into the record. Thank you, sir.
MS. STINER: Thank you. To the board, Secretary Henry Cuellar's office would like read into the record that the Secretary supports Clark Crossing in Webb County -- would like for that to be reflected in the record. Thank you.

MR. JONES: And I'll also submit this letter into the record. The next affirmation form I have is from Ms. Savoy.

MS. SAVOY: My name is Jackie Savoy, and I'm the district director for Congressman Nick Lampson. For the sake of time, we'll submit a letter from the Congressman stating his continued support for their project 01130. And that's all I have. Thank you.

MR. JONES: Thank you, ma'am.

MR. SALINAS: Excuse me, Mr. Chairman. Are these projects that did not get approved or --

MR. JONES: Uh --

MS. STINER: It did.

MR. JONES: Yes, they'll go both ways.

MR. SALINAS: These projects did not get recommended by staff or --

MR. JONES: No. They will be speaking on some that did not and some that did.

MR. SALINAS: These last two ones, did they get recommended by the staff?
MR. JONES: I'll let Ms. Stiner --

MS. STINER: May we see that -- the staff --

MR. JONES: The answer is, both of these were recommended.

MR. SALINAS: Recommended by staff. Okay.

MR. JONES: Okay. If you would, Ms. Stiner, you can inform us as we go.

The next witness affirmation form I have is from Ms. Christine Myers. Ms. Myers?

And Ms. Myers, I believe, wants to testify regarding Outspan Townhomes. And I believe that was recommended by staff.

MS. MYERS: Board members, ladies and gentlemen, my name is Christine Myers, and I would like to thank you for the opportunity to support the proposed development for Outspan Townhomes.

I would like to bring to your attention a few unique aspects of this development. Number one, Outspan Townhomes is in an area that is in need of refurbishing of revitalization. Number two, it is a townhome community with attached garages, not apartments, which makes us perfect for families and more appealing to families as well.

This development scored the highest in San Antonio. The developer has a successful record of
completing the projects. Some of the amenities include a junior-size olympic swimming pool, a clubhouse which includes a rental office, community center, support services office, laundry facilities, computer room with internet connection and business center. There's heavy natural landscaping and a basketball court, children's play area, car wash area, property mail center, and 24-hour security gates.

In conclusion, Outspan Townhomes has a huge community support. I also brought some signatures to give to you all in support of that from the community. And I urge you to kindly consider this development which will make the dreams of many people a reality. Thank you.

MR. JONES: Thank you. The next witness affirmation form I have is for Ms. Sheneka Johnson.

(No response.)

MR. JONES: Ms. Johnson?

(No response.)

MR. JONES: Ms. Johnson. We think we have it right. Shemeka? Could it be Shemeka?

(No response.)

MR. JONES: Okay. The next one I have is Mr. Donnie Shorts, and he also is speaking concerning Outspan Townhomes.

MR. SHORTS: Good morning, board members. To
the board members and ladies and gentlemen. My name is
Donnie Shorts, and I would like to take you for giving me
an opportunity to talk about Outspan Townhomes in San
Antonio, Texas.

According to the City of San Antonio's Housing
Authority, there's currently an extensive waiting list of
persons seeking affordable housing, indicating a strong
need for affordable housing in that area.

The proposed Outspan Townhome development would
not only fulfill that goal, but would also bring about
real structural improvements in the east side area. This
will not only enhance the ability to attract more market-
rate housing development in the community, but it will
also make the area more attractive to new and expanding
businesses and existing commercial properties -- or
enterprises, rather.

We're also confident that the Outspan Townhomes
will serve as a catalyst for residences and businesses in
the area to implement a vision for change that will
increase the capacity of east side community to solve its
own problems and become self-sufficient.

In conclusion, I would like to read a letter
from Representative Ruth Jones McClendon in support of
Outspan Townhomes. Your cooperation and support to make
Outspan Townhomes a reality is truly appreciated.
This letter written to the honorable -- Ms. Daisy Stiner, executive director, Texas Department of Housing and Community Affairs.

"Dear Ms. Stiner" -- and this letter is written from Representative Ruth Jones McClendon. "The plan by Outspan Townhomes to build 200 units of multi-family housing at the site encompassing 4318 East Houston Street is one that I enthusiastically endorse as a state representative for the area.

"As your office is well aware, for several decades now San Antonio has witnessed a deterioration of businesses and residences on our east side. Local government has deemed this section of our city to be in need of refurbishing and revitalization. This project will put us one step closer to realizing that goal.

"The east side is historically distinguished by supporting a number of diverse cultures. The Outspan Townhomes Limited project, in close proximity to a growing number of similar developments such as the Carver Community Culture Center, sets a promising course for the future of this area.

"It is essential that significant effort be made to restore this area to a higher level of economic competitiveness in order that its inhabitants may enjoy the benefits of being an integral part of our community.
"To begin this project, Outspan Townhomes Limited would like to utilize the low-income housing tax-credit program offered by your agency. This is a need for reasonable and quality residential accommodations in that area. And it is my opinion that the proposed project will assist by economically, socially, and politically enhancing the lives of our east side residents.

"It is with great sense of duty and pride that I endorse this project and encourage the cooperation and participation of all who are in position to assist in our efforts to revitalize this area of San Antonio.

"Sincerely, Ruth Jones McClendon, State Representative, District 120."

Thank you very much. And I pray that your support for tax credits will be awarded this project. Thank you.

MR. JONES: Thank you. The next form is from Ms. Patricia Jennings: Outspan Townhomes.

Ms. Jennings?

(No response.)

MR. JONES: Ms. Jennings.

(No response.)

MR. JONES: The next one I have is from Paul Kamaul.

Mr. Kamaul?

MR. JONES:  The next one I have is from Mr. Tyrus Walker.

Mr. Walker?

MR. JONES:  The next one I have is from Mr. Paul -- John Paul.

(Pause.)

MR. JONES:  Mr. Paul does not care to speak.

Thank you, sir.

The next one I have is from Ashley Robnett.

Ms. Robnett?

(MR. JONES:  I don't see Ms. Robnett.

The next one I have is from Mr. Keifer Marshall, Jr.  And this concerns the Encinas Group. He's the mayor of Temple, Texas.

Mayor Marshall, thank you for being here.

MAYOR MARSHALL:  Thank you, Chairman Jones and Ms. Stiner, members of the board. It's my pleasure to be here. I am Keifer Marshall, Jr., mayor of the city of Temple, Texas, and I'm here on behalf of the Encinas Group's application that's been recommended by the staff.)
The city of Temple, our city council, and all members of our community are in favor of this. We spent a tremendous amount of city money on infrastructure and new roads to get to this site. We have a site that's a beautiful site. It is going to be a great addition to our community.

It's been endorsed by most of our community, and our Rotary Club, which is the oldest service club in the city of Temple, is behind this project, and has taken it on as one of their projects to help us in the future.

So we appreciate what you're doing for the state of Texas, and we appreciate your consideration of the city of Temple. Thank you.

MR. JONES: Thank you, Mayor.

Mr. Gary Schmidt? And I believe he's speaking concerning the same project.

MR. SCHMIDT: Chairman Jones, members of the board, thank you this morning. I am Gary Schmidt, and I'm before you today as the Chairman of the Board of Commissioners of the Temple Housing Authority, in support of the Encinas Group project, the Village at Meadowben, which is recommended by the staff.

If I might, first, I would like to present for the record a letter from Martha Tyroch. She is a councilman of the city of Temple, District 3.
is the area that this project would be in. Her letter is in support of the project, Village at Meadowben, and I would offer that for the record.

MR. JONES: Thank you.

MR. SCHMIDT: With regard to my remarks, Temple was very fortunate this year in that it had not one but three applicants for projects of this type in this district.

This gave us the ability to evaluate several different types and philosophies of projects and resulted in our overwhelming support of the Encinas project, the Village at Meadowben.

The reasons for our support are several, including this area of the community has a significant and definite need for housing of this type. Cost of construction and capital is such that rents have increased substantially, and many of these low to moderate income residents cannot afford rents. This project includes 75 percent of its units which will be reserved for low to moderate income residents.

Another important factor is the experience level of the Encinas Group. Encinas Group has developed, owns, and operates other projects of this type, including a very successful project in our neighbor city of Killeen.

Thirdly, and most importantly, the Encinas
proposal is a multi-faceted concept. In other words, this
tax credit multi-family level would not simply be
isolated, but would be incorporated in a total
neighborhood concept.

A portion of the Encinas project -- the land
would be allocated for, in addition to the multi-family,
development of a senior or elderly housing project,
single-family residential lots, which could be used in our
very successful affordable housing and home ownership
program, and thirdly, retail development, which would
support the entire neighborhood concept.

For these reasons, we felt like the Encinas
project was a clear choice for this. It's supported by
the city council and the mayor, who spoke to you just a
moment ago. It's supported by our housing authority Board
of Commissioners, and it's also supported by our citizens,
in particular, a group by the name of Citizens for
Progress, which is a group -- a citizen group on the east
side in councilman -- District 3, which also has voted
their support for this project.

We think this is a very worthwhile project, and
we would ask for your support for the city of Temple and
the Encinas Group in this. Thank you.

MR. JONES: Thank you, sir. Our next
affirmation is from Mr. Terry Campbell, and he is speaking

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concerning the Heatherwilde Park.

MR. CAMPBELL: Chairman Jones and board members. My name is Terry Campbell of Campbell, Hoag, and Associates. I am here to speak on Heatherwilde Park Retirement Apartments.

This proposal is a 168-unit single-story fourplex development to be developed in Pflugerville. And it did receive a 2000 allocation, which is actually a '99 carryforward, in the amount of $467,000 in tax credits.

Due to a number of increased development costs through the process, that amount is no longer sufficient to build the property. So in trying to remedy the situation, we requested trust funds this year and some additional tax credits.

The staff reviewed the proposal and recommended funding with the option of either credits or housing trust funds. And they moved forward with the housing trust fund proposal.

I'm here today to ask that we forgo the housing trust funds and receive an additional $117,000 in tax credits so the project can proceed.

Now, I realize that the credits have been recommended for this year, and the only real option is to be placed on the waiting list for potential return credits, and we're willing to do that for this particular
A couple of things that you might keep in mind in making your decision: This property does include a 2,500-square-foot senior center that is being provided for the community at no cost to the community. We also have a partnership with a group called Family Eldercare, which would provide services for the seniors who reside on this particular property.

And the other issues, from a use of federal resources, when this project is funded with additional credits, if it does happen, the total amount of credits is about 3,400 per unit, which I think is a pretty good use of the credit.

I believe that the figure on the board earlier was around 5,700 per unit, so I think it's a good use of the federal resource, and I would request that the board take action and approve additional credits. Thank you.

MR. JONES: Ms. Stiner, I believe the staff recommendation on this is that it be put on the waiting list. Is that correct?

MS. STINER: Staff recommendation is to make the presentation to the board. It is not on the waiting list, but, if the board so directs, it will be placed on the waiting list.

VOICE: [indiscernible].
MS. STINER: Yes, sir. It was also recommended --

MR. JONES: So the staff doesn't have a recommendation other than that we consider it?

MS. STINER: Other than you consider it. It's being recommended later for trust fund, but, other than you consider it --

MR. JONES: Okay.

MS. STINER: -- here for being placed on the waiting list.

MR. JONES: Thank you. The next witness affirmation form is from Claire Morris from State Representative Terri Hodge's office.

MS. MORRIS: Good morning, Chairman Jones, Ms. Stiner, the board. I wish to speak with you on behalf of my boss, State Representative Terri Hodge, who unfortunately could not be here today. She wanted to express her enthusiastic support for two of the proposed projects, both in Dallas.

The first one was the Roseland Estates. And I'm not sure -- I don't believe that made the staff recommendations. The second one that she wishes to support is Timbercreek Apartments -- and, as I said, both in Dallas.

She has previously served on the Urban Affairs
Committee in the House, and she is acutely aware of the need for affordable housing, both for families and the elderly.

Again, she's sorry she can't make it here today, but she wishes to go ahead and say publicly her support for these two projects.

MR. JONES: Thank you. The next form I have is from Mr. Barry Halla, H-A-L-L-A.

MR. HALLA: Good morning, members of the board. My name is Barry Halla. I'm with Life Rebuilders. We're a non-profit development company. Just a couple of things real quickly. We were not recommended by staff, but I wanted to point out a few things, if I may.

One, we came in in Region 3. We're a non-profit. We came into the non-profit set-aside. I don't think there are any staff recommendations for the non-profit set-aside in Region 3. We scored 82 points.

We have an AHP grant out ahead of the tax credits for $500,000, and we were proposing a 60/40 community. Staff did not recommend this project. And the comments I have here were disproportionate amount of tax credits per capita. There has never been a seniors' community developed under the tax-credit program in Ellis County or in Ennis.

I also wanted to respectfully point out that
there was a comment made here that the location site was rated as poor. Old Ellis -- I mean -- Ennis, part of Ellis County, is to the north of us. The city strongly recommended this particular site for Life Rebuilders to acquire to develop.

The new Ennis, if you will, is being developed along the 287 bypass. This is part of a planned unit development that will be single-family for sale for both elderly and for families.

Ennis Senior Estates is part of this master-plan community, which includes 32 acres in front of us. There's a bank we're negotiating with right now to be a key anchor tenant for us.

But more significant to Life Rebuilders is the fact that Helping Hands of Ennis would like to move to this location. We have the Boys and Girls Club that would also like space in our commercial to the north of Ennis Senior Estates. And Golden Circle, which is one of the major senior non-profit service providers in the city of Ennis, is discussing space with us also at this point in time.

We have a major developer who would love to buy this land from us and develop a shopping center. So I realize if you come north on I-45 and get off on the 287 bypass, you don't see a lot right there. But an aerial
photograph will show you that old Ennis is just north of us, and the city is moving in a south, southwest direction right towards us.

The city strongly support us. When I have a bank that wants to buy the corner and be the anchor tenant and we have the major social service providers of Ennis wanting to be part of our development, I have to respectfully disagree with staff that it's a poor site.

Thank you very much for your time.

MR. JONES: Thank you, sir.

Mr. David Clark?

MR. CLARK: Good morning. My name is David Clark. I'm the director of community development for the City of Wichita Falls. I'm here on behalf of the city council of Wichita Falls.

I spoke in Dallas at the public hearing there regarding the three projects that were proposed for the city, urging that equal review be provided for those projects.

We believe that the staff's recommendation for the River Glen project is a good choice. We feel that it is in conformance with community plans and will assist in the revitalization of the community, and we urge your eventual approval. Thank you.

MR. JONES: Thank you, sir.
Mr. William Hemphill. I think it's about the same project.

MR. HEMPHILL: Chairman Jones, Ms. Stiner, members of the board. My name is Bill Hemphill, and I'm here on behalf of Excaliber Paint and Coating, which is a paint manufacturer and distributor in Wichita Falls.

I've handed to you a copy of an aerial photograph and also a color photo of the same, which gives a depiction of the site area that we're talking about today with respect to the River Glen project.

And my client, Excaliber Paint, and its president, Randy Funston, who could not be here today because of some medical issues, are in staunch opposition to this project. We're not against, in any way, shape, or form, low-income housing; we're just against this particular location.

If you would look at the area, my client, the paint manufacturing company, is located just south, I believe, of the proposed site. This area in Wichita Falls has been historically an industrial-zoned area.

It is right off of the Old Jonesboro Highway, which has a speed limit of, I believe, 45 miles per hour. Just to the north is an electrical contractor, a tire shop. There's a concrete plant and a semi-truck repair just across the street.
If you would look on the Jonesboro Highway, this main thoroughfare, which would be the access to this proposed site -- there are no crosswalks, there's no traffic lights, there's nothing that would facilitate, I guess, the safety for a residential community.

With respect to my client, about a year ago in early 2000, late 1999, they had decided to open up a new manufacturing plant in Wichita Falls, Mr. Funston's hometown. They manufacture heavy-duty paint products. This is polyurethanes, epoxies, paint linings, and OEM paint products -- stuff that -- our products -- it's like baking a cake. You have to have solvents, hazardous chemicals, et cetera, on the plant.

Many of these products, one, are not only highly flammable, but, two, they are used in the production of illegal drugs, such as methamphetamines and crack cocaine.

With respect to this site, the Funstons spent a good deal of time trying to find a proper location for a manufacturing facility. And once they picked on this area, they got assurances that this was an industrial-zoned area; two, that the adjoining property was compatible with opening up a heavy-duty paint manufacturing area.

They also went to the fire department, the city
council, and all the local authorities, who gave them
their support, assurance, and approval of this project.

Shortly after they had spent a million
dollars -- or over a million dollars investing in the
property and in building the plant facility, there was a
proposed site that was put up last year, this same River
Glen project.

At that time they gave an address of Old
Jonesboro Highway. Senator Haywood opposed that project,
and that project was not approved. It is my understanding
that this year, instead of giving the Old Jonesboro
Highway address, they gave this access road right up
here -- kind of a dead-end road -- the address for the
property.

The site location for my client was critical
for many safety reasons. Obviously. It would also seem
to, just from a perspective of a potential resident,
whether it's low-income or high-income or medium-income,
this is not a proper area to locate a multi-family
residential project.

Again, you can't go anywhere without crossing
this busy thoroughfare. TxDOT, the last study they did
over two years ago, there's over 9,000 cars that travel up
and down this highway every day. Many of them are going
to be going to this industrial location, such as the
concrete plant, the lumber company, and the paint manufacturing.

So we're dealing with industrial heavy traffic -- tractors and trailers -- in addition to the semi-truck repair location just across from the proposed site.

There are no parks, no swimming pools, no recreational facilities. It doesn't appear that there's anything that you would traditionally look for if you wanted to have a neighborhood.

In addition, members of the board, you have this Holiday Creek flood control system that is right next to the proposed site. In heavy rains I understand that this control system can get up to 18 and 20 feet of depth, which would be dangerous for any children in that area. And the property itself is located in a flood plain.

It would seem, ladies and gentlemen, from my perspective, that it's not appropriate if -- at least I wouldn't want to have my family living in such an area.

With respect to my client's perspective, you're dealing with highly flammable products, premises-liability issues. I believe there are over 90 units planned for this project, which would entail upwards maybe of 200 children or more. And any time you have children, you're going to have concerns. My client is very concerned about
premises liability, fumes from their paint -- heavy-duty paint manufacturing process, and the south winds directly affecting this community. They're concerned about nuisance complaints, increased insurance cost.

It would just seem that it makes no sense for a residential community to be located in this industrial environment.

The late Senator Tom Haywood recognized this. And last year he voiced his objection to this board, and the project was not approved. He has maintained that opposition up until the time of his death. My client, Randy Funston, had visited with him just prior to his death, and he, again, maintained that he was in opposition to this project.

That was confirmed as recently as yesterday by his own office. And I believe that there may have been some type of miscommunication in some of the materials you had received indicating that his -- he had no opposition, when in fact he does oppose this project -- or did oppose this project.

MR. JONES: Ms. Stiner, would you like to address that issue?

MS. STINER: Yes, sir. Senator Haywood called --

MR. JONES: I hate to interrupt.
MS. STINER: Pardon me, sir. Senator Haywood called me to voice his verbal objection; he did not make a written objection. And I passed that on to the staff -- Mr. Njie and his staff.

And when the summary sheet was prepared for the board, opposition was not noted because it was not in written form. The revised summary sheet has -- the summary sheet has been revised to note that opposition, and that opposition was duly considered in making a recommendation.

In addition to the seven votes of opposition, there were 36 votes of support, so that's how it was weighed in terms of that particular vote. And we did communicate to Senator Haywood's office late last evening that the summary sheet had been revised to note that opposition.

MR. HEMPHILL: Thank you, Ms. Stiner.

MR. JONES: Thank you, Ms. Stiner. Excuse me for interrupting.

MR. HEMPHILL: In addition to Senator Haywood's opposition to this, there's also the former state representative and a Wichita Falls real estate broker/developer, John Hershey, does not believe that this is a site appropriate for multi-family.

Also, Mr. Chairman and board members, back when
the city -- just over a year -- recently decided to rezone this property from industrial to commercial, over 2,000 signatures were obtained from voters voicing their objection to changing this industrial area to permit commercial and multi-family use.

In sum, Excaliber Paint and its president, Randy Funston, just want to voice their strenuous objection to this location and to the proposed River Glen project before the board. Thank you.

MR. JONES: Yes. Mr. Conine has a question.

MR. CONINE: Do you know if this project is currently zoned multi-family, or is zoned commercial with a cumulative use for residential in Wichita Falls?

MR. HEMPHILL: My understanding, Mr. Conine, is that it is zoned -- it was originally zoned in light industrial zoning, and then they permitted commercial -- changed that to commercial, which encompasses multi-family.

MR. CONINE: So it currently has a commercial -- as far as you know, commercial zoning category that allows residential uses if you want to.

MR. HEMPHILL: It's my --

MR. CONINE: Not specifically zoned for multi-family.

MR. HEMPHILL: That's my understanding, but
that's hearsay.

MR. CONINE: Okay.

MR. JONES: Thank you, sir.

MR. HEMPHILL: Thank you.

MR. SALINAS: How about the flood plain? Is it -- are you sure about the flood plain?

MR. HEMPHILL: Pardon?

MR. SALINAS: Is the property in the flood plain area?

MR. HEMPHILL: My understanding, in talking with my client, who has voiced his opposition at every opportunity, is that this area is in the flood plain. And it would make sense if you look at the flood control system that's right next to the property, which is Holiday Creek.

MR. SALINAS: It either is or not. Somebody must know if it's in the flood plain or not.

MR. CLARK: Based on --

MR. JONES: If you would, come up to the podium, please, sir, if you have the answer to the question.

(Pause.)

MR. JONES: If you would, please identify yourself for the record, sir.

MR. CLARK: My name is Dave Clark. I'm
community development director for the City of Wichita Falls. The proposed site for the construction of the buildings is not in the flood plain.

I think the city also finds it interesting that when the paint manufacturer was constructed they made absolute assurances that there would be no fumes. Now they're claiming fumes are a problem. And I would repeat the support of the City of Wichita Falls for the River Glen project.

We find the objection -- you know, when the implication is -- comes to you that these are the things drugs are made out of, is this the kind of people that go in these projects -- I, frankly, think not. And the City of Wichita Falls finds out -- (applause from audience.)


VOICE: Yes, he spoke earlier.

MR. JONES: Okay. Thank you. I'm sorry.

MR. HEMPHILL: Mr. Chairman, I meant no implication whatsoever regarding the chemicals and solvents that are used at this facility. My only point is that these are dangerous chemicals that need high control factors.

And any time you're dealing with children it's a serious concern if you're an owner of a premises in an
industrial area where you're planning on putting a multi-family project. Thank you.

MR. JONES: Thank you, sir. The next speak is Ms. Deanna Funston.

MS. FUNSTON: Good morning, members. My name is Deanna Funston from Wichita Falls. And my husband and I own Excaliber Paint and Coatings. And he does send his apologies today because he does have a health condition that did not permit him to travel to Austin.

First of all, I would like to clear up that we have the property next door to this proposed site. And I just received at the end of last week a letter from Wells Fargo Bank requiring us to show proof of flood insurance.

I have not pursued on with sending to them the insurance, but I -- my insurance company is Otto's Homes and Insurance of Wichita Falls. And, should you want documentation to that, when I return I'll be happy to do so.

Randy has written his message to you and has asked me to fulfill in his absence. After speaking to a TDHCA board member last week it was brought to my attention that the board seems to have incomplete or inconsistent information regarding this project. And, therefore, I would like to bring the following to your attention.
Excaliber is against this project for the following reasons. Spot zoning. Excaliber Paint and Coatings is in the business of manufacturing and distributing of heavy duty industrial paints and coatings.

Due to the nature of our business, as you could imagine, site selection is very important. Prior to us purchasing our property in February of 2000 we took the necessary steps to ensure that the zoning was correct in and around our site and that all relevant city officials were aware of the nature of our business and they had approved the location.

Excaliber started production in April of 2000, and, to this date, we have made an investment that exceeds $1 million. In addition, our employment has now reached approximately 16, and, with our current 2002 expansion plans, we are anticipating that employment will exceed 50 in the next two years.

If River Glen should be approved Excaliber will most likely stop any and all expansions.

Jacksboro Highway proper, which is all Business 281, has been commercial and industrial for years with little or no residential housing existing on this busy thoroughfare.

The vote to change the rezoning by the Wichita Falls City Council to accommodate the proposed River Glen
development, after approving Excaliber's site plan last year, is a classic example of spot zoning.

Safety issue. River Glen would be located on a dead-end street that is a little over 500 feet long. On one end, approximately 100 feet in front of this project, is the Holiday Creek flood drainage canal that reaches 18 to 20 feet in depths in heavy rains.

On the other end, which is the only exit from the property, is Business 281, or commonly known as the Old Jacksboro Highway. Traffic count on this highway exceeds 9,000 cars and trucks daily. There is no access to schools, playgrounds, or entertainment without crossing or traveling down Jacksboro Highway.

The residents of this site would be living in the following surroundings. To the north, the electrical contractor and tire facility. To the east, a Freightliner dealership that sells and repairs heavy trucks, a concrete batch plant, and an automotive -- automobile repair facility. To the south, our paint manufacturing plant and adjoining a large commercial lumber yard. And to the west there's Holiday Creek.

Simply put, we just feel like this is not a healthy or safe environment for kids. You have the aerial photographs, so you can see by the proposed site what is surrounding the area.
To summarize, it is very important that for the board to know that Excaliber Paint and Coatings is not the only person or business that is objecting to the approval of this project. The rezoning of this property to include multi-family development has become a very major political topic in Wichita Falls.

Contrary to the board's current notes and information, Senator Tom Haywood did have objections to this project, and I would like to bring forth the following to document this issue. But that's been taken care of by William, so I'll pass that.

When River Glen applied for tax credits in 2000 Senator Haywood initially endorsed the project. However, after hearing objections from the neighboring businesses in the immediate area Senator Haywood took the time to personally come out and inspect the proposed site.

That same week it was documented that Senator Haywood wrote a letter to Daisy Stiner, executive director of TDHCA, and withdrew his support. It is further documented that Senator Haywood wrote a letter to the city council of Wichita Falls for the May 1, 2001, meeting stating he was against this project and any zoning changes in this area.

As recently as two week's prior to the senator's death, the senator personally conveyed to me
that his intent and objections to River Glen remained the same.

Other objections are noted in a petition that was brought forth to Wichita Falls to object to this zoning change. In a short three-week period over 2,000 registered voters -- Wichita Falls voters -- took their time to come in and sign this petition. Most of these signatures were sent to the TDHCA as further documentation.

Another name which most of you will probably recognize is Wichita Falls real estate developer and former State Representative John Hershey. Mr. Hershey is one of our petitioners of record and also objected to this zoning change.

And last, but not least, it was said by City of Wichita Falls council member Harold Hawkins at the May 1, 2001, meeting that the rezoning of this property would most likely not affect any business in the area, for he felt that the support of tax credits or commercial funding would surely fail, due to the location selected for this type of development. We have the council meeting tape here if you'd like to see it for review.

Let us always remember that individuals and families seeking affordable housing do not have the luxury of choice. They must live where the housing is available.
I am therefore asking you to please use our tax credits and support the developers that have chosen sites that will promote a safe and healthy family environment and not affect the future expansion of industry that is vital to our economic growth.

We have other applications available to us in Wichita Falls that will meet all of these prerequisites. Thank you, Randy Funston.

And, finally, I would like to add to you some personal note. And, as a mother, you know, I sit there every single day at 2019 Jacksboro Highway looking out of my office window, and I see the traffic that goes up and down the highway. And we have freight companies deliver freight to us every day. They make U-turns out there.

The speed limit's 45 miles an hour. That doesn't mean anything on Jacksboro Highway. And the only way these kids are -- tenants -- proposed tenants that would live there to get to any place as far as grocery stores, schools, playgrounds, is down Jacksboro Highway.

And if you have kids, kids are going to have bicycles. There's another problem. There's no place for them to ride.

So therefore, as a mom also and a concerned citizen, I please ask that you vote against this project.

Thank you.
MR. JONES: Thank you. And we hope Mr. Funston feels better soon.

MS. FUNSTON: Thank you.

MR. JONES: Mr. Monday Esiere.

MR. ESIERE: Good morning.

MR. JONES: Good morning.

MR. ESIERE: Thank you for giving me opportunity to talk to you about our project in Port Arthur. It is called Port Arthur Townhomes. And I'm here to ask your blessing of putting our project, which has been recommended by your staff.

This project is very much needed in Port Arthur. Our grounds were should that their need -- they have a long list of families waiting for meet -- safe and affordable housing.

I met personally with Bobby Timster [phonetic], the local public housing director, and he told me they were in dire need of three-bedroom units for families. And in our proposal we are assigning 70 of the 104 units in the three-bedroom category. The balance is in the two-bedroom category.

We did some neighborhood walking on work. We talked to the people living around there, and everybody's every excited. Our project is going to be very good for the community because it has -- is providing them with a
number of amenities: a swimming pool, a community center; we have computer room that the kids will use free, and then we have lots of green area for them to run in.

We have basketball courts and, of course, swimming pool. And we are going to fence in the whole property so that people who don't live there and have no business being there don't get to that place.

We have gotten very adequate support — overwhelming support, I may say. We've gotten support from the mayor who attended the first — the public hearing in Houston, Texas. We've gotten support from the county judge, Doug Griffith. We've gotten support from Senator David Bernsen. We've gotten support from Congressman — Mr. Lampson. And we've gotten support from Joe Deshotel.

In fact when I showed Mr. Deshotel and Mr. Lampson our proposal, they were very excited. We are very excited ourselves.

I ask that you approve our project, which is very economically viable. And it's very close to our heart. Thank you.

MR. JONES: Thank you, sir. Mr. Don Paxton?

(Pause.)

MR. JONES: He does not care to speak.

Mr. Kim Vowell?
MR. VOWELL: Chairman Jones, Director Stiner, board members. Thank you for the opportunity to speak today.

I'm with the Brisban Companies, and I'm representing Wide Oak Landing Development, TDHCA 01092, that is not recommended for approval. However, for the new board members, the Brisban Companies has been involved in the tax-credit program here in the state of Texas since 1994. We've won some and we've lost some.

And ordinarily we would not take the opportunity to talk concerning the staff recommendation. But this year is different, and I would like to point out why.

I believe that some of the discussion that I have today -- other developers in this room will agree with us in terms of our perspective of how this program is working and some of the concerns that we have. I'm going to also offer a solution, I believe, that will help us get this development funded at the end of -- at the conclusion of my remarks.

The QAP rightly indicates that scoring is an important criteria, and it is used effectively in a number of developments. And we've seen that, and we also had a development that we applied for in Alvin, Texas. We failed to compete effectively against the other developer,
and we accepted conclusion of the staff.

However, in the case of Wide Oak Landing, that development in Region 6 scored higher than seven out of the ten deals that were funded in Region 6. We understand that scoring is important to staff, yet it does appear that in some instances scoring is not taken into full consideration.

In the case of Wide Oak Landing, the sole criteria used to disqualify our application was, we believe, internal, not in the qualified allocation plan, really only known to staff, and based on information which was not available to us at the time of the application.

Further, staff's contention was based on a singular statistic. It disregarded everything else but the singular statistic that there are too many tax credits in the city of Conroe.

It fails to account for the market study evaluation that all developers here are required to put together at a great expense and at great time and effort on the part of the market analysts.

Our study went to great lengths because we knew -- I talked to Cherno about this situation, and we knew that there was going to be some concern about too many tax credits in this particular market or area.

So our market study evaluated that and looked
at not only all of the developments that are at high
occupancy levels in Conroe but also took into account the
bond deal that's coming to town, which one -- a full one-
third of that is not competitive with us because they're
one-bedroom units.

It took into account that development as well
as ours and looked at all of the issues that a market
analyst takes into account. And I think we clearly
defeated the individual statistic that there are too many
units in the Conroe unit and for that reason alone should
be denied.

I have a statement by the housing authority
director, Dr. Joanne Callahan. She says, The census tells
us that the population of Montgomery County is the sixth-
fastest-growing county in the state. For those that may
not be familiar, Montgomery County is just the next county
north of Harris County and the Houston metropolitan area.

That county has gone up 63 percent since 1990
in terms of population and is expected to rise another 27
percent in the next five years. Continued explosive
growths will continue to fuel housing shortages. The city
needs to be proactive in dealing with the coming flood.
And that's from Dr. Callahan.

Although Wide Oak Landing had support from
State Representative Ruben Hope; State Senator David
Bernsen; the mayor; the city council, whom I appeared before twice; and the county judge, Bob Sadler; and the housing authority, this decision to disqualify our application was made.

And I believe that it disregarded the excellent support that we have -- the market study, the dynamics of the marketplace. If you look at Conroe, that is the very next area of growth destined outside The Woodlands north of Houston.

People can't afford to live in The Woodlands. Where are they going to go? They're going to go to Conroe. That's where the dynamics of the marketplace come into play.

And any single statistic can easily be defeated when you talk about what's really happening. When you ask the people of Conroe and the city council what's happening in their community, they say, We support this development; we would like to have you there.

We're well located. We're behind an Albertson's. We don't have a paint store next door to us. We have a bank in front.

(General laughter.)

Mr. Vowell: Cherno mentioned subjective criteria by which development is determined. We placed high on that list of subject categories: We're a
historically underused business. We're joint-venturing
with a non-profit. We're partners with the Montgomery
County Housing Agency in support of battered women. We
have a good program, one of the best that I've ever put
together in my seven years in doing developments in Texas.

We believe there's a solution to fund this
development, which is, I believe, highly qualified, and I
think would staff would say as well except for this one
statistic.

And that is the allocation cap was designated
at 65 percent of the general pool. By our calculation,
less than that number has been allocated to general pool.
Why not take the opportunity now to provide housing to
the city of Conroe? It really needs it, and it asks for
it and wants it.

We ask the board for it to allocate the balance
of credits needed to achieve the original intent of the
QAP. In the general pool it's 65 percent. Use those
funds toward qualified developments that were not funded.
And I'm speaking not necessarily on behalf of Brisban
Companies and this particular development, but also for
those developers who did a lot of hard work and
established their marketplaces and really were denied
based on single statistics that do not really take into
account the entire marketplace. Thank you.
MR. JONES: Thank you.

Question? Mr. Conine?

MR. CONINE: You mentioned 65 percent of the general pool for 2001 -- that we're -- overall we're short of that, based on your calculation?

MR. VOWELL: Based on our calculation, it appears to be short by some number of dollars. When we first calculated, it looked like it was actually 60 percent instead of 65. I don't know if something has changed. So we think we're still under in terms of that allocation.

MR. CONINE: But also, under the regional allocation formula, I think we're in excess of what allocated -- or targeted for Region 6.

MR. VOWELL: Exactly.

MR. CONINE: Is that correct?

MR. VOWELL: Yes. And yet --

MR. CONINE: So your proposal would then add on to Region 6 allocation, but generally bring the general pool from 60 to 65 or whatever it is.

MR. VOWELL: Well, I understand that. But I saw discrepancies in between how much was estimated for a particular region versus what was actually done. They were really all over the board in that respect.

But keep in mind also that we scored higher
than seven out of the ten in Region 6. And we have, I believe, the strongest support in the area.

MR. CONINE: Thank you.

MR. JONES: Thank you, sir.

Mr. John Barineau. Yes, sir.

MR. BARINEAU: Thank you, Chairman Jones, ladies and gentlemen of the board, and Executive Director Stiner. My name is John Barineau, and I'm representing Scott Street Properties, which is the administrative general partner of the Scott Street Limited Partnership that has applied for Scott Street Townhomes in Houston, Texas.

We're delighted and pleased that the staff has recommended Scott Street Townhomes for funding. On the other hand, we are concerned and disappointed that our funding request was trimmed a bit, to the extent of 11 percent of my request.

And the last two days we've been evaluating how that occurred, because we felt like we had a -- from what we were doing, had a pretty tight budget as it was and needed the funding we requested.

We understand that the main difference in opinion was with regard to the probable rents that we could achieve at this property versus neighboring properties in the area.
This is an inner-city project of the truest form in the heart of a sunny-side-up Foster Place district south side of Houston. It is a project we've been looking at for two or three years in hopes of being able to be part of a revitalization efforts.

And, consequently, when we put our numbers together, we had been realistic, in our opinion, as to what would be the achievable rent level in that type of neighborhood, vis-a-vis competing properties -- indeed, competing tax-credit properties that are in that same end of town.

And we were expecting that we would have to charge slightly less rent than the competing tax-credit projects that are already established down there in order to attract and serve the lower-income neighborhood in this inner-city area that we were targeting.

The staff obviously second-guessed us there and, as I understand, made a reevaluation of our revenue projections to the extent that we'd be able to achieve almost the maximum tax credit rent that the published limits would allow.

And, therefore, when you figure more revenue, you figure more income for debt, you can raise your debt and you can reduce the amount of tax credit you need. And that's pretty good, in theory.
Our concern, however, is that the rents that we understand the underwriting department may have figured that we could achieve, being perhaps more optimistic than we are, would in fact cause our rents to be higher than three flagship competing tax-credit properties in the area that are, from a real estate point of view, better situated: on major freeways. And that's Plum Creek Apartments, Park Yellowstone Apartments and a development of our own group, Reed Park Townhomes.

We don't think it's realistic than an inner-city property that's kind of a beginning of a revitalization effort be expected to achieve rents higher than other tax-credit properties in the area. Indeed, we felt like we would be a better bet to figure on slightly lower rents in order to be realistic in serving the lower income community in the heart of the inner city that we are targeting.

So, with that having been said, I think our market analysts would agree with the concept that we don't think that we could achieve premium rents. Indeed, we had hoped that we would not be targeted to receive any more than what the other tax-credit properties are, but certainly not a premium rent.

And our vote would be an analysis as an experienced developer: would be that we ought to figure
on slightly lower rents than properties that are in what you might call better real estate areas.

So, having said that, I would respectfully request that the board authorize the staff to look at our numbers again and consider giving us back a little of credit that we had lost versus our application so that our property will not start out with a strain.

I think there's a trend on too tight underwriting on a lot of these properties in the first place. We want to do a good job with this property. And starting off with $60,000 less annual tax credits times ten years times a syndication factor, you can see it's a lot of money to have to make up somewhere else.

Thank you very much for your consideration. Hope you'll take another look at it. Thank you.

MR. JONES: Thank you, sir. Reverend J. E. Whitaker?

Reverend Whitaker?

REVEREND WHITAKER: Yes.

MR. JONES: Excuse me. I'm sorry.

REVEREND WHITAKER: Mr. Jones and Ms. Stiner and the board. I'm here to speak already on behalf of the developers for the Ewing Villa project that is there in the city of Dallas.

I'm pastor of the Zion Hill Baptist Church
there and looking at the property directly in back of our
church. The property needs developing. And this group
have come in to develop this property. We've been in
several meetings already, and everything else seemed to be
approved.

And my family and I just came in -- if we're
asleep, you can understand we just drove in from Kansas
City and cut our vacation short -- came all the way here
from Kansas City, leaving around midnight.

At the same time, we're here. And I was
talking to the Lord even all the way down to the fact that
I wanted to arrive safely and then to simply to say to you
that we hope that you will allow this group to come in and
to approve this property.

We think that it will be a great venture for
us, because the area behind our church is a blighted and a
deserted area. And this property will be going directly
back into the DART rail line.

And with the townhouses that they're going to
be building, it's going to be the type of affordable
housing that my church is concerned about and that the
people in the community are concerned about.

And since I've been there as pastor, they have
been able to go along with many of the things that I've
asked them to go along with. So I think this will be

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another one of the ventures that the Lord asked me to come
today to show our approval for this venture. And I'm
praying that you will look at this from that angle. Thank
you very much.

    MR. JONES: Thank you, sir.
    MR. SALINAS: Which was that?
    MR. JONES: That was the Ewing Villas. And
    it's on the recommended list.
    MR. SALINAS: Okay.

    REVEREND WHITAKER: Ewing, 1050.
    MR. JONES: Thank you, sir. The next speaker
is Mr. Michael Lankford.

    Mr. Lankford?
    MR. LANKFORD (from audience): Chairman Jones,
at this time I'll pass on comments.
    MR. JONES: Thank you, sir. The next speaker
is Mr. Rowan Smith. And this is concerning the El Pueblo
Dorado Apartments, which I think is on the recommended
list.

    MR. SMITH: Board and Chairman, I have a
little -- my name is Rowan Smith. I'm from Houston,
Texas. And I have a little handout I want to give you
first.
    MR. JONES: Thank you.
    MR. SMITH: First of all I'd like to say that I
want to thank the board and the staff for coming up with this particular allocation cycle -- the recommended list and also just to thank you for the consideration that you've given to the Rio Grande Valley -- to all projects that were awarded in the Rio Grande Valley.

We've built several projects down there, and these people, for generations, have needed affordable housing. And when we see that these projects fill up extremely fast and we see the smiling faces and the success of some of the families that are living there, we want to extend that appreciation that we've gotten from the families to the board and to the staff. So thank you very much.

MR. JONES: Thank you, sir.

MR. SMITH: In this year's allocation cycle El Pueblo Dorado, which means the golden city, is recommended for a forward commitment. And one of the things that I was concerned about is that they cut the tax credits on that from what we originally requested.

And let me tell you the reason why -- I have it explained here in this little pamphlet. But one of the main reasons I want to see if we can't get that reinstated -- the amount of tax credits -- is that in the Rio Grande Valley is the lowest median area in the state; therefore the rents are the lowest in the state.
Therefore it's very difficult to get high mortgage amounts
debt for the project. So that requires a lot of equity.
So the only way these things work are in qualified census
tracts or in DDAs where you get the 130 add on.

And I noticed throughout the rest of the state
on the other recommended projects in several locations,
from Houston, San Antonio, Fort Worth, Dallas, Waco,
Temple, that the projects' credits per unit -- now this is
the credits per tax-credit unit -- on each one of these
units, there's the numbers, there's the credits. You can
do the multiplication. All of them are 7,970, 8,714 to a
unit and 11,486 to the unit, 9,262, and so forth.

We had requested $7,345 per unit in an area
where we have to have every dollar to make it work. All
these other projects have rents that are $150 to $300 a
unit higher than what we have to work with down in the
Valley.

And yet they give them more equity. It ought
to be just the reverse. The Valley ought to be getting a
lot more -- be getting 8-, 9-, and $10,000 a unit to make
these deals work.

But I can make them work at 7,345, which is
substantially lower per unit than other areas that can
raise a heck of lot more of debt than we can to make these
projects work.
The cost of construction in the Rio Grande Valley is the same as it is everywhere else in the state. I have a construction company. We do construction for other tax-credit developers all over the state, and our construction costs are just about the same, and in some cases are a little bit higher in the Rio Grande Valley because we have to import some of the skilled laborers down there, and therefore they have a higher cost, because they have housing costs and other kind of costs that they have to incur in order to provide us the services that we need down there.

So that is the argument that I have. And I'm going to request that you restore our tax credits back to a level that is sufficient enough to guarantee that this project will be completed successfully, which is, I think, the goal of everybody here is to have successfully completed projects.

I'm not saying that I won't be able to successfully complete it if I don't get that amount, but it will be very difficult. Thank you.

MR. JONES: Thank you, sir. The next speaker is Mr. Andrew Lee.

(Pause.)

MR. JONES: Mr. Lee?

MR. LEE (from audience): I'd like to --
MR. JONES: Thank you, sir.

MR. LEE: Thank you.

MR. JONES: The next speaker is Mr. Don Jackson.

MR. JACKSON: Mr. Chairman, I have some handouts.

Mr. Chairman, board members. My name is Don Jackson. I'm here representing Bachon Townhomes in Wylie, Texas.

We've given a handout showing you basically the general surroundings area of the property that we plan to build on as multi-family to the east, single-family residential to the north, the west is vacant, and we have Dallas Area Rapid Transit System on the south.

To this time no tax credit has ever been awarded to Wylie, Texas. And we have proposed 120 units with 90 allocated for low-income families. And they consist of two and three bedrooms only.

There has been in Wylie no multi-family housing built since 1980. And my business is in Wylie. It's been in Wylie for a long period of time, and it's very evident that we need some multi-family housing and some low-income facilities for the lower-income families in Wylie.

This project has been recommended by staff, and we appreciate the opportunity to speak with you this
morning. Thank you.

MR. JONES: Thank you, sir. Ms. Jill Braden?

MS. BRADEN (from audience): Same project.

MR. JONES: Thank you, ma'am. And I think you're here in support of that project. Correct?

MS. BRADEN: Yes.

MR. JONES: Thank you. Ms. Karen Langley?

MS. LANGLEY: Hi. Good morning. And thank you very much for this opportunity to address the board. I'm Karen Langley, and I'm the executive director of Family Eldercare. We are a non-profit elderly-services provider in Travis and Williamson County.

Travis County, through United Way and St. David's Hospital, just completed an elderly-needs assessment. A lack of affordable and safe housing was identified as the number one unmet need in our community.

I'm here today to support the Campbell Hoag tax-credit project called Heatherwilde, located in Pflugerville. This project has been designed to offer support services to allow older adults to age in place. It will help considerably in providing much-needed housing for low- and moderate-income elderly and seniors in our community.

I'm here also to personally thank the board for their involvement in establishing a new state law which
provides clear admission policy with regard to Section 8 vouchers. And I just really want to thank Ms. Stiner for her leadership personally in getting that passed.

These new policies will open up thousands of units of housing across the state that use tax credits to be built that were otherwise not affordable to low- and moderate-income seniors and families with children.

The median income in Austin is so high that seniors living strictly on social security could not afford tax-credit housing. Section 8 vouchers will greatly open up access for seniors and others to high-quality affordable housing.

So I want to thank the board for that new policy. It's going to do wonders for opening up affordable housing in this state.

In closing, I also want to urge you to put the Heatherwilde senior project on the tax-credit list -- I think we're wait-listed -- as it is greatly needed in our community.

And I also just want to thank you personally for our capacity building project. We hope to become larger in providing as a service providers for seniors. And this will give us an opportunity to learn, to build our board and our staff's capacity to be a provider as well as a service provider.
We provide a lot of community support, and the city and county has asked us to take a larger role in actually building. And we have a Section 202 HUD support services application in, so this will really help us be able to be a good housing provider in our community.

Thank you.

MR. JONES: Thank you. Our next speaker is Ms. Marlene Hagsfeld.

MS. HAGSFELD (from audience): [inaudible]

MR. JONES: Don't care to speak?

MS. HAGSFELD: Yes.

MR. JONES: Thank you. I love your occupation.

MS. HAGSFELD: Thank you. It's a lot better than tax credits.

MR. JONES: I got you.

MR. CONINE: What is it?

MR. JONES: It's goatherd.

MR. CONINE: Sounds similar to me.

MR. JONES: I thought you were a goat.

Mr. Sherman Roberts.

(No response.)

MR. JONES: Mr. Sherman Roberts.

(No response.)

MR. JONES: Let's see. Ms. Charletta Compton?

She's speaking of Ewing Villas, which, I believe, is
recommended.

MS. COMPTON:  Good morning.

MR. JONES:  Good morning.

MS. COMPTON:  My name is Charletta Compton. I'm a member of the Dallas County Community College District Board of Trustees representing District 7, which spreads throughout southwest and southeast Dallas County. I've been asked to be here this morning to speak on behalf of Mr. Burl Ridge, president of the Cedar Crest Neighborhood Improvement Association located at 1935 Cedar Crest Boulevard in Dallas, Texas. Mr. Ridge could not be here today.

We are in support of the Ewing Villas project Number 01050, Region 3. This project will represent the first meaningful development in our community in the last 30 years. It will also start the revitalization of an area in our community that has been stagnant and neglected for far too long in terms of new and affordable housing.

We believe the project will set the tone and serve as a standard of expectations for potential developers in the futures. The project's developers have been responsive to working with the community and addressing our needs and concerns during their planning. We are committed to working with them and offering any support necessary to assure a win-win situation for
everyone.

We thank you for your recommendation and urge you to approve this project. Thank you.

MR. JONES: Thank you. Mr. Jay Oji. He, too, is speaking to the Ewing Villas.

MR. OJI: Yes, sir. Mr. Chairman, my name is Jay Oji. I'm the president of Sphinx Whitman Corporation, the applicant for Ewing Villas Apartments. For the record, the number is TDHCA 01050.

The proposed development is an 80-unit all-townhome development, mostly of two and three bedrooms. It's really a gated community. The project is uniquely qualified as an in-fill housing in a Dallas neighborhood that has not received any tax credits in the last ten years. The neighborhood has not received any major development in the last 20 years.

After considering the handouts we have had enormous from the neighborhood, from the city, from the elected officials also. But most importantly, we have a tremendous support from the dominant landowners in the area: the Dallas Zoo, as well as DART, the Dallas Area Rapid Transit System.

Not only will this project be complementary to the area's current and future comprehensive land use, it will enhance the utilization of the currently obligated
infrastructure within the area.

Our development team, Mr. Chairman, with all due respect to our competition, is an array of top-notch federal housing providers in the state of Texas. Three years ago our company was lucky and became a recipient of tax credit for the rehabilitation of development of an old abandoned and dilapidated Fort Worth High School.

Mr. Chairman, that project, TDHCA Number 98169, the Homes of Parker Commons in Fort Worth, was recently completed and achieving a tremendous lease status for 192 qualified tenants.

Like Parker Commons, which is an in-fill housing development, the proposed community of Ewing Villas is yearning for revitalization. With your approval, based on recommendation from staff, the proposed townhome community will become a catalyst for a substantive development of the area.

I ask your support, Mr. Chairman and members of the board, in approving the tax-credits funding for the proposed Ewing Villas. Thank you very much.

MR. JONES: Thank you, sir. I believe that is all the speakers that I have concerning tax credits.

Okay. One more. Mr. Jay Stewart.

MR. STEWART: Mr. Chairman and board members, my name is Jay Stewart. I'm an attorney here in Austin.
I'd just like to briefly discuss one application that has not been discussed today.

The application I would like to discuss is TDHCA Number 01061 in Temple, Texas. It's name is the Veranda Apartments.

The application was not recommended by the board -- or to the board from staff for approval because -- and I quote -- the City of Temple provided a ranking of which projects best met their needs. They selected project number 01111.

We've had testimony today from the mayor of Temple expressing their vote, and we certainly do respect that. But I would like to bring to the board's attention several issues regarding this recommendation.

While it's true that the city officials did in fact support this other project, the support was by no means unanimous. And I'm not sure whether the board is aware of it or not, but there are several hundred letters of support from citizens of Temple supporting the Veranda Apartments project, and that's on file with the TDHCA staff.

In fact, the citizens of east Temple community supported the Veranda over staff's recommendations of 01111, and that's referenced in those letters.

From conversations that we've had with
officials of the city of Temple -- city council members, city manager -- as well as state representatives and members of the state senate or staff, no one has voiced any opposition to the Veranda Apartments. And I think that's important.

For those of you who are not familiar with the two projects, the two sites are directly across the street from each other. Both are new-construction, mixed-income family developments.

The Veranda Apartments, the one that was not recommended and the one I represent, scored 79 points, compared to 77 points for the staff-recommended project. The number of credits requested by our project was $637,945 versus $817,075 in credits recommended to be awarded to project number 01111. That is a difference of $179,130.

Staff's recommended projects provides for 103 units compared to 92 units that the Veranda Apartments would provide. And that breaks down to an increase of almost $18,000 per credit for each unit or almost $180,000, or 1.8 million in tax credits over ten years for only an additional ten units.

As we've heard earlier today, the staff looks for the bang for the buck. That is not what I would call the most effective and the most efficient use of tax
credits.

We'd request favorable consideration for project number 01061, the Veranda Apartments in Temple. And I would certainly be open for any questions.

Thank you, Mr. Chairman.

MR. JONES: Thank you, sir. The next speaker is Mr. Brian Cogburn.

MR. COGBURN: Chairman Jones, my name is Brian Cogburn. I submitted the Quick and Holly Townhomes in Willis, Texas. It's located in Montgomery County, a fast-growing county. And we were not recommended for credits.

However, I think it's appropriate to thank the staff, respect their decision and acknowledge that they've done very hard work on these projects in that there's not enough credits available for everyone.

Their diligence on the applications is very appreciated, and they've done an excellent job of their objectivity in scoring and how they've gone about approaching the process. And I really appreciate, you know, getting the notice last week on how the scoring took place and being allowed to meet with them, you know, later in the process and see how those applications can be strengthened in the future. Thank you so much, sir.

MR. JONES: Thank you. Mr. Todd Borck.

MR. BORCK: Chairman, ladies and gentlemen of
the board, thank you very much for the opportunity to speak in front of you here today.

I just wanted to let you know this is our first endeavor into Texas. We're originally from Florida. And we had three applications in this cycle and were not successful on any of those.

VOICE: Welcome to Texas.

MR. BORCK: Thank you. However, I have some talk about your process going a little bit more towards the Florida process. I urge you not to do that. It's very painstaking, and staff here has a tough job. Don't make it any tougher on yourself. Thank you very much.

MR. JONES: Thank you, sir. Now, I believe, board members, that we have heard from all the speakers with regard to tax credit. Is that correct?

(Pause.)

MR. JONES: Delores, is that correct?

MS. GRONECK: Yes, sir.

MR. JONES: If you handed me any more, I might hit you. But go right ahead, you know. I would like to read into the record for the board members a letter that we received from State Senator Chris Harris. It concerns the Barden House Senior Apartments in Arlington, Texas, which, I believe, are not on the recommended list.

Is that right, Ms. Stiner?
MS. STINER: No, sir, it is not.

MR. JONES: 

"As you are aware, recommendations were recently released for the allocation of low-income housing tax credits for this year. At this time I would like to request your approval of the Barden House Senior Apartments in Arlington.

"Arlington is a city of approximately 332,000 residents, and, as to population, historically has received roughly about one-half of what many other cities have received of the overall financial credits issued by the Texas Department of Housing and Community Affairs.

"I want you to personally know that Arlington has significant affordable-housing needs. Please consider the fact that Barden House is a special situation, although it perhaps receives a lesser scores for too many affordable units.

"While it is more than five miles away from the closest Arlington senior apartment community and could be considered concentration, it is a solid investment for the program.

"This particular project has been designed for the affordable housing needs in the Arlington market and is extremely important for the residents in this area.

"Thank you for carefully reviewing this application and giving serious consideration for this much
needed program for this growing area of our state."

Signed, Senator Chris Harris.

All right. With that, I would turn our attention back to our agenda, showing that --

MR. CONINE: Could I recommend we take a five-minute break --

MR. JONES: You sure can.

MR. CONINE: -- before we get too far into this?

MR. JONES: That will be fine. So we will take a five-minute break. We'll be back at 11:30.

(Whereupon, a brief recess was taken.)

MR. JONES: -- against Delores for handing me another witness affirmation form. It will be some type of execution, but we'll have to decide exactly what type.

Mr. Edelbrock.

(No response.)

MR. JONES: Mr. Larry Edelbrock.

(No response.)

MR. JONES: Mr. Larry Edelbrock.

(No response.)

MR. JONES: If somebody's out in the hallway and could mention that name for me, I sure would appreciate it.

VOICE FROM AUDIENCE: He's not in the room.
MR. JONES: Excuse me?

VOICE FROM AUDIENCE: He's not here in the room.

MR. JONES: He's not here. Move on. The audience is now taking the position of chair, which would probably serve us all very well.

Mr. Edelbrock?

VOICE: Mr. Edelbrock is in the hallway, and he'll be here in one second. Is there any way he can be deferred for just two minutes?

MR. JONES: Excuse me?

VOICE: We're trying to get him right now. He stepped into the hallway.

MR. JONES: Okay.

VOICE: He'll be -- I'll go get him.

MR. JONES: That would be wonderful.

(Pause.)

VOICE: I found him.

MR. JONES: Okay. Mr. Edelbrock?

MR. EDELBROCK: Yes, sir. After the testimony on Wichita Falls at the beginning of the hearing, I felt that I should probably respond to some of the inaccuracies presented by some of the people.

Let's -- I want to talk site specific. The zoning on this property was approved April 1 by a 6-0 vote
of city council. So it's properly zoned general
commercial. In that zoning you can build apartments and a
few other things.

This fits into the comprehensive general plan
for the city that was adopted in 1995. Dave Clark from
the city here to back me up on that. This is in the flood
plain. It's in the 500-year flood plain, which probably
half of Austin's in.

The entrance is on Jasper Street. The
difference in the project from last year's submittal to
this year is we reduced the size of the acreage from ten
and a half acres to six acres, made it a smaller project.
That's so the entrance is not on Jacksboro Highway. It's
on Jasper Street.

Some comments were made that there's no parks
or schools in the area. Well, in the maps that we
presented in the application, I have two parks within
three blocks; I have two elementary schools within three
blocks; I have a Boys and Girls Club, which I have 100
percent of their support on, three blocks away also. So
we have a lot of family stuff going on in the area.

The photo that was presented today, which I
didn't see -- but it was probably the same one that was
presented at the Dallas hearing -- was a -- you know, a
zoomed in photo -- aerial photo.
We had to present a photo from the city that showed the area in a little broader area. And this property -- there's a flood-control channel on the back side of the property, which, by the way, has already -- they've already allocated the money for a city bike trail that fits into the park system, which will be right on the back side of the property.

In the zoomed-out photo you can see that there are single-family residences right across the river channel, which is probably 100 feet wide. There's housing across Jacksboro Highway, which, there's two houses that are even closer to this facility that's next door to me -- the opposition -- than my project will be as -- they're closer than my project will be to his.

TDHCA staff visited the site. They're happy with the site. They see no problems. My opposition said -- of the seven opponents that were against this project that voiced their opinion, I believe only four of them were property owners. The people -- the 36 people that were in favor of our project represent 75 percent of the landowners within a mile of this property -- a radius of a mile. They're all for the project.

As far as the senator's office, the senator's office for some reason has been interested in this project for 18 months. And he's talked to the city -- consulted
with the city on it.

The city has gone out and done a full investigation of my opposition's business, of the site, how the things interact. City Manager Jim Garzano [phonetic] issued a letter that I think's in the application -- it was certainly sent to TDHCA -- a two-page letter saying the city has no problems with the site, they like the site, they like the deconcentration issue.

They're hoping that this is going to provide the impetus to get this area going a little bit. There is a golf course within probably a thousand feet of the property -- the night -- you know, country club in the city. So it's a good area.

So that's the facts about the property. I've been involved with this for 18 months. I visited with Dave Clark, the community development director, January of last year. Went into his office, said, Dave, I'm thinking about submitting a project here. Have any ideas, you know? How about on the south end of town where the obvious QCTs were?

He says, We're not interested down there. We're interested in deconcentrating -- spreading it out in the city. We want to get a better mix in the whole -- as far as the whole city goes.

Well, that's exactly what I did. I picked this
site out, talked to them about the site. You guys like
the site? We're 100 percent in favor of the site. The
city is behind you 100 percent.

I submitted the project last year. We didn't
receive the credits. We were a couple of points low. And
here we are this year. I have the same opposition from
January of last year. I guess the guy just purchased his
building in January of last year. He mentioned the fact
that they want to expand their business.

Well, as of today, this very minute, the city
has never talked to him, they've never gone in and talked
to him about expansion. And, furthermore, if they were to
want to expand their business, I'm sure the city is going
to have a say-so in that, because, you know, they're in a
light industrial zone now, and it's probably -- you know,
that's it.

And so for all this stuff to come up right now
and to downgrade this project, which is approved by
everybody in city government in Wichita Falls -- they
mention that they have 2,000 signatures. The 2,000
signatures they have -- they sent to registered voters.
They've never presented anything to the city.

These signatures were gathered at a flea market
on a Saturday and a Sunday. And the question, as I
understand, is -- the question was, Are you in favor of
spot zoning or not? Of course, everybody's going to
probably say, We're not in favor of spot zoning.

    That somehow has tumbled into my project. My
project's not a spot-zone project. I'm in the
comprehensive general plan adopted in 1995. It's passed
zoning, 6-0 in favor. I've had support from all the city
council members. They spoke last year at the -- a couple
of them came down and spoke at the hearing in Dallas.

    And, you know, that's the status of the
property. That's -- I didn't really want to get involved
this deep, but I think a lot of things had to be brought
to the table that -- you know, clear up a lot of issues.

    And if you have any questions on some of the
stuff I said as far as from the city, you know, Dave Clark
will be happy to vouch for what I've said, I think.

    MR. JONES: Yes, Mr. Conine?
    MR. CONINE: Would you clarify for me again --
    once again, the zoning, because I'm stuck up on that,
because in the application it says something about light
industrial, and then it says something about being
rezed, May 1, I think, to commercial.

    MR. EDELBROCK: General commercial.
    MR. CONINE: So that's what the current --
    MR. EDELBROCK: Yes.
    MR. CONINE: -- zoning of the property is.
MR. EDELBROCK: Yes. And in general commercial you can do this, this, this. And you can build multi-family.

MR. CONINE: Okay.

MR. EDELBROCK: So it's properly zoned, 6-0 in favor at city council. So the city's aware of what we're doing there. They've been behind us for 18 months. They're not interested in putting in more housing on the south side of town. They already have two Section 8 projects. Two tax-credit projects exist down there. There's no transportation down there. There's no parks. I don't the school is within two or three miles. I've got two schools within three blocks.

MR. CONINE: But when the unsophisticated business around that property checks on the zoning and it says commercial, well, you know, logically, you would think it's going to be a commercial-zoned piece of property as opposed to the cumulative zoning which Wichita Falls obviously allows.

MR. EDELBROCK: Well, it's interesting. Our supporters, of which 75 percent are landowners -- the largest landowners within a mile and a half of our property are in favor of the River Glen Apartment project: not zoning, River Glen Apartment project.

The only opposition I've had is from a next-
door neighbor and his wife, one of their tenants, and one 
other landowner down the street. That's it. And that has 
shaded, you know, what's happened here at the state -- you 
know, I mean, it's a fact that we're here now and we're 
talking so much about it.

But, please, I hope the board will take into 
consideration the city's wishes, the time the city's put 
into this. Dave Clark's come down here for the second 
time in this operation. And he has so far been a good 
friend, and he is totally in favor of this project, as is 
the rest of the city. So -- I mean, that's the status 
from our view.

MR. JONES: Yes. Mr. Bogany?

MR. BOGANY: Could you show me on here where 
the elementary school is? You said it was three blocks.

MR. EDELBROCK (away from microphone): You 
can't see it on the map, because the map is too close in.

MR. BOGANY: Yes. I know it's zoomed in, but 
if you can just kind of give me an idea.

MR. EDELBROCK: Okay. There's a school about 
right here -- one over here (indicating). And then 
there's one over on this side over here (indicating). 
There's probably a map in the application showing the 
schools and the parks.

MR. BOGANY: So what's happening now is that,
to get to this school, I guess the Wichita Independent
School District will bus these people over here?

MR. EDELBROCK: No. There's a road right here.
This road goes through this bridge right here.

MR. BOGANY: Okay.

MR. EDELBROCK: So it goes over there. Here's
the trail that will be -- you can see. There's a school
right over here. This is all single-family right in
there -- all single-family. Of course, the single-family
houses are going to be closer to this building here end up
being right here.

MR. BOGANY: Okay. Thank you.

MR. EDELBROCK: Here's the map right here. Let
me -- a little more --

(Pause.)

MR. JONES: Any further questions?

MS. SAENZ: Mr. Chairman?

MR. JONES: Yes.

MS. SAENZ: Did the city conduct some type of
risk factor in building here or did they -- any kind of
assessment? Do we have a copy of anything?

MR. EDELBROCK: Well, I have two independent
third-party Phase Ones I've done on the property: Apollo
Engineering out of Houston, Morris Keene Associates out of
Wichita Falls. They say I have no problems. On my site I
have no problems.

   The city went out in response to Senator Haywood's questions for the last 18 months, and they finally addressed them. They went out there and conducted a survey themselves over a week period.

   They sent a two-page report which is in the record we presented at the hearing in Dallas -- I think Dave did -- from City Manager Jim Garzano saying, The city has no problems with that site, no problem with putting multi-family there. And they were happy with the selection of site. They think it would good for that area -- that community.

   The three largest employers in Wichita Falls are within three miles of this facility. And there's bus transportation -- a bus stop right on the corner. So it's an area in transition, but it's definitely in the city's plan that they want this project on that site.

   MR. JONES: Any more questions?

   MR. SALINAS: Would we have any liability as far as enjoining the city support if somebody would walk away from that project and go into that canal and drown? Would those families have a legitimate way of getting to the city and to you and to the state -- if we would kind of have a legal opinion as far as the -- as our commitment or liability on that site because you're going to have a
project next to a canal or a drainage.

MR. EDELBROCK: It's -- what is it? About 30 feet wide?

MR. CLARK: There are six apartment complexes immediately adjacent --

MR. EDELBROCK: Exactly.

MR. CLARK: -- to this Holiday Creek.

MR. EDELBROCK: On the creek as it goes through the city.

MR. SALINAS: Yes, but there is -- I mean, as long as they give this body indemnification clause where we will not be liable for anybody that would go into the creek -- you know --

MR. EDELBROCK: It's a creek that goes through the city that's open to every person who lives in there. There's houses -- single-family houses throughout the creek all the way through the city for miles.

MR. SALINAS: But who would answer that question? Our legal counsel?

MR. JONES: Yes. Betty --

MR. SALINAS: Would we have any liability at all?

MR. JONES: Betty? Betty? We've got a question for you all. The question is, is there any legal liability arising from the fact that the project is so
close to this drainage?

MR. EDELBROCK: A creek. It's a creek.

MR. JONES: You understand what we're talking about?

BETTY: Yes. I'm sorry --

MR. JONES: If you do, will you come to the podium, please?

Or, Don, do you want to?

MR. JONES: This is Don Walker from the Attorney General's Office.

MR. WALKER: Yes. My name is Don Walker. I'm with the Attorney General's Office. And this is not specifically my area in terms of liability of this type of nature.

But, generally speaking, the State has immunity from liability, except under the Tort Claims Act. And with that there are some requirements in order for that act to apply.

Generally speaking, cities enjoy immunity from suit and liability as well. In terms of the development itself, I'm not really in a position to speak to that.

MR. JONES: Thank you, sir.

MR. EDELBROCK: You know, just a point of clarification, is that, on the back side of the property -- our whole complex is fenced. So, you know,
it's not like someone's just going to be walking out and disappear into the bank. The water in this --

MR. JONES: Yes. Mr. Bogany?

MR. BOGANY: In the project itself, what kinds of playgrounds and things of that nature are you going to have for the children?

MR. EDELBROCK: Well, typically, you know, we have, you know, you know, swings, a volleyball court, community rec center, computer learning centers, barbecue areas; I mean, you know, it's kind of the typical stuff we do in all the projects.

MR. BOGANY: Okay.

MR. JONES: Further questions?

(No response.)

MR. JONES: Thank you, sir.

MR. EDELBROCK: Thanks.

MR. JONES: Now, I believe I don't have any more witness affirmation forms. Right?

VOICE: Right.

MR. JONES: Get away. So we will turn our attention to Item 2(a) on the agenda, staff recommendations of projects for 2001 low-income housing tax-credit program allocation round and issuance of commitments.

MS. STINER: Thank you, Mr. Jones.

ON THE RECORD REPORTING
(512) 450-0342
I'm going to ask the LIHTC staff to come forward and make the presentation on applications and applicants that are recommended under the 2001 tax credit allocation round. Mr. Njie?

MR. NJIE: Before I begin, I think I'll take an opportunity to respond to some of the comments that were made earlier.

First, with respect to the project in Ennis, Texas, we sent a team to evaluate the project and the location of the proposed project, and they came back with a report that it was a poor site; it was an isolated site for an elderly project.

It may well be part of an ongoing or a planned community development, including other developments -- single-family, et cetera, but at the moment right now there is nothing on the site. And this will be a solitary elderly project out of nowhere.

In addition to that, if you look at the number of allocations made in the city of Ennis compared to other communities in the region, looking at it on a per-resident basis, it is three times higher than that made in the city of Dallas.

So, for those two reasons, the project was not recommended, although it scored high in the point system.

Regarding River Glen, because of the furor
relating to this project, I went to Wichita Falls to look at the site, and I walked the site to get an assessment of the concerns raised by Mr. Funston at the Dallas public hearing.

I met with the city officials and found out what their concerns were. The project has a creek on the southern edge of it. It is also within walking distance of elementary schools. If you stand on the property within 200 feet, it is also within 200 feet of an existing single-family development.

It is an area that is of mixed use, both light industrial and residential, so this project affords the City of Wichita Falls an opportunity to deconcentrate its low-income projects, and that is part of the reason we are recommending it.

There are recreational facilities close to the site. There is a Boys and Girls Club just next to the elementary school in that area.

So I just wanted to state that for the record that we took special steps to go and look at the site so we can get an independent assessment of the concerns.

On the Conroe project, as well, looking at the score of the project relative to other projects in the Houston area -- if you look at Conroe in terms of population and look at the city of Houston in terms of
population, the allocations to Conroe were three times higher than the city of Houston.

    Given that disparity, we made a decision that the credits would be better utilized in the city of Houston rather than Conroe. That doesn't mean that we don't recognize the need for affordable housing in Conroe. It's a question of relative merit given limited resources, and that choice was made.

    There were other comments made regarding the Scott Street Townhome project. I would like to call on Tom to comment on that and also the project in Pharr that Mr. Smith spoke about earlier.

    MR. GOURIS: Tom Gouris, director of underwriting for the Department. On the Scott Street project, the reason that the rents that we did use for the tax credit rents were higher than what the applicant had indicated is because he also had some market-rate units in that project which are higher still than the 50- and 60-percent rents that we were utilizing. And the market study substantiated those market rents.

    And given that fact, we didn't feel that it was appropriate to reduce those 50- and 60-percent rents, because there would be no mechanism in place to ensure that those rents would actually be ultimately the rents that they would charge.
We did talk at considerable length the last couple of days about other options for that project, and one potential option would be to require that the rents be LURA'd at a lower level, but allow the income level still to be at the 50- and 60-percent rents. And that might allow us to then evaluate that a little bit differently. We didn't get to any firm resolution on that, but that's one possible solution.

MR. CONINE: Which project are you talking about?

MR. GOURIS: This is Scott Street.

MR. NJIE: In Houston. It's 1040, I believe.

MR. CONINE: Okay.

MR. NJIE: Region 6.

MR. CONINE: Okay. Got you.

MR. GOURIS: And the project in Pharr, did you say?

MR. NJIE: 35.

MR. GOURIS: The project in Pharr, the issue there was that the project costs were higher than what we had anticipated using our evaluation techniques. And so it's a simple situation where we believe that there's less need for funds for that project, and we adjusted that accordingly. And that's pretty consistent -- well, it's not pretty consistent. It's absolutely consistent with
what we do with all the projects across the state.

MR. NJIE: With that, I will go ahead and read the recommendation. Before I do that, just make a statement that we will continue to work with these two applicants. Hopefully we can, in the coming month or so, see if there are additional ways that we can make those projects a little bit more whole in terms of the credits that were reduced.

We recognize the points raised by Rowan Smith regarding the lower rents in the Valley and the need for more equity to be able to finance the project. So we don't want to handicap a project from the get go.

So we will pray to the board to go ahead and look at those projects again and -- with the intention of adjusting the credits upwards.

With that, I will commence the reading of the list. We begin with the first region. Project number --

MR. JONES: Could I ask a question? Is there any reason we couldn't submit the written list as opposed to reading it to us since we've all been submitted it?

MS. STINER: Yes. And we've already discussed changes that the staff is proposing to make to the list at this time.

MR. JONES: Thank you. If you would do that, I would appreciate it, and then submit the written list with
the changes to the court reporter so she can put it in the record --

MR. NJIE: Okay.

MR. JONES: -- so we'll know what we're speaking of. But we all have your written recommendation.

MR. NJIE: You're right. The only change -- well, there are a couple of changes that we would like to make -- and that is in Region 8A.

One of the projects we had put on the waiting -- on the forward commitment, number 1064, O'Connor Road Seniors in San Antonio. Instead of a forward commitment, we are recommending an allocation for that project in the amount of 461,821.

MR. SALINAS: But that's not in your list here.

MR. NJIE: That's correct. That is in the forward commitment recommendation. So we have --

MR. SALINAS: Wouldn't it be better that you would look at all of them that have not been recommended by your staff -- that all of them that are left over be looked over again and finally put on the forward commitment?

Wouldn't that be a lot better and give everybody a chance to regroup with you, like you said, about Pharr? And this way everybody else would have a better chance of getting probably a recommendation from
the staff, and not only use one or two. I mean, there are a hundred of them left over.

MS. STINER: Let me respond to that, please, on behalf of the staff, Mr. Salinas. The forward commitment is limited by the percentage of credits we could take out of 2002 round. So that would be limited.

Staff recommendation, as it has been presented to you, we had concurred with the Chair that we would just forward those to the committee for your consideration.

What Mr. Njie's attempting to do is to offer for the board's consideration -- moving one development from the forward commitment to the approved list. But if that presents a problem, we will defer to the board and make the presentation as to what we've been presented.

But in terms of taking a look at all of the other developments that have not been recommended, the forward commitment is capped at a certain amount of credits, so that would not be a possibility of funding those projects -- all of them. You'd have to make some decisions.

MR. SALINAS: Well, my question here --

MS. STINER: You have to make some decision --

MS. SALINAS: My question -- you'll have to excuse my ignorance -- is, you know, this is my second meeting. And the thing is that I'm looking at how much
money does a applicant spend to come in to compete and
donor when we're going to have the obligation to tell those
people that applied in the pre-application, say, Well, you're not going to be able to get recommended by us, so they can go ahead and go on their merry way back home and they won't spend any more time.

Now, you have almost about a hundred of them left over that did not get recommended by the staff. How are we going to be able to address those people that are asking for those tax credits? We just tell them to reapply the following year?

Or do we have some people that have gotten tax credits last year and the year before and the year before, and therefore they're getting some this year? When do we give somebody else the opportunity? Or is it graded on their performance as far as their package?

MR. NJIE: Well, the -- as Ms. Stiner indicated, the forward commitment is capped to 15 percent of --

MR. SALINAS: I understand that.

MR. NJIE: -- next year's allocation. And the normal process is to reapply.

MR. SALINAS: To reapply.

MR. NJIE: That's correct. To reapply next year. Because this is a competitive process, some
applicants are successful and others are not. And the
avenue we have for most of them really is to reapply.
They will be awarding these from the forward commitment.
But the overwhelming number of applicants will simply have
to reapply for next year.

In making the recommendations we do take into
account the -- our desire and the QAP's admonition to
spread the credits around without diminishing the quality
of products.

MR. SALINAS: I understand.

MR. NJIE: But that is all factored into the
allocation process and the recommendation. You can do all
of that and still end up with about a hundred people
unsuccessful either as potential wait-list projects or
forward commitments. And their only avenue, therefore, is
to reapply next year.

MR. SALINAS: I understand that. But how about
the question when somebody gets funded '99, 2000, 2001 --
I mean, gets tax credits every single year, and other
people that continue to apply do not get tax credits?

MR. NJIE: Provided that --

MR. SALINAS: Is that performance on their part
or --

MR. NJIE: Provided their application is
competitive, we will evaluate it every year. Like I said,
it -- we don't take the position that, just because you've applied three times in a row, the third time you're automatically invested with an allocation.

MR. SALINAS: My question was, people that get tax credits every year and approved by this board every year -- I mean, that's just a question. I mean, one got --

MS. STINER: I think --

MR. SALINAS: -- tax credits last year --

MS. STINER: -- we can answer that.

MR. SALINAS: Okay.

MS. STINER: The provision in the QAP is that an applicant is capped on an annual basis. There's no provision right now in the QAP that an applicant cannot be successful from year to year. I think that's the answer.

And the QAP, of course, is the rules that we go by.

But there is no prohibition in the QAP currently that if you successfully compete from year to year that there's a cap or a limitation on how many times you can compete well.

There is a provision in the QAP to provide credits to as many applicants as you can without diminishing the quality of the credits. So I think that is the exercise that the staff went through this time around. And, while there are some applicants that compete
every year that don't compete well, there are no points or -- in the scoring criteria to advance them forward.

I do want to, of course, also answer the question relative to the pre-application. The cycle, as it's currently set up, as Mr. Njie has responded to your question, those unsuccessful applicants are -- you know, are not considered in this particular round, and a business decision of the applicants is to reapply next year.

One of the things that came out of this particular legislative session is a pre-application process that the staff has already started working on for 2002, which is upon us sooner than we would think. So they've already worked through the mechanism of setting up a pre-application.

So for those applicants who wish to take advantage of that they'll then have some indication -- a better indication of if they're going to be successful or not and whether to pursue or forego an application in the allocation round. So that is one thing that has come out of this session in that we're implementing that.

But this particular application cycle, those who were unsuccessful won't have an avenue for reapplying until next year.

MR. JONES: I'd kind of like to piggyback on
the mayor's comments. I think he hits a point of concern that this board has had for a number of years. I know at the last round last summer many board members expressed concern that we wanted diversity among the developers that were, shall we say, the victors in this process each year.

And I do hear the board every year express the same concern that the mayor just expressed. And, you know, my feelings are that I know that staff has heard that, and I know that I have heard from many staff members that they are dedicated to the idea of diversity among developers also.

But I don't see us all getting there and viewing it the same way. And I do think that, you know, the executive director has raised the issue of one way to get there is to go to the QAP and those rules.

I think, unfortunately, when you do that you take away discretion from staff. And I think one of the things that has been of real benefit to the fact that this program has been successful as it has been as compared to other states is some of the discretionary features of it.

But the fact that we can't seem to resolve this issue between board the staff and that the issue comes up again year after year may mean that it is something that will be addressed in the QAP. But I do understand where the mayor's coming from and his comments.
MS. STINER: I will offer -- and, hopefully, I can offer this. I hope this is not viewed as a issue between the board and staff. It's an issue, as I've said to you, Mr. Jones, on many occasions, that the QAP is the rule that governs the program. And the success of getting a prohibition of that nature in the program in terms of criteria I think will need to be reflected in the QAP.

To the extent that it's the wishes of the board and the public that a developer, you know, sits out a round -- and I think that's what we're talking about -- and cannot be successful year after year, will have to be reflected, I think, in order for that not to become a discretionary criteria, to be very explicit in the QAP.

And I think, you know, making those kind of decisions would have to be very explicit and rules that the staff would follow. And --

MR. BREWER: Well, Mr. Chair, I'd have a problem with that in that I believe that our charge is to put houses on the ground for people, not necessarily to pick developers, and that --

MR. CONINE: Mr. Chair, if I might, I've got a couple of generic questions before we go much further. Cherno, I want to get into the math a little bit --

MR. NJIE: Sure.
MR. CONINE: -- right quick. This year's credit had an allocation per region.

MR. NJIE: That's correct.

MR. CONINE: The regional allocations were based upon population, or was there some other factor that contributed to the allocation process?

MR. NJIE: Well, the formula was developed years -- in three variables. I think that housing -- poverty levels, I believe, or cost burden for low-income tenants. And the third factor was, I believe, substandard housing. So those were the variables that we used to generate the regional allocation formula.

MS. STINER: May I interject?

VOICE: Sure.

MS. STINER: Not that you are incorrect, Mr. Njie, but the staff who developed the formula and took public comment on it across the state is here.

Ms. Anderson -- didn't I see Sarah Anderson here? If there are any further -- did he --

VOICE: He got it.

MS. STINER: He got them right. Okay. Thank you.

MR. CONINE: Okay. And correct me if I'm wrong, but the Legislature also has encouraged us to do this as well. Correct?
MR. NJIE: That's correct. That is -- it is law.

MR. CONINE: So I guess what bothers me in looking at the numbers is that we fell short in five of the eleven regions in hitting the allocation targets. Can you just give me a generic comment on -- and then we might talk about one specifically, being the Valley, that I know the Legislature has an extreme interest in.

MR. NJIE: Well, the regional allocation formula provided us with targeted credit amount in each region, and we used that as a target to allocate. Now, when you receive applications, some regions are more competitive than others, so you move the credits around based on that level of competitiveness that you have in the allocation round.

And so that is exactly what we did in this region -- in this allocation round. We made adjustments, which are provided for in the QAP, because some regions didn't have the level of demand that others have, in order to make those projects viable and to make those allocations and specific set-asides.

MR. CONINE: Did we not have enough applications within a given region to exceed the allocation in all cases?

MR. NJIE: Well, I think that -- in Region 1,
for example, I don't believe that we had enough in Region 1. Can somebody give me Region --

MR. DAROSS: Region 9 also, I believe.

MR. NJIE: Region 9.

MR. CONINE: You were $100,000 short in Region 1. There's two projects that total 600,000, so there's -- that didn't get allocation. So that met that criteria.

MR. NJIE: The -- basically, the allocation -- or the targeted amounts in each region do not readily translate to a project, so you have to make adjustments. If you were to just look at each region and say, Well, this is exactly how I'm going to make it, you'll have to restructure a lot of projects to get that -- to be able to use that. So we made adjustments for that as well.

MR. CONINE: But let me get back to the facts here just a minute. Weren't there enough projects in each region to be able to meet the allocation targets within each region, if you wanted to -- if the staff chose to do so?

MR. NJIE: Let me look at my map for the regions.

MR. CONINE: Okay.

MR. NJIE: Brooke --

MR. CONINE: I can give you a quick synopsis, if you'd like. You were $100,000 short in Region 1. You
were $30,000 short in Region 5. You were $160,000 short in Region 7. You were $400,000 short in Region 8A. And you were a million dollars plus short in 8B.

(Pause.)

MR. NJIE: Yes. The targeted amounts that you have read -- those are the variances we have in the different regions. That's correct.

MR. CONINE: So what you're saying is that the staff, when they came up with their recommended list based on the quality of the projects and all the other factors, even though I guess I could probably pick a region and go down and pick scores that were -- you know, was in the range of acceptability, the staff still chose to weight different regions with more projects, because, obviously, if you were short in some, you were in excess in other regions.

And I guess I would wonder how the Legislature mandating the allocations in those regions affected your decision in still coming up with shorting five out of the eleven.

MR. NJIE: It's not a question of shorting five. It's a question of rearranging the allocations so that you can generate projects that are economically viable. I mean, the regional-allocation target doesn't say that if the region doesn't have any sufficient amount
of credits you should allocate anyway. That's not what
the mandate is. The mandate is to use those as targets --

MR. CONINE: Right.

MR. NJIE: -- and make adjustments where
necessary. And I think that is what we sought to do.

MR. CONINE: Okay. I got another question.

Based on what formula did we arrive at the
forward commitments for 2002 number?

MR. NJIE: That's a 15-percent number. The
forward commitment is always 15 percent of the allocation
per capita for the following year.

MR. CONINE: Yes. I'm more concerned with
specifics as to what -- we just had a census in this state
that showed we had 21 million people. We just had a bill
passed in Congress that said we get an increase in tax
credit over two years.

By my calculations we're woefully short in our
forward commitment list as to the amount of credits that
we should receive in 2002. And I would like to understand
specifically how you arrived at that target.

MR. NJIE: The forward commitment target did
not utilize all the credits we have available. In other
words --

MR. CONINE: Stop.

MR. NJIE: -- all 15 percent.
MR. CONINE: Stop. How did you determine the amount that you had available? That's what I want to know. I think you're short on that number.

MR. NJIE: No, I'm not short on that number. It's --

MR. CONINE: Then tell you how you got there.

MR. NJIE: It is determined based on the per capita for 2002. The 2002 per capita is $1.75 per resident.

MR. CONINE: Did you use 18 million people in Texas or 19 million people in Texas?

MR. NJIE: We generated a 20 million --

MR. CONINE: 20 million.

MR. NJIE: 20.8 million.

MR. CONINE: 20.8 million times a buck, seventy five. I think I came up -- let me just do the math here.

MR. NJIE: Okay.

MR. CONINE: I get 36,750,000 bucks close -- roughly times 15 percent is $5.5 million worth of forward credits.

MR. NJIE: Okay. Let me -- what we did was -- here. We used the population of 20.8 million --

MR. CONINE: Okay.

MR. NJIE: -- and projected a growth rate of 4 percent -- 4.3 percent for the state multiplied for $1.75.
MR. CONINE: Okay.

MR. NJIE: And that gives us the 5.6 million as the projected -- as available for forward commitment.

MR. CONINE: I'll buy that.

MR. NJIE: Of that number, the Department didn't utilize all of it. I think we are currently about a million short of --

That's correct.

MR. CONINE: And I guess the question would be why.

MR. NJIE: Why?

MR. CONINE: Uh-huh.

MR. NJIE: Well, because of the regional allocation formula we felt that sufficient number of qualified projects were used up for the 2001 round. We should leave the balance for 2002.

MR. CONINE: If -- logic tells me if we have a waiting list of qualified projects that have achieved your standards, then we could have given away another million dollars roughly of credits in forward commitments we would have gone away and done that within a QAP. I'm guess I'm curious why staff didn't recommend that.

MR. NJIE: That is a decision we made not to exhaust all the forward commitment. The forward commitment says the Department may utilize up to 15
percent.

And, again, because the regional allocation formula gives you this targeted amount, you want to be able to give flexibility to oncoming projects sometime around next year. It was basically based on that. It was our decision not to exhaust all of the forward commitment.

MR. CONINE: Excuse me for dominating, but I've got a couple more questions.

In regards to the recommended list, when I went through and looked through most of them, in most cases they're under the asked for credits by most of the applications. Through the underwriting process and so forth we reduced the amount of credits that we sought.

But there was a substantial list of projects -- and I guess I've -- looks like about 15 on my list -- who actually received more credits than they asked for, which is kind of an unusual situation. And as -- at least my experience has been that you don't generally get more than you ask for. You have to do -- you have to build a project for what you ask for.

And if you add all the differences up between ask for and what was recommended by the Department there's another $200,000 worth of credits there. Can you help me with that?

MR. NJIE: Yes. I will also ask Tom to join me
in this. The -- we made an adjustment based on the --
sometimes based on the cost allocations for these
projects. Certain cost items that should have been
ineligible basis may not have been evident ineligible
basis.

And in some projects the Department used an
applicable percentage to underwrite these projects. The
projects owner themselves submitted applications with
lower applicable percentages. So when we use the
applicable percentages, the adjusted -- the credit amount
that was requested was adjusted as a result of that.

So the disparities you see there can be
accounted for by those two factors.

MR. GOURIS: And the reason for the increase in
credit in some cases is exactly that. The applicable
percentage is not know, and the requirements in the QAP
and the Application Submission Procedures Manual reflect
that -- the applicable percentage that we will use. For
the past two years what we had used is the rate that is
determined for the month the board meets.

And this is an area that we need to adjust for
the future I think and set it at the time the application
is made. But two years ago we set this rate and -- to be
established as of the date -- as of the month -- the
applicable percent is the month that the board.
And then this year the effect has been that the applicable percentage was lower earlier. And, in many cases, the applicants used a lower percentage than what we ended up using when we evaluated them. And we used the same rate for everyone.

MR. CONINE: Help me with what rate you're talking about now. I'm confused.

MR. GOURIS: When you calculate the eligible basis you derive that using good costs -- eligible costs. And then you take a percentage that -- the 9 percent rate or the 4 percent rate.

MR. CONINE: Uh-huh.

MR. GOURIS: Well, actually, we don't use the 9 percent rate, though that's -- you know, the thought process there was that it was originally around 9 percent. The actual rate currently is about 8.21.

We do a calculation based on the last three-year, two-year, one-year trailing rate with the current rate and add ten basis points in order to give enough cushion to that rate. Because they -- it's kind of complicated, but because they will sometimes lock their credits now or they'll lock them later. And so we want to be able to lock that rate at a rate that still gives them enough cushion to be able to work.

So what we did is establish this across the
board that the rate that we'd use to underwrite is the rate that's applicable the month that the board meets. Does that --

MR. DAROSS: Does that have anything to do with the maximum rent limits? Because I noticed in -- a lot of those those limits hadn't been set at the time that the applications had to be submitted.

MR. GOURIS: It doesn't directly. I mean, the idea of using the rate that was available the month the board met -- meets is related in that we always try to use the most currently information when we evaluate an project. And sometimes that information changes by days or week.

You know, the rent limits weren't available for the bonus round, but they were available for the application round. So we used the maximum rents for all the applicants if they were attainable.

So, you know, we try to apply the same rule once it's established, and we always try to use the most current information that's available when we're underwriting it. So that's --

MR. CONINE: Can you express an opinion that if we were to go back to the lucky applicants that asked for -- whether or not it would impair the project significantly?
MR. GOURIS: I don't believe it would, though it's not what we had -- I don't believe it would. But, if I can -- if I give you a longer answer, I think we have made indications to applicants that we would -- in fact, I think we specifically say it in the Application Submission Procedure Manual -- that we would make that adjustment upward or downward.

And, in some cases, they anticipated a higher. There are a couple of applicants that used the 9 percent rate, though I don't know why they did that. But -- so that's -- would be the reason why some of those projects got reduced credits. But I don't think it would materially hurt them, although it wasn't what we told them we would do.

MR. CONINE: Okay.

MR. JONES: Mr. Conine?

MR. CONINE: Let's spread it around and see if anybody else has any questions.

MR. JONES: But you were on a roll.

MR. CONINE: I know.

MR. DAROSS: Well, let me throw in a question just to take the heat off of Kent here a little bit. I didn't make a count of these, but I noticed probably at least a dozen -- maybe two dozen -- of the applications there's a statement made that it was possible that the
debt coverage ratio could result in making a higher than allowed profit, essentially -- above the 1.25.

Is there a mechanism for correcting that at a later time if we get the information that they are receiving a much higher rents than projected?

MR. NJIE: Yes. The initial allocation is only one of three phases that the project goes through. One -- the other -- after they get a reservation pursuant to the underwriting we've already done, we would look at it again in October when they do a carryover allocation.

And, finally, at cost certification, when the project is completed, then they've already -- from looked at that and the construction cost, we would look at it and make adjustments to the credits as are warranted by that cost identification.

MR. DAROSS: And this is probably a rookie question. But how that affect whether or not they've already syndicated the credits?

MR. NJIE: Well, they may already have syndicated the credits. But every syndicator knows that before you receive your 8609s those credits are subject to adjustment downwards

MR. DAROSS: Okay. Thank you.

MR. GOURIS: Can I just add that when we did make that comment we did adjust the credit in most
cases -- or adjust the loan amount in most cases to cap at 125 debt coverage. And if that affected the credits then we would adjust accordingly. In some cases it did and in some cases it didn't. But we identified that as an issue regardless and adjusted accordingly.

MR. DAROSS: Thank you. Back to you.

MR. CONINE: My understanding -- I think Mr. Brewer actually mentioned it a minute ago that our desire is to get housing units on the ground and in production. And, to that respect, I have a concern about some of the awardees this time around still having projects that they may -- might have been awarded credits from last year who haven't actually started those projects. Can you -- do you have a feeling for what that might hold Department wide?

MR. NJIE: Well, I've -- as I've mentioned to you in private earlier, the -- we've looked at the recommended list, and there are two project owners that we are recommending who have not closed a construction loan.

The first one is for Las Brisas Apartments in Del Rio. The other one is for a project owner in Pasadena. In both instances the board awarded -- or allowed them an extension for the closing time.

And so, therefore, we did not take that into account in terms of not recommending them because there
were valid reasons submitted to us and we felt they were meritorious and we recommended them.

And we -- are quite confident that these project owners can continue with the project, I think the Del Rio project certainly, as well as the Pasadena project.

MR. CONINE: Does that include bond deals with 4 percent as well, or would you have to go research that to see?

MR. NJIE: No, the bond deals -- we don't have that stipulation with the bond deals. Those ones --

MR. CONINE: I know there's no stipulation. I'm asking you a question. If you were to go down this staff recommended list --

MR. NJIE: Uh-huh.

MR. CONINE: -- and see who, either on the -- this round, the forward, or the waiting list had bond deals with 4 percent credits from the year of 2000 ending in December that had not started construction yet, would you have more -- do you think you would have more?

MR. NJIE: I don't believe we have any right here for the simple reason that the bond deals are very, very, time specific. Once you close those deals you close them and you start.

MR. CONINE: Okay.
MR. NJIE: And so there is nobody here that has been recommended that has a pending bond deal with a reservation, and the reservation date has expired, or they have gotten their reservation and they didn't close on it. Those are specific time driven transactions that, you know, you either proceed with the reservation to close the bonds or you don't. And once you close you're ready to start construction.

MR. CONINE: Where I'm heading with this, fellow board members, is that, again, I have a concern about those projects that were awarded last year that have not started this year. And our concern is to get housing units on the ground as quickly as possible so that Texans can start renting and living in them.

And my hunch here is to go and do the homework necessary to find those that are on the staff recommended list in any category. And if they have one from last year that has not started or under construction that we would push that to the forward commitment list -- push those projects that were going to be recommended this year in 2001 -- push them to the forward commitment list, so that we're not yanking them off the list, but we're going to make sure that they start the projects that they got 2000 credits for before we give them the 2002 credits -- if that makes sense. And I'm just throwing that out just for
thought before we get to the final vote.

    MR. NJIE: And I've indicated to you those are
the only two project owners on the list that have not
closed a construction loan.

    MR. CONINE: Well, I would like to take your
word for that. But I think it needs to be proven to -- I
mean, you can show me later on afterwards, but we'll go
through and make sure that's the case.

    MR. SALINAS: Well, anybody that has not
started construction should not qualify this year.

    MR. BREWER: Well, I'm not so sure of that
if --

    MR. SALINAS: Well, we have a hundred other
people that are waiting for tax credits.

    MR. BREWER: But if we've already approved an
extension I don't think --

    MR. SALINAS: Oh, an extension is different.

    MR. BREWER: -- that's fair to --

    MR. SALINAS: I'm talking about anybody that's
gotten one that's not started construction.

    MR. NJIE: There are time lines that we have in
the QAP for starting construction. And, as I've
indicated, at least to Mr. Conine, we're not recommending
anybody on this list right now who has not started
construction or who has not closed a construction loan,
except for these two projects for which the board awarded extensions.

MR. CONINE: Those two projects -- those are two developer individuals who have projects here. Correct?

MR. NJIE: That's correct.

MR. CONINE: Those projects here are in which list, the recommended list, the forward commitment list, or the waiting?

MR. NJIE: They're both in the recommended list.

MR. CONINE: They're both in the recommended list.

MR. NJIE: That's correct.

MR. CONINE: Mr. Chairman, I think I'd just start this thing off by making a motion that we consider moving any project sponsor or developer or whatever you want to call them that has any interest -- even a minority interest -- in a 2000 credit that has not started construction. That we immediately move those to the forward commitment list for 2002 and have the caveat that that particular forward not be granted if the 2000 project hasn't commenced construction by January 1, 2002.

MR. SALINAS: I'll second that motion.

MR. JONES: We have --
MS. STINER: May I just make a comment before we do that? I think you should consider that some of those may already be in a contractual obligation to the Department where they may have a later start date. So we may need to look at those with that --

MR. CONINE: Did we extend any of them past 2001?

MS. STINER: Yes. The dates -- the construction dates are timed for so many days after certain dates. I'm just saying that -- and Mr. Njie, you may know better than me. That just was something that came to my head that, in the carryovers that we signed with them and with the commitments, those dates are prescribed in starting construction.

MR. NJIE: That is correct.

MS. STINER: You may have some that haven't started yet, but that time limit hasn't come. I think we've hit all those for 2000 --

MR. NJIE: We have --

MS. STINER: I'm just throwing that out for consideration.

MR. NJIE: I think you were talking about closing construction loans. Are you talking about starting construction? Because there are time lines for starting construction pursuant to the QAP as well.
MR. CONINE: Tell me what the difference is.

MR. NJIE: Well, closing the construction loan under the QAP is 150 days.

MR. CONINE: All right.

MR. NJIE: And the Department also has a stipulation that you must commence and continue construction within a year of the allocation. So I'm representing to you that the project owners that we're recommending who have not closed a construction loan are only these two projects.

MR. CONINE: I'm talking about starting construction by December 31, 2001.

MR. NJIE: Well --

MR. CONINE: And I'm not -- and these are projects who received credits in 2000.

MR. NJIE: Uh-huh.

MR. CONINE: And for anyone to take more than a year and a half to start a project -- to actually start a project -- is inconceivable to me, to begin with, number one.

And, secondly, what I'm saying is that they go on the forward commitment list for this year, meaning the project that they submitted which has absolutely nothing to do with the one that's delinquent -- it's not delinquent, but the one I'm addressing -- the project they
submitted this year go on the forward commitment list. And if they haven't started construction on their 2000 credit job by the end of this year, December 31, that we would withhold their 2001 project that received a 2002 forward at that point.

And the reason I'm saying that is because there is -- we would obviously be giving credits this year to someone who's having a problem with last year's project getting it started, much less lumping another one on top of him.

And if we are going to evaluate those who -- and I'd rather spend -- him spend his time or she spend her time focusing on the one we've already given them rather than giving them another one and lumping it on top of that.

Now, I know that's going to take a little more research than we can do in the time frame allowed today. But I think it's important, board members, that we get housing units on the ground and get them on the ground as expediently as possible.

As the mayor has said there's a bunch of other folks waiting in line that could get their projects under construction immediately.

MR. JONES: If I could -- and I think that there are good points being made here that we, number one,
want to get housing on the ground. Everybody agrees with
that. It's kind of like what Mr. Brewer said -- I know
all board members agree with him.

I know, two, we're also committed to other
concepts. I know one of the things that does that is when
you have diversity among developers. We're all committed
to that.

I think the other thing that Ms. Stiner has
raised that we don't need to forget is how this impacts
the QAP and the fact that we can't retroactively do
anything concerning the QAP. And we have a member of the
Attorney General's Office that would like to comment on
that. Don?

MR. WALKER: Thank you, Mr. Chairman. I was
born here, so I guess I'm kind of used to it.

MR. JONES: Get a rope.

MR. WALKER: I got a horse. I believe an issue
I see that raises a concern to me is that part of Mr.
Conine's motion had to do with moving from the recommended
list to the forward commitment list. That doesn't cause
me too much concern.

If they don't start construction by December 31
then to in effect disqualify them I believe would be a
ground of disqualification that is not listed in the QAP.

And that's what causes a concern to me.
And I'm -- just from the overall sense, I'm concerned to the extent that the board has granted an extension in the process to these individuals and then comes back and penalizes them even though they are within the extension -- that that could cause a problem, too. And, again, this is no comment on the merits of the concept --

MR. CONINE: Right.

MR. WALKER: -- because that's certainly within the board's policy to set. But when the QAP sets certain factors that disqualifies applicants and other factors that are to be weighed and considered in awarding points or otherwise evaluating these applications relative to each other, then those have to be followed. And going outside of that I think would put us in a weaker position than I prefer to be in case there was some challenge to it.

MR. CONINE: Is there a provision in the QAP, Cherno, for a subsequent review of the forward commitments?

MR. NJIE: Subsequent review in terms of what? The recommendation?

MR. CONINE: Yes.

MR. NJIE: In light with what you're saying, I think probably not. I mean, the QAP merely says that you
would use up to 15 percent of credits for forward commitment. And the deadline that those applicants are subject are enumerated in the QAP.

I think Don is correct in saying if you would go against or layer additional requirements it might cause some concern. But there is nothing that's in the QAP.

MR. CONINE: Mr. Chairman, then I would like to amend my motion to take away the removal of the 2002 forward credit list, but I'd like to still stick with my motion of moving them from the recommended list to the forward commitment list, because that will create some dollars that we can utilize here a little later on I think.

MR. JONES: Any comment from the Attorney General's Officer concerning that amendment to the motion?

MR. WALKER: I beg your forgiveness. I was asking Mr. Gonzalez --

MR. JONES: Would you make the motion again so our friend from the Attorney General's Office --

MR. CONINE: Yes. I'll try to restate the motion.

MR. JONES: Thank you.

MR. CONINE: That any of the approved projects that have developers who, either in a majority or minority interest, received 2000 credits, and those -- that those
particular projects be moved to the forward commitment list -- the 2000 credits being not -- are not being under construction currently as of July 31 -- that those projects be moved to the forward commitment list. That's it. That's my motion.

MR. SALINAS: Would that be projects that were awarded in 2000?

MR. CONINE: No.

MR. BREWER: No, the ones who --

MR. CONINE: Cherno's indicating there's two projects on our recommended list that are -- which have sponsors or developers that have projects in 2000 that haven't started their projects.

MR. SALINAS: Are those --

MR. CONINE: I assume we would verify that post this meeting. But assuming we verify that and that's the case, I'm recommending we take those two projects and move them to the forward-commitment list.

MR. SALINAS: Are those the only two?

MR. NJIE: That's correct.

MR. SALINAS: Then I second to his motion.

MR. JONES: Okay. We have a motion made by Mr. Conine. It has been seconded by the mayor.

MR. DAROSS: I have a question.

MR. JONES: Yes.
MR. BREWER: I have a question.

MR. JONES: Yes.

MR. DAROSS: As a, I guess, corollary to that, if we're -- by moving these two projects to the forward commitment list, we're obviously reducing the amount that's recommended for 2002 allocations by whatever the dollar amount of those two projects are.

What then do we do with that dollar amount? Do we move that amount to someone --

MR. CONINE: I'm not handling that question.

MR. DAROSS: -- on the waiting list?

MR. CONINE: Let's just do this one step at a time.

MR. NJIE: Can I make a comment before we proceed? I think in the case of the Del Rio project, they already have 2000 allocations. The project is being submitted for additional credits. If you move it to the forward commitment I think you will greatly create difficulties for them in moving forward with this project.

Essentially you're going to have two separate allocations, one for the modest sum of $40,000. So the project needs to get the 2001 allocation to be able to blend those and move with the project. If you put it in one that has a 2000, the other one a 2002, I think it would create serious hardship for the partnership to blend
those together.

MR. BREWER: Cherno, didn't we -- the two we're talking about, didn't the board approve the extensions?

MR. NJIE: Yes. The board approved the extensions.

MR. BREWER: Okay. And on forward commitment, I was under the impression anything that's on forward commitment comes back to the board for a thumbs-up later on on allocating those funds on forward commitments.

MR. NJIE: Well, the forward commitments are approved by the board, but they're also subject to the same rigid time lines for closing construction loans and carryover as the regulation allocations.

MR. CONINE: But we don't reapprove them, Mr. Brewer.

MR. BREWER: They don't come back?

MR. NJIE: No, they don't come back to the board.

MR. CONINE: On your list here you don't have the forward commitments that we issued for this year. Last year's are not on this list. There's five -- I think in the presentation earlier there was five projects who got forwards last year that aren't on this list.

MR. SALINAS: But they got 2001 commitments?

MR. NJIE: Excuse me?

MR. SALINAS: That they got 2001 commitments again.

MS. STINER: They got 2001 commitments because they were approved for forward commitments in 2000. Yes.

MR. CONINE: Which -- can you tell us one more time which projects -- let's get specific here.

MR. NJIE: We're talking about the -- in Region 8B --

MR. CONINE: Okay.

MR. NJIE: -- 1024, Las Brisas Apartments in Del Rio --

MR. CONINE: Yes.

MR. NJIE: -- in the non-profit for 40,000.

MR. CONINE: Okay.

MR. NJIE: That was approved last year. And they resubmitted that to get additional credits because of a funding gap. To move those to a 2000 forward commitment I think is going to separate those two allocations and create hardships for the partnership to blend those together and move forward with the project.

MR. CONINE: Are those two separate phases?

MR. NJIE: Well, it's the same phase. It's just one project.

MR. SALINAS: They just haven't been able to
put it together.

MR. NJIE: Excuse me?

MR. CONINE: So we gave them credits last year.

MR. NJIE: That's correct. We gave them credits last year.

MR. CONINE: They haven't started construction as of this date.

MR. NJIE: They sought extensions. The Department granted the extensions. They resubmitted the application because of a funding gap, which we evaluated, and are recommending for additional credits.

MR. CONINE: The 71,522 that we're recommending this year, is that inclusive of the 40- that they got in 2000 or in addition to?

MR. NJIE: No, we are recommending 40,947 for this year.

MR. SALINAS: And last year?

MR. NJIE: In addition to what they got last year.

MR. SALINAS: How much was last year?

MR. NJIE: Let me see. We can check that for you.

MR. CONINE: What was -- I missed the answer to the question. Was it in addition to or --

MR. NJIE: That is in addition to what they got
last --

MR. CONINE: So they got two $40,000 shots, one in 2000 and one in 2001?

MR. NJIE: No. The 2001 was much more than 40,000.

MS. STINER: They're checking underwriting. They have to go look at that.

MR. CONINE: Okay.

(Pause.)

MR. NJIE: The allocated amount last year was 563,864. And that was for 76 units in Del Rio.

MR. SALINAS: But that was for the same project that you gave them last year in 2000, but they were kind of short, and so they applied again.

MR. NJIE: That's correct.

MR. SALINAS: And then you gave them 40,000 more this year.

MR. NJIE: That's right.

MR. SALINAS: What happened before? Why couldn't they keep the commitments that they made in 2000 and be able to start their project the way they said they were in 2000? Why did they have to come back and ask us for 40,000 more?

MR. GOURIS: The situation was that they had some site work costs that weren't well documented in their
original report. We conditioned our report last year and 
the recommendation on them coming back to us if they could 
substantiate the costs that they had, and, if so, that 
there may be ability for additional credits to be 
considered for the project.

We cut their credits last year because they 
didn't document it. They came back and documented it 
after the fact. We worked with them in the fall and over 
the winter. We weren't able to get release of other 
credits in time in order to provide additional credits.

They were able to substantiate the site work 
costs, so they -- we recommended -- or staff recommended 
that they come back and apply for the additional portion 
of the credits in this cycle.

MR. SALINAS: So anybody that got tax credits 
is this year can have the ability and -- to come back next 
year if they fall short of their project and ask for more 
credits and given the same treatment you've given Del Rio?

MR. NJIE: Well, issues arise in structuring 
these deals as did in this particular project. The costs 
weren't not documented so we went with what we had with 
the understanding that, if they were able to substantiate 
it, we would look at it again. And this is not unusual in 
terms of we've had project owners come back for additional 
credits in the past if it is documented.
MR. CONINE: Give me the other project that we were talking about.

MR. NJIE: It's in Region 6. It's Number 1152, Parkway Senior Apartments in Pasadena.

MR. JONES: We have someone from that project that would like to speak -- Mr. Darrell Jack.

MR. NJIE: Yes. I was informed that --

MR. JONES: Why don't we give him an opportunity? And we will need you to complete this, if you don't mind, sir.

MR. JACK: Yes, thank you. My name is Darrell Jack. My firm is Apartment Market Data. We do a vast majority of the market studies for many people in this room, including both the Floresville project that you're talking about that has not closed its construction loan and also the Pasadena senior project. I think once you understand some of the circumstances that -- of the Floresville you'll be willing to proceed with the Pasadena.

After the tax credits were issued last year, Mr. Gilbert, which I have not seen in the room today, applied with the FHA for FHA-insured mortgage. Through the backlog at the Department of HUD in San Antonio, that application was deferred to an inexperienced office in Houston.
They were not familiar with the Floresville sub-market, which this project is located in, and there were several delays in getting it through the process.

I know that at the same time Mr. Gilbert was doing a second tract where he does now have a Fannie Mae forward commitment for the project. He does have a construction loan ready to go. His extension, from what I understand, was to the first part of September, and he fully intends on closing on that loan and has the whereabouts in the loans in place to close on that loan.

I think it would be unfortunate at this point to penalize him for delays, you know, beyond his control. He is a developer and a contractor that has proven himself to the state in developing another project in Fredericksburg, Texas. That project has been very successful and, from what I know of that one, met all the necessary deadlines that the state imposed on that project.

I feel sure that he will be able to do that with the Pasadena project also and close the construction loan on the Floresville project post haste.

MR. JONES: Thank you. Okay. We have a motion on the floor that has been seconded. Any further discussion of the motion?

MR. CONINE: I'd like to amend my motion.
MR. JONES: Okay.

MR. CONINE: In light of the unusual circumstances of the Del Rio project, where it's actually the same project coming back for some more credits rather than a totally separate isolated project, I'd like to remove that particular project from this motion.

MR. SALINAS: Are you -- why would that be?

MR. CONINE: Well, I'm going to go ahead and leave it on the recommended list and let it go on through, and let's see if the guys can get the project started now with the additional 40,000 in credits this year.

MR. SALINAS: How about Pasadena? You have how much from last year and this year? They're asking 501-- this year.

MR. NJIE: Pasadena didn't get an allocation last year.

MR. SALINAS: It's a different project. I'll go ahead and amend my motion to you, sir.

MR. CONINE: Just to further clarify, Mr. Chairman --

MR. JONES: Certainly.

MR. CONINE: -- that would still leave 1152. We would move it from the -- Project 1152 we'd move from the recommended list to the forward-commitment list. I -- you know, for the life of me, I don't see how that hurts
MR. JONES: I'm going to permit one more speaker to speak with regard to tax credits. Public comment for tax credits had been closed. And let me explain to the audience my reason for doing so.

Obviously, we're debating a motion at this time. There is one speaker who would like to speak to the debate of the motion. That is probably not appropriate. I am going to allow it as Chairman unless some board member objects.

You certainly have an opportunity for public comment with regard to tax credits. We have afforded everybody who wanted to speak to the board an opportunity to speak to that.

I don't think public comment though goes over to the right to participate in the debate. If you do participate on motions, we will be here forever and a day and we will never get down to business of the State.

Having said that, I want the audience to know that I am closing the public comment with regard to tax credits, but I will allow Mr. Lynch to speak. Thank you.

MR. LYNCH: Mr. Chairman, first I want to say I do not have a tax-credit application in here. But there was one concern that I had in regards to this motion, and that was that if it's a specific deal that's moved
forward, I don't think there's a problem. But when you said start date -- we talk about start date -- and Mr. Njie has been referencing construction loan starting.

But, in essence, the QAP requires for the construction loan to be closed by June 15, but you're not to prove that you've got the construction under substantial starts until November 15. Therefore, if you use the date of July 31, which was first used, there might be as many as 20 or 30 of these projects that have actually closed a construction loan that really hadn't started construction. And that's just a concern that I had in reference to that -- the way it was worded.

MR. JONES: Thank you, sir. I appreciate your comment.

MR. CONINE: Well, let me clarify once again.

MR. JONES: Before you do that -- I will come back to you, Mr. Conine.

MR. CONINE: Okay.

MR. DAROSS: Isn't there a limit on amendments to motions?

MR. CONINE: I'm going to --

MR. JONES: Excuse me. I'm losing control here. Okay. I would like to, as the Chair, officially bring to a close the time for public comment with this meeting, with the exception of the one individual that has
asked to speak on another issue that we will come to later in the day, and do that, after noting for the record that opportunity has been allowed for any member of the public to speak to this board that wanted to speak to this board on the issues on our agenda and that, secondly, there was no time limitation placed on any speaker who desired to speak. And I thank each of you who did speak. Thank you very much.

Now, with that, we will go back to your motion, Mr. Conine.

MR. CONINE: I'm confused now. In reference to his specific points about dates we -- under last year's QAP they had until had until June of this year to close their construction loans unless otherwise extended by the board?

MR. NJIE: That's correct.

MR. CONINE: And from the point that they close -- under the QAP, from the point that they close their construction loan they have 150 days to start construction?

MR. NJIE: No. The QAP basically says that you have a year -- you have a year basically to start and continue construction. So it gives a lag time between the time you close your construction loan and when you actually commence construction.
MR. CONINE: It gives what how much time?

MR. NJIE: A lag time between closing
construction and actually putting something on the ground.
Says 150 days --

MR. CONINE: His point was that we may have a
lot -- all of them -- virtually all of them, except for
one, based on what you're saying, have closed construction
loans.

MR. NJIE: That's correct. But --

MR. CONINE: But not all have started
construction.

MR. NJIE: Yes. Your issue was start of
construction and not close of construction loan. And I
was speaking to a closing of construction loan as the
benchmark for which we allowed these two developers an
extension.

MR. CONINE: You also mentioned there was a lag
time. Do you know what period of time that really is?

MR. NJIE: Not really. Any time after that
six-month time to close the construction loan. You have a
five-month period between that to the year. That's
another seven months basically.

MR. CONINE: You're confusing me. If we have
extended several projects on being able to close their
construction loan --
MR. NJIE: They have one till June of this year to start -- to close their construction loan.

MR. CONINE: Under the QAP.

MR. NJIE: Under the QAP. And until the end of the year to commence construction. So that's an additional six months is --

MR. CONINE: He said November. Is that accurate, or is it December?

MR. NJIE: No. It says a year.

MR. CONINE: A year.

MR. NJIE: A year.

MR. SALINAS: 365 days.

MR. NJIE: That's correct.

MR. SALINAS: Okay. That's a lot of days.

MR. CONINE: Okay. I think my motion on the floor is keyed to closing of construction loan. I know I talked about both, but I think my motion on the floor is closed -- is tied to the closing of construction loan.

MR. JONES: I'll tell you what --

MR. CONINE: Is that still applicable?

MR. JONES: What if we tried this? What if we let you make a new motion and withdraw your prior one and say exactly what you want to, Mr. Conine?

MR. BREWER: Good idea.

MR. CONINE: I think I -- okay. I withdraw my
previous motion if the second allows me to.

MR. JONES: Yes, go ahead.

MR. SALINAS: My problem is not the construction. My problem is that you're funding -- you're giving credits to people that have not gotten their contracts in 2000 ready, and you're giving them more credits for 2001.

And, you know, if they haven't been able to get their paperwork together in 365 days what can you assure us that they are going to do it in 2001? And that was my question a few minutes ago.

I don't have any problem with your contracts. I mean, you can take -- as long as you stay within the days. The thing is that why these people that cannot get their things together in 2000 are still getting tax credits in 2001 and probably will get 2002. That's my concern.

Now, he can make the new motion, and I'll go ahead and help him with a second. But I have no problem with the construction and the developers; my problem is with the staff and recommending people that have problems with their contracts in 2000 and then giving them more credits in 2001.

MR. NJIE: No, we're not recommending anybody with problems with their contracts. Like I said, you have
a requirement to close the construction loan within 150
days and, within six months thereafter, to commence
construction. And they are meeting that requirement.
They are meeting it. They are placing the project in
service within two years allows under the law.

They haven't gotten a lot of credit returns as
a result of prior allocations. Credits are being awarded
to project owners who are able to proceed, build the
projects, and place them in service within the 24-month
period allowed under law. This is a national standard.

MR. BREWER: So you're saying that on the
recommended list there's nobody there with that problem?

MR. NJIE: That's correct.

MR. JONES: All right. We do -- all kidding
aside, would you like to restate your motion or stay with
the one you have?

MR. CONINE: No. I'll restate it one more
time.

MR. JONES: Okay.

MR. CONINE: This is becoming clearer as we go.

Mr. Chairman, I make a motion that we examine
the ultimate recommended list that we agree on here
today -- for those developers who have received prior
year, 2000 or earlier credits, that have not closed their
construction loan by July 31, which is today, or the
extensions that have been granted by this board previously -- that we move those projects from the recommended list to the forward commitment list for 2002. And I would also urge that -- I'm sure Cherno is up to speed on most of this stuff, but I would like an additional review done after this meeting. And if we find any today, tomorrow, or the next day that meet those qualifications that they, too, be moved to the forward-commitment 2002 list.

MR. JONES: We have a motion made by Mr. Conine. Is it seconded?

MR. SALINAS: I'll second it.

MR. JONES: Motion seconded by the mayor. Discussion?

MR. DAROSS: As I understand Mr. Njie's statements, there is no developer who fits that motion currently, from what you know right now.

MR. SALINAS: But if there is, you know, you look into it.

MR. DAROSS: Right.

MR. BREWER: Yes, but is it authorized in the QAP? I mean, did -- are we legally okay?

MR. NJIE: That is correct.

MR. JONES: Further discussion?

Mr. Walker, do you have anything you would like
to say? You look pensive. I can't get this right, I've
got a feeling.

MR. WALKER: One of the biggest risks for a
lawyer is to give advice about something without much
preparation. The --

MR. JONES: Ah, but go ahead.

MR. WALKER: So it will be conditional.

MR. JONES: Yes, sir.

MR. WALKER: The issue I see, as I understand
Mr. Conine's motion, is if a prior award winner is not
meeting the deadlines for closing construction loans
that -- and has been put on the recommended list for the
2002 credits -- that they be identified and then removed
to the forward commitment of 2003.

MR. DAROSS: And has not already asked for and
received an extension.

MR. WALKER: Yes. Well -- and that way,
whether they've received an extension or not, those who
are not in compliance with the deadline for closing of
construction loan -- if I understand it. Is that the
motion?

MR. JONES: That's as I understand it. Yes,
sir.

MR. CONINE: Yes.

MR. WALKER: Right. And one thought that comes
to mind is that if an applicant who has been awarded credits in the past has not met the deadline for closing a construction loan, as I understand it, they lose those credits. Is that correct?

MR. NJIE: No.

MR. WALKER: No? Okay.

MR. NJIE: No. The Department has the ability to extend that deadline.

MR. WALKER: I'm saying if it hasn't been extended.

MR. NJIE: That's correct.

MR. WALKER: That is correct that they would have lost those credits. So if anybody is not in compliance with the deadline for closing a construction loan, then they either have to have received an extension before the deadline or they will have lost their credits.

MR. NJIE: Right.

MR. WALKER: So they would be out and that project will be dead.

MR. CONINE: What I'm trying to do, Mr. Walker, is to take -- and those developers may have city problems. They may have lender problems. For whatever the reason -- but to have them granted another project here on top of the problems they're already having seems like a disservice to me. And I'm not wanting to take them off
the list, because everyone in this room know if you get a forward commitment you've got a deal.

So -- but I am creating a gap -- I am creating at least a hole in the recommended list by putting them on the forward list. And I think I demonstrated in my earlier comments about the allocation numbers that we've got some room there. And I just think that's the, quote, right thing to do.

Now, I may have made a motion that doesn't fit in those bounds, but I'm trying to get one on the floor that will fit within those bounds and not step on any of the QAP criteria -- this year's QAP criteria, because what we're doing is examining the background of that individual and factoring in other things that that individual or that development team has done in the past in our decision for this year. And I think that's, under the QAP, appropriate.

MR. WALKER: Yes, sir. And discussion I could have with the staff could clear my mind up on that as to how it fits into the QAP in this context.

And getting back to where I started this particular time, I think that this -- this raises an issue, too, in my mind. It's not as clear as the previous issue.

And in situations like that, I feel somewhat
uncomfortable in giving legal advice to the board that may not be quite so clear but that could raise a hope or a thought to someone who might want to contest the board's action that could lead to a lawsuit. And I would prefer not to give that type of legal advice in open session.

MR. JONES: I understand. Thank you. All right. We have a motion on the table. It has been seconded. Any further discussion?

(No response.)

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

(A chorus of ayes.)

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

(A chorus of nays.)

MR. JONES: All abstentions.

(Pause.)

MR. JONES: Okay. Let's do it by raising our hands. All in favor of the motion raise your hand.

(A show of hands.)

MR. JONES: All opposed to the motion raise your hand.

(A show of hands.)

MR. JONES: Ah, yes. Got a tie breaker. The
motion does not pass.

MR. SALINAS: How do you address that problem of having to fund or give tax credits continuously every year when you have problems with construction loans in all these sites? You continue recommending the same applicant.

MR. NJIE: As I've indicated before, the best applicants in this program sometimes ask for extensions. It is a normal part of the development process, and we take that into account and make our recommendation to the board.

Recently everybody has been completing their projects and placing them in service under the required federal guidelines, so there is no recurrent problem in the state of Texas of credits not being utilized. We don't have that problem.

MR. SALINAS: Well, I don't agree with you there.

MR. DAROSS: Okay.

MR. SALINAS: There's a hundred --

MR. DAROSS: All right.

MR. SALINAS: -- a hundred applicants here that didn't get any tax credits, and I'm sure that you have programs there that are waiting two and three years while you could give some of the other people some
opportunities. Are they -- that's okay. That's fine.

MR. DAROSS: Mr. Jones has asked me to
temporarily take over as chairman. He had a commitment to
a judge to make a telephone call at this time. So I will
act as chairman until he returns from that telephone call.

I'm sure Mr. Conine probably has some more
comments he would like to make.

MR. CONINE: I have another motion I'd like to
make. Back to the issue of having recommended more
credits than they asked for, I think I alluded to the
fact, in my math, there's probably $200,000 worth of
credits over 17 projects that I counted -- and I may be
wrong -- that we have -- that staff has recommended that
we give more credits than what the applicant has asked
for.

And I guess my motion would be simple, in that
we would, again, go through the recommended forward
commitment and waiting list for those projects recommended
by staff to be on any of those three lists and revert back
to the applicants applied for credits versus the one that
staff has recommended. And that should, I think, free up
a couple of hundred thousand dollars. That's my motion.

MR. DAROSS: There's been a motion by Mr.
Conine. Is there a second?

MS. SAENZ: I second it.
MR. DAROSS: Second by Ms. Saenz. Discussion?

Mr. Bogany.

MR. BOGANY: The only comment I have is that, you know, it seems as though we have a staff that we have here to go and look at these particular projects. And even though I don't agree with everything they do, I do feel that if the staff thinks that these projects are going to need more credits to make them work even better than what we've got them set up, then I think -- because I've not sat down and met with these developers and staff has looked at them.

It looks like we're taking the -- I guess the bat out of the staff's hand who sat down and looked at these projects, ran the numbers, and then all of a sudden we say, Oh, well, you know, we can take away the tax credits because we're giving them too much -- give them only what they want.

It just seems as though we're micromanaging. And I'd like to see, you know, if Mr. Cherno can tell us why he pays those on each project -- and I'm okay with that. But I'd like to get an answer from him versus us sitting here trying to determine that whatever he decided -- that we're now going to undo after they sat and tried to put the project together and talked with the people and understood the numbers, because I haven't
looked and talked and ran every number on this thing. And I'd like to get your opinion on that.

MR. NJIE: Let me address that. The -- I think Tom alluded to the fact that some of these were because of eligible basis items. These are costs upon which tax credits are allocated.

The other reason is because we are using an applicable percentage which has an adjustment factor that the developers did not take into account.

When it's all said and done, you don't get tax credits for costs that you didn't incur. So whatever credits we give these applicants, there's ample opportunity for the Department to re-underwrite those projects when they are completed, with a full-blown audit from a CPA of the costs that are included in eligible basis. They can't -- it's not magic. They have to incur those costs to be able to utilize the credit.

MR. CONINE: I guess my comment -- and the reason for the motion -- was -- you know, I generally come from the school that if you bid a job and you're low bidder, then you got to stick by the bid. And if the applicant asks for a certain percentage -- dollars of credit, and then he needs to stick by it and make the project work, and that then creates room for other projects around the state to be able to be awarded
credits.

And that's just, you know, my concept. And I think Mr. Gouris spoke on his opinion that it would not economically impair the particular project. It would still be able to get done.

MR. JONES: We have a motion made and seconded. Further discussion?

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 say nay.

(A chorus of nays.)

MR. JONES: Okay. Here we go again. All in favor of the motion raise your hands please.

(A show of hands.)

MR. JONES: Gosh. How did I know that's where we'd be? All opposed to the motion please raise your hand.

(A show of hands.)

MR. JONES: The motion carries.

MR. CONINE: Okay. Cherno, my understanding now is we've got at least -- that freed up -- let's just call it 200,000, for lack of a better word.
And, actually, I had two -- one project on the forward list and one project on the waiting list that that also impacted. So it might not be a total of 200,000, you know, within the recommended list.

MR. NJIE: Okay.

MR. CONINE: But it's close to the aggregate total. And I -- and do we -- based on the previous motion did the one project -- 1152 -- is it now going to move to the forward list?

MR. NJIE: I believe that motion failed --

MR. CONINE: That's right. Okay.

MR. NJIE: -- so that will stay --

MR. JONES: Your first motion failed.

MR. CONINE: Forget that one, then. So -- what am I thinking? And we also have, in your estimation, another million dollars on the forward list -- the difference between 4.5 million and --

MR. NJIE: That's right.

MR. CONINE: -- the 5.5 million that we probably are going to get? Staff recommended 12.2 percent of the forward list being applied. And I guess, in just thinking about -- I'm thinking out loud, Mr. Chairman, a little bit. But we've got some room here, and I want to figure out how to best utilize that.

I'm also -- will say to the board, back to my
earlier comments about the regional allocations being short, I know we have a waiting list sitting there, and those projects are tied to regions, obviously. And we might want to take a look at, as they come off of the waiting list, being able to fill spots in either the recommended or forward commitment list -- that we focus on some of the regional allocations that the Legislature's mandated us to do.

MR. NJIE: Can I -- I was going to suggest a change or two to the recommendation list before you started your motion earlier. And may I be allowed to make that change?

MR. JONES: Please do.

MR. NJIE: One of the projects in Region 8A, the San Antonio region, that we had proposed a forward -- an allocation instead of a forward commitment is project number 1064, O'Connor Road Seniors. And this is an elderly project. And the amount of credits that we're recommending is 461,821. If you add that to the -- so that will be moved from the forward commitment to the allocation list.

MR. CONINE: Can you say what staff's reasoning for moving that one would be?

MR. NJIE: We have about $450,000 available for the 2001 credits.
MR. CONINE: Correct.

MR. NJIE: And that was an arithmetic on our part. It should have been on the allocation list instead of the forward-commitment list. And that -- that's going to count for any forward commitments. We can fund it out of 2001 credits.

The other change we would propose is to add the Heatherwilde project that was the subject of testimony earlier. That project was recommended for Housing Trust Fund or tax credits. And the developers has urged the board that they be put on the waiting list for the tax credits in lieu of the Housing Trust Fund.

And we would recommend that we add that to Region 7 in Pflugerville. And that project number is 1079, Heatherwilde Park, for an allocation of $117,000 in credits.

MR. CONINE: So staff's making two changes from what we received in the mail -- one, taking one off the forward list -- the one in San Antonio -- and putting it on the recommended list.

MR. NJIE: That's correct.

MR. CONINE: And then taking one that wasn't on any list at all and putting them on the waiting list -- the Pflugerville project.

MR. NJIE: The Pflugerville project was on the
Housing Trust recommended list. I think that's an agenda item --

MR. CONINE: Yes.

MR. NJIE: -- coming up later. And our -- the recommendation we got from the underwriters was either to look at additional tax credits or additional Housing Trust Funds.

MR. CONINE: Correct.

MR. NJIE: And we met with the developers to discuss their project. And as they've indicated today, they would take their chances on a waiting list for additional tax credits in lieu of the Housing Trust Fund that is recommended and was presented to you earlier.

So we support that recommendation, and we will make the amendment to add them to the waiting list for $117,000 in credit. And that is in Region 7.

MR. CONINE: Didn't I read in the Housing Trust Fund that staff recommendation though was the opposite -- that they'd rather go ahead and do the Trust Fund allocations as opposed to the credits? Didn't underwriting --

MR. NJIE: No. Underwriting gave two alternatives --

MR. CONINE: Right.

MR. NJIE: -- Trust Fund or tax credits.
MR. CONINE: But didn't underwriting suggest one of those two, Tom?

MR. JONES: I think we're getting different answers from different staff members.

MR. GOURIS: The underwriting recommendation was to go forward with the Housing Trust Fund award and not the additional tax-credit award. But we provided the alternative of going forward with the tax-credit award instead of additional Housing Trust Fund.

MR. CONINE: So by putting them on the wait list, it doesn't necessarily help. If no one moves, they don't get the credits. And if we change and don't do the Housing Trust Fund, then the project ultimately dies.

MR. NJIE: That's an -- that's something they're willing to -- a risk they're willing to take, apparently.

MR. CONINE: Can you comment on that, Tom?

MR. GOURIS: This project is similar to the Las Brisas project, in which there was additional costs from their original information they provided. They came back in last year and received an allocation of HOME funds from the Department -- and received what they requested for that and then came back and indicated that they still needed some additional funds.

And we used the two methodologies to determine
what would be in the best interest of the state and felt like we would get more bang for our buck with Housing Trust Fund.

MR. CONINE: And you -- and that will fix the economic viability of that project if we approve this here.

MR. GOURIS: Well, it would seem to -- to me to because they had made application for that amount of funds, and we're recommending that amount of funds. So if the Housing Trust Fund request was what it was, then it should.

MR. CONINE: Well, then I -- based on that information, I think I would recommend not putting them on the waiting list and letting -- get the economic consideration through the Housing Trust Fund.

MR. JONES: We were letting Mr. Njie go through his recommendations. Have you completed them?

MR. NJIE: Those are the only two changes so that --

MR. JONES: Thank you. I just wanted to make sure we completed those. With that in mind, we have the staff's recommendation in written form, with those two changes by Mr. Njie.

MR. NJIE: May I also add the conditions to the recommendation? I think those are in your memo. Should I
state them?

MR. JONES: All right.

MR. NJIE: I just want to --

MR. JONES: Go right ahead, please.

MR. NJIE: Yes. The conditions will be that -- we have two conditions. One is that they will close their construction loan within the time stipulated in the QAP and that they would also commence construction within that same period stipulated in the QAP.

In addition to that, we will ask that there be some flexibility with respect to the waiting list so that the Department can utilize any additional credits that may be returned in view of the demand of credits that project owners are seeking, with the caveat that no more than 10 percent -- no less than 10 percent be still allocated to the non-profit set-aside pursuant to federal law. So those are the conditions.

MR. JONES: Thank you. At this point the Chair would entertain further motions.

MR. DAROSS: I move that we approve the staff's recommendation as to the allocation of low-income tax credits with the amendments previous made by the board.

MR. GONZALEZ: Second.

MR. JONES: We have a motion made and seconded. Mr. Bogany, would you like to speak to that?
MR. BOGANY: I would like to pull out the River Glen project and vote on it separately on it, because -- you know, after hearing -- it was very, very good to see the developer -- and I liked his comments, because I was wondering where he was earlier. And I liked the comments that were against the project.

And I honestly believe I've looked at this, and I don't -- I personally don't believe that's the best and highest use for that land. I believe in what the city wants to do, and that is diversify. I do not like a concentration of the credits all in one area. I think it does need to be diversified.

But I don't think any board members who lived with that project would wonder whether or not their child can get to school on that busy street there in that project. And, I mean, to me it's obvious the school's on the other side of the creek there. So unless a bridge is going to be made for the creek -- the developer said he was going to put a fence there. So I'm not as concerned about kids going in there.

But at the jogging path -- if you looked at the big map that the city had, and it showed -- it's not really around the corner. It's on the other side of the creek. The only way for that child to get to that school is to cut through the back side of the lumber yard or go...
down the street, which is the busy street, to get over to that elementary school.

And I don't think I would want my child making that trip. And I don't think anybody on this board would want to move there.

And then the real key to me in this project is that, would this be a viable project if it wanted income tax credits there? This is a commercial deal, and the residential is on this other side of the creek.

But I can assure you, because I'm going to see a map, I don't think it's got commercial on the other side of that creek where the other residential is. The elementary school is across -- the other elementary school is across the main busy street. I don't see anywhere for the kids to play. I don't see anywhere for them -- they've got to make that trip down that busy street just about to go anywhere.

And I have a serious problem with that project of River Glen being in that project. And I don't want to vote on it, and I'd like the board to vote on it separately from the rest of the projects.

MR. DAROSS: In order to expedite matters, I will withdraw my motion as to all of them so that you can make a separate motion as to River Glen.

MR. JONES: And the Chair will allow you to
withdraw your motion. So it -- would anybody -- probably the easiest way to do this is does anybody would care to move separately with regard to River Glen? Does any member of the board want to do that?

MR. CONINE: Just to get it on the table I'll move we remove it from the recommended list.

MR. JONES: You move we remove it from the recommended list.

MR. CONINE: Remove.

MR. JONES: Is there a second?

MR. BOGANY: Second.

MR. JONES: Okay. We have a motion to remove it from the recommended list. We had a second to that motion.

Further discussion?

(No response.)

MR. JONES: Hearing no further discussion are we ready to vote?

(No response.)

MR. JONES: I assume we are. All in favor of the motion please raise your hand.

(A show of hands.)

MR. JONES: Okay. All opposed to the motion please raise your hand.

(A show of hands.)
MR. JONES: The motion carries.

MR. CONINE: I need some math help now, I think. Have you been keeping track of this? How much room -- let me ask a follow-up question. You stated some -- in your overall staff recommendation the policy of the waiting list, I think, just a minute ago. What was that?

MR. NJIE: Well, the waiting list is not put in any particular order. What I was alluding to is that we have the flexibility to utilize the credits we have, depending on the amount of request the application and the project owner is making.

So if you have a smaller deal on the project, you will move forward if you have fewer credits rather than wait for a bigger chunk of credits to do another deal. So some flexibility on the waiting list.

MR. CONINE: How does that solve my regional allocation problem, Cherno?

MR. DAROSS: I'd like to know for the record, by approval of the preceding motion we removed $790,000 from Region 2. There are only four applications for Region 2. I don't know what the amounts were on the two applications -- two other applications in Wichita Falls.

MS. STINER: We can get that.
MR. DAROSS: But we're putting a pretty big hole in Region 2 by removing that one project.

MR. NJIE: We have another project in that region, and that is for -- actually, two projects.

MR. JONES: I think Ms. Stiner's already got that information for you, Cherno.

Ms. Stiner?

MS. STINER: I don't have the amounts, and that's the most critical piece.

MR. JONES: Oh, I'm sorry.

MR. CONINE: Should we take a five-minute recess and maybe do some accounting right quick?

MR. JONES: That will be great. Why don't we take a five-minute recess. We'll come back at 1:35.

(Whereupon, a short recess was taken.)

MR. JONES: Okay. Mr. Njie?

MR. NJIE: Yes. We have looked at the numbers in view of the actions of the board. What we have in terms of access credits, being the differences between what the applicant recommended -- or requested and what we recommended is 185,828. And the River Glen project was 790,399, giving you a total of 976,227.

Now, assuming that the San Antonio project that we had moved from the forward commitment is back on the allocation list, we will have that amount to allocate:
976,227.

If you add that San Antonio project still on the waiting list -- rather, leave it on the forward-commitment list, then you have an additional 1.4 million to allocate for 2000 credits.

MR. CONINE: Hang on. I lost -- you lost me on that one. Back up. If we take the San Antonio, which was the O'Connor Seniors project --

MR. NJIE: That's correct.

MR. CONINE: -- off of the forward and bring it on to the recommended --

MR. NJIE: You have this 976,227.

MR. CONINE: Okay. Then that frees up some on the forward.

MR. NJIE: That's correct.

MR. CONINE: How much?

MR. NJIE: The forward commitment will be 1,544,742.

MR. CONINE: That's how much is allowable --

MR. NJIE: That's correct.

MR. CONINE: -- including the million dollars that we talked about earlier. That gets us up to a full 15 percent for next year.

MR. NJIE: That's correct.

MR. CONINE: So we've got 2-1/2 million dollars
to go.

MR. NJIE: That's right.

MR. DAROSS: Do we have the numbers for the two projects in Wichita Falls?

MR. NJIE: Yes. We have two projects. One is 1090 for 112 units for 766,065 and another project, number 1006, for 120 units for 762,577.

MR. CONINE: Can I ask another question?

MR. JONES: Certainly.

MR. CONINE: And I -- again, I appreciate Judge Daross' question about again regional allocation. Our regional allocation did not figure in the forward commitments that we're issuing this into whether or not it meets the regional allocation because we're just necessarily just dealing with this year's credits. Is that correct?

MR. NJIE: That is correct, yes. The regional allocations were weighted to regions which had the most demand for this year.

MR. CONINE: So if I go to the forward list and I kind of glance down at the forward list, I can see which regions those, in essence, kind of take care of, even though it's going to be for next year.

MR. NJIE: Well, I suppose.

MR. CONINE: Correct? Cherno, how would --
we've got a wait list that's now going to shrink pretty quick. In fact, it may go to nothing here shortly.

How would you recommend that we make additions to the wait list at this point if -- because my concern is that, after reading through all the documentation that I've read, there's projects on either the recommended list or forward list, based on the numerous conditions to funding that may happen, we're going to need some back stop there somewhere.

How would we get more projects at this point onto the waiting list so that we can be comfortable that we -- that Texas wouldn't be letting some credits go by the wayside?

MR. NJIE: We can just look at it in terms of taking some of the best or highest-scoring projects in each region as a stopgap measure or give us some time to come up with a waiting list.

Some of the regions do not have any additional projects to consider, so that wouldn't work. But by and large you could look at the regions that are considerably oversubscribed and develop two or three projects from that region as at least for -- as a waiting list project.

MR. DAROSS: Well, I think in view of the fact that the Legislature has spoken pretty clearly about the regional allocation of funds, we really need to look
seriously at one of the other two projects in Wichita Falls to put it in the place of the one that was just removed --

MR. NJIE: Yes.

MR. DAROSS: -- regardless of what goes on the waiting list. I mean, we've got a hole in Region Number 2, and I think we need to fill it.

MR. NJIE: That's right.

MR. JONES: Mr. Bogany?

MR. BOGANY: Cherno, because I haven't been at the site -- and I'm not trying to micromanage, once again -- how does this site at River Glen compare to the other two sites? And what were the things that came into play that made you choose River Glen over those other two sites?

MR. NJIE: The other project on -- in Wichita Falls, if you look at the address, is also on Jacksboro. So it's a little bit about a mile down the street. It's in the same general vicinity, although on the little bit edge of town in terms of development.

The other project is not very far from that. So we're talking about sites that are very dissimilar in terms of the land use surrounding those -- the neighborhood. They are generally within the same areas -- within the same sub-market certainly.
It's only that this site was a little bit more removed from those other sites. It has a little more activity in terms of commercial development. It had better access, in my opinion, in terms of transportation, et cetera.

And the project really complements what the city is trying to do, and that is deconcentrate low-income projects from where they are right now. The two other projects in Wichita Falls are in the same general area that other Section 8 or other tax-credit projects are right now. So they wanted to move a little bit further from that concentration.

MR. BOGANY: Now, the traffic pattern on the main street that goes through there, what are your thoughts on that? Would traffic lights slow that down? Would lowering the speed limit? -- because the kids undoubtedly have to cross that street to get to the elementary school.

MR. NJIE: Sure. I think --

MR. BOGANY: I mean, you've seen it. So I'm asking -- you know, you have to be my eye, because I only see a picture. Can you tell me, you know, do you think by slowing the traffic down, putting up traffic lights there, putting a 20 mile traffic for kids, or things of that nature, would that make a nature? Is there shopping
near -- down the street?

MR. NJIE: Oh, yes.

MR. BOGANY: I mean, what's going on there?

MR. NJIE: Shopping is there -- is down the street. It's, again, half a mile really -- less than half a mile from major shopping -- supermarket, et cetera.

So I don't think I had the same concerns with adding traffic as may have been voiced here, because I crossed that same street. And, again, it is within walking distance of an existing elementary school.

And, you know, on the other side of the creek you have a single-family subdivision. I'm sure they have kids who currently journey through that pathway to go to school.

You know, certainly the city of Wichita Falls can do some things, I think, to ameliorate any traffic issues regarding tenants of that property. But I didn't get the feeling that we were basically allocating credits to a project where it would be detrimental to house the safety of the tenants.

MR. JONES: Okay. Any motions at this point?

MS. WILLIAMS: Mr. Chair, I'd just like to ask some questions.

MR. JONES: Certainly. Please feel free.

MS. WILLIAMS: There were four projects, number
1938 in Region 2, number 1148 in Region 3, number 1072 in 8A, and 1162 in Region 6 -- one more -- 1072 in 8A, all of which originally, from how I read them, said they were recommended to decline the application. And yet now we're asked to approve.

So I'd just like to know what went on between the -- I guess the underwriting recommendation to decline versus now.

MR. CONINE: Before he answers that, could you read those off one more time, please?

MS. WILLIAMS: 1138 -- that's Region 2. And I understand some of these are non-profit set-asides and elderly, which make a difference, but I'd just like to know. 1148 in Region 3, 1072 in Region 8A, 1162 in Region 6, and 1031 in Region 8B.

MR. CONINE: And those are on the recommended list or on all three lists?

MS. WILLIAMS: They're in the recommended list. But the original recommendation was to decline it, I guess, from underwriting, if I'm not mistaken.

MR. NJIE: I'm not sure --

MS. WILLIAMS: Am I incorrect?

MR. CONINE: No, I think you're --

MR. NJIE: I don't think that those are accurate numbers. Let's --
MS. WILLIAMS: Here, Tom. These are the ones right there. Those are the numbers.

(Pause.)

MS. WILLIAMS: I'm sorry. 1138 forget. That's okay. That's okay. But the others --

MR. NJIE: Okay. 1162. Okay. 1035 and --

MS. WILLIAMS: Okay. I'm sorry. 1148. I was incorrect. There must have been something else on that.

(Pause.)

MS. WILLIAMS: I'm sorry. I misspoke. There was something else evidently I had questions about. Okay. 1072, Region 8A, and 1162 in Region 6.

(Pause.)

MS. WILLIAMS: And 1031 in Region 8B.

MR. NJIE: And 1035, I believe.

(Pause.)

MS. WILLIAMS: I just was curious how the original -- evidently what came from underwriting, I would assume, was to decline, and then --

MR. NJIE: In each of those instances, if you look at the underwriting report it will provide an initial recommendation of decline with an alternative. And that meant that the project is still feasible if they did certain things.

And these were basically administrative things.
that didn't involve a lot of modification to the project, except for the one in Fredericksburg, where we were experiencing some difficulty trying to determine demand for elderly projects in that city. So the recommendation came that the project should be downsized from 88 units to 48 units, and we agreed to do that.

Regarding the 1131, there was a funding gap there that the underwriters said could be closed either through additional funds from the city or syndication. And the syndicator was able to plug an additional three cents to close that gap.

Regarding 1162 in Houston, the issue was whether the developer intended -- that as an elderly project -- intended to put elevators in the project as required under the QAP. There were inconsistencies in the application, and some of the units -- he said he was going to do them, but we didn't see any evidence of that in the application.

So that is provided for on the deficiency requirements, to contact the developer and have them clarify the application, which we were able to do.

On the two projects in Region 8B, 1035 and 1031, the issue there was whether the market analysts have sufficiently evidenced to us that demand for those projects exist in the city of Pharr and the city of

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Weslaco.

What we did there was to require the market analyst to provide additional information, which we took into consideration. It was still not cleared up completely, so I asked that another market analyst provide additional information so that we can rely on that as evidence that the need existed.

I think we all believe that the need exists in Pharr and in Weslaco, but the market study didn't just address it sufficiently to our satisfaction. So the underwriting came as a decline subject to certain conditions. And we were able to satisfy ourselves that the demand exists in Weslaco and Pharr. And, as a result, we recommended the projects.

MR. CONINE: How do you bridge the gap between those applications at that point and the ones earlier that were terminated because of inconsistencies or problems within their applications?

MR. NJIE: Well, the ones that were terminated were given an opportunity to submit additional information with the required period of time. If you do not do that, then you will be terminated after the time elapses.

The terminations were also with respect to material noncompliance that had nothing to do with the application. It had more to do with the existing projects.
that those principals operate in the program.

So we believe that overall we were not treating these applications any different under the rules. We were giving them the same opportunity which obtains for other applicants.

MR. DAROSS: I would like to move that we add Project number 01090, which is the Parkstone Crossroads Apartments in Wichita Falls, to the approved list. That's to replace -- essentially, to replace the River Glen project. That leaves approximately $24,000 still available.

MR. JONES: We have a motion made and a second. Discussion on the motion?

(No response.)

MR. JONES: The second was by Mr. Conine -- excuse me. The motion was made by Judge Daross.

MR. BREWER: Is that project on either one of the other lists, or is this just --

MR. NJIE: No, that one --

MR. CONINE: Nothing left in 2. I don't think there's anything left in 2, Mr. Brewer, on either -- on any of the lists.

MR. NJIE: That was not on any list.

MR. BREWER: Well, can we do that? Where's our legal counsel?
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(Pause.)

MS. STINER:  Mr. Brewer's question is, can you do that.

MR. JONES:  I believe the reason they are doing it is due to geographic dispersement.

MR. DAROSS:  That's correct.

MR. JONES:  Is that part of your motion?

MR. DAROSS:  I'll make it a part of the motion.

MR. CONINE:  I'll accept the amendment.

MR. WALKER:  I believe the board has the authority and discretion to place -- to award projects if they're not disqualified or otherwise eliminated from the process, which these four in Wichita Falls, including the one under the motion -- those have not been. As long as there is a rational basis for it, I think, and it does comply with the QAP -- the board has discretion to make those awards.

So, yes, I believe that would be legal, Mr. Brewer.

MR. DAROSS:  And the notation in the material sent to the board regarding that particular project was that another project -- the River Glen project -- is more competitive. I take it from that that this was one competitive, just came in second.

MR. JONES:  Mr. Bogany?
MR. BOGANY: I'm just -- you know, if we're going to do a project in Wichita Falls, I just want the best project done. And we take River Glen off and then we put the other two projects -- and, I don't know, those other two projects may be as dangerous street as the River Glen project -- and I guess is my question.

And so I am -- you know, I'm kind of -- I want the best project in Wichita Falls and the safest project for the people who are going to live in that community.

And my question -- because we didn't see -- I didn't see the information or anything in regards to the two projects other than what I've got. And I rely back on you, Mr. Cherno.

Are you still saying if you took everything in consideration, River Glen is still the better project, or are you just taking the worst of two evils.

MR. NJIE: Well, I thought River Glen was already off the list.

MR. DAROSS: Yes, it is.

MR. NJIE: Well, if you ask my opinion, again, I would say that it is, of the three applications, yes.

MR. DAROSS: Of the other two, which one is the better, since we've already taken River Glen off? And I would have to go with the score, I would think.

MR. CONINE: Points awarded, yes.
MR. DAROSS: Points awarded.

MR. NJIE: Yes. This is the project [indiscernible] on 0190 scored 63 points. The other one, 1006, scored 60 points.

MR. JONES: Don't we have a motion on the table? Mr. Brewer?

MR. BREWER: What did -- the one we took off, how many points did they have?

MR. NJIE: Sixty-six.

MR. JONES: So we have a motion on the table. It has been made and seconded. Further discussion on the motion?

(No response.)

MR. JONES: Further discussion on the motion?

(No response.)

MR. JONES: Anybody have anything else they want to say?

(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.

(One nay.)

MR. JONES: The ayes have it.
Any further motions?

MR. CONINE: Yes. Mr. Chairman, I think in order to move this along, by my calculations, based on what Cherno's had -- and you guys correct me if I'm wrong, but I'm just going to take a stab at this.

Off of the waiting list, if we take Project -- in deference to my friends in El Paso -- 1120, which has 189,000 -- I think if we plug that into the recommended list right now that would pretty much fill up the boat on the recommended list.

VOICE: What project number is that?

MR. CONINE: That was 1120. And if we take -- so I move that we move that to the recommended list. And then I move that we take Project 1105 in Ingleside, 1156 in Dallas, and 1015 in Brenham and move them to the forward commitment list.

And I think it -- that will give us -- we probably have a little more room on the forward list at that point, but somebody needs to help me with the math.

So I move we move those four projects -- the one in El Paso to the recommended list, the other three to the forward-commitment list.

MR. NJIE: Can you tell me those projects --

MR. CONINE: Sure.

MR. NJIE: -- again by the project number?
MR. CONINE: Yes. The one to the recommended list is 01120, Arrowhead Place, Ltd. in El Paso.

MR. NJIE: Uh-huh.

MS. STINER: That's on one of the lists, Mr. Conine?

MR. CONINE: That's on the waiting list.

VOICE: Waiting list.

MR. CONINE: That's on the waiting list. All these are on the waiting list. I'm sorry. The other three would be 01105, Portside Villas in Ingleside, goes to the forward-commitment list. And that's in Region 8B. 01156, Prairie Commons in Dallas, is in Region 3 -- to the forward. And 01015 in Brenham in Region 7.

Now, for the rest of the board members that would leave a couple of El Paso projects still on the waiting list. And that would increase El Paso's allocation from five projects to six projects on the regular. And they don't have any on the forward list that I can see.

MR. JONES: Okay. We have a motion made by Mr. Conine. Is there a second?

MR. BOGANY: Second.

MR. JONES: A motion has been made and seconded. Further discussion on 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?

(One nay.)

MR. JONES: The motion carries.

MR. CONINE: Now, can you help me with some math? We have some room up from the forward commitment list -- and how close to we get on the regular list?

MR. NJIE: We have 161,078 on the forward commitment left and 22,193 on the allocation list.

MR. CONINE: I am -- I'll go back to my -- once again, my regional allocation concerns. And I don't know how to solve the problem, because it involves going to Region 8B, which has the most deficiency as we -- as -- at least when we got started today. I don't know where it stands right this minute.

MR. NJIE: For what? The million --

MR. CONINE: We've got 161,000 left on the forward commitment list, and we've got 22,000 left on the regular list, according to some calculations. And there's not a project in 8B that meets either one of those two standards.

MR. SALINAS: Well, we need to -- do you have any on the waiting list for 8B?
MR. CONINE: We don't necessarily have to burn up all the forward, just as much of it as we possibly can, although that was my complaint earlier today, I think. And I am concerned about the waiting list. We need to figure -- board members, we need to figure how to get more on the waiting list because I just got a hunch that some of these are going to fall by the wayside based on some of the "subject tos" I read in the whole book. Well, all we've got is El Paso on the waiting list.

MR. BREWER: Mr. Chair, I -- I have request, Mr. Chair.

MR. JONES: Yes, sir.

MR. BREWER: And that is, as far as the waiting list goes, does that have to go forward at the same time as we forward our credit allocations in -- our forward commitment? Or can that waiting list be worked out and looked at next month?

MR. JONES: In other words, does that waiting list have to be done today?

MS. STINER: It is subject to the QAP for the deadline date. That's the question --

MR. NJIE: Yes. Some waiting list will need to be approved today.

MR. CONINE: You know, board members, Cherno made a recommendation that might make some sense earlier
in that we go back to the highest-scoring project in each of the regions that's kind of left over and add them to the waiting list so that we have a pool of projects left over. Unless -- we might want to get Cherno to comment on that one more time relative to his thoughts on that.

Did you hear what I said?

MR. NJIE: I apologize. I was trying to consult with the general counsel here. Regarding what we have now on the 161,000, if you're looking to Region 8B, I think there is a small project in Refugio for 180,000 in tax credits.

MR. CONINE: Yes?

MR. NJIE: And so that would utilize all the 2001 credits. And it's a little -- obviously, there is a gap there of about $19,000, but we can underwrite that project and see what it comes out to.

MR. CONINE: You picked the lowest-scoring one in the whole deal. Well, let's go back to my comment of the waiting list. If we go back and select a project from each of the regions -- let's say the highest remaining scoring project that wasn't on one of the three lists now, or that wasn't rejected by some action of this board -- to go on the waiting list, what would your feeling be relative to that?

MR. NJIE: Well, I would be selective in that...
there are a number of projects that we -- even though they scored very well we didn't recommend. For example, in Region 3 -- the project in Ennis, for example, that would be on the list now if we go by score.

MR. CONINE: Be on the waiting list. It wouldn't be on the --

MR. NJIE: That's correct.

MR. CONINE: Yes.

MR. NJIE: Well, would you want me to come up with a list for you?

MR. CONINE: I think you already have. It's what I'm looking at here.

MR. NJIE: Let's go through the regions. Maybe we can generate something as we stand here.

MS. STINER: Could I just ask a question. What are being asked to do? -- to come up with developments to add to the waiting list?

MR. CONINE: That's correct. The waiting list has been expunged except for two projects, and that's not enough. And both of those are in Region 10 in El Paso.

MR. JONES: Why don't you do that, Mr. Conine? I think that's a good suggestion. Y'all can go through it right now.

MR. CONINE: You know what we could do? If we've got a 2:30 thing -- or we can go to some other
business now and then come back to it a little later.

MR. JONES: Well, why don't we do that? Why
don't we try to deal with this issue with regard to
everything with the exception of the waiting list? And we
can come back to that after our --

MR. CONINE: That's great.

MR. JONES: -- executive session.

MR. CONINE: That's great.

MR. JONES: Okay. I think we still have a
motion that needs to be made.

MR. CONINE: Mr. Chairman, I recommend we
approve the recommended 2001 allocation list and the
recommended 2002 forward commitment list per all the
motions and actions by this board up to this point.

MR. DAROSS: Second.

MR. JONES: Does everybody understand the
motion?

(No response.)

MR. JONES: The motion was made by Mr. Conine
and it was seconded by Mr. Daross.

MS. STINER: I don't think --

MR. JONES: Ms. Stiner?

MS. STINER: If I may, I don't think the board
has considered staff's recommendation to move the San
Antonio development from the wait list. That was pulled
off the table to consider -- the River Glen project in
Wichita Falls.

MR. CONINE: She may be correct in that, and
I'll defer to her correctness and say that I would yield
to that in my motion. That was -- I think it was all
calculated within those numbers we were dealing with.

MS. STINER: Yes, sir.

MR. JONES: Okay. And you accept her amendment
to the motion, and the second accepts that amendment, too?

MR. DAROSS: I do.

MR. JONES: Okay. And she couldn't make the
amendment, but it -- Chair probably can't make it either.
Mr. Daross did. I heard him. It was there.

(General laughter.)

VOICE: He mumbled something.

MR. JONES: Yes. Okay. Any further
discussion? We are dealing now with the allocations, as
well as the forward commitments. Okay.

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed to the motion please
say nay.
(No response.)

MR. JONES: The ayes have it. Motion carries.

I would like to say this. You know, guys, it's been a long -- but you all realize we've put more houses on the ground now than we started this morning. So I commend the board on its hard work.

Okay. Let's do -- we've got a little bit of time before we -- I tell you what. We've had people here waiting a long time. Let's go right now into executive session. And then we'll come back and address the other issues. And at that time we can get a new waiting list.

(Off the record.)

MR. JONES: -- will begin its executive session today, July 31, 2001, at 2:22 p.m. The subject matter of this executive session deliberation is as follows.

Personnel matters; number 2, consultation with attorneys concerning pending litigation, Cause Number 98-11816, Hershal Blankenship, et al v. TDHCA; number 3, consultation with attorneys concerning pending litigation, Cause Number GN102058, Kenneth Mitchell and One Buena Vista, Ltd. v. TDHCA. And we will now go into closing session. I think the board will meet in a room right over here. Thank you.

(Whereupon, a short recess was taken to conduct the executive session.)
MR. JONES: I hereby certify that an executive session of the board of directors of the Texas Department of Housing and Community Affairs occurred on July 31, 2001.

I certify that the agenda I hold in my hand of an executive session of the Housing and Community Affairs was properly authorized pursuant to Section 55.103 of the Texas Government Code, posted at the Secretary of State's Office seven days prior to the meeting pursuant to Section 551.0044 of the Texas Government Code.

That all members of the board of directors were present with the exception of Mr. Shadrick Bogany, and that this is a true and correct record of proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code, and that the subjects matters of the deliberation were as follows.


The board of directors has completed its executive session of Texas Department of Housing and
Community Affairs on July 31, 2001, at 3:45 p.m. With that in mind --

MR. CONINE: 2:45.

MR. JONES: 2:45 p.m. With that having been said --

MR. CONINE: Central Daylight Time.

MR. JONES: -- the court -- the court -- with that having been said, the Chair would entertain a motion concerning the settlement in Cause Number 98-11816, Hershal E. Blankenship, et al v. TDHCA, which has been recommended by the Attorney General's Office.

MS. WILLIAMS: Mr. Chairman, I move that we accept the Attorney General's recommendation to settle.

MR. BREWER: I second it.

MR. JONES: We have a motion made by Ms. Williams, seconded by Mr. Brewer, that the settlement be approved. Any discussion of the motion?

(NO response.)

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

(A chorus of ayes.)

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

(NO response.)
MR. JONES: Motion carries. With that, we -- why don't we do this? I don't see Cherno's back yet, so let's leave tax credits for the moment and go to item 3 of the agenda, which is the presentation, discussion, and possible approval of programmatic items.

Mr. Brewer?

MR. BREWER: Mr. Chair, we'll have staff go ahead and brief on those projects for the HOME at this time.

MR. JONES: Thank you.

MS. STINER: Mr. Keith Hoffpauir is the manager of the Housing Trust Fund. You and staff make the presentation please. And these are for 2001 Trust Fund and SECO, State Energy Conservation Office, recommendations, first --

MR. JONES: All right.

MR. HOFFPAUIR: Good afternoon, Mr. Chair, board members, Ms. Stiner. My name is Keith Hoffpauir. I'm the manager of the Housing Trust Fund program.

And today we are presenting our recommendations for funding under our Housing Trust Fund 2001 cycle for development and HTF/SECO energy efficiency funding.

A brief history on the funding cycle, and then go into who we're recommending, and will be happy to answer any questions anyone might have.
On March 2, 2001, a NOFA was published in the Texas Register. And that's in the development cycle and availability of 4.9 million in development funding and approximately 1.8 million in HTF/SECO funding.

The cycle was also advertised by mailing notices to over 1,200 organizations and individuals on our mailing list, as well as posting the NOFA and application on the TDHCA website.

The program conducted application workshops in Austin, Dallas, Harlingen, Houston, Lubbock, Midland, and El Paso during the month of March. By April 20, the submission deadline, staff had received requests for and mailed out 117 applications. This does not count any applications that may have been downloaded over the website. And a website application was posted. Twenty-five applications were received in response to the NOFA.

The 13 highest-ranking projects that received a favorable recommendation from the credit underwriting division and were consistent with program requirements are now being recommended for awards.

Upon completion of the developments, the program will have participated in the creation of 1,182 new Housing Trust Fund affordable units for individuals and families with low, very low, and extremely low income and persons with special needs.
Additionally, if approved, the units will produce 455 affordable units for persons with special needs. This represents 38 percent of that population.

The total number of units recommended, including those units receiving assistance through our HTF/SECO program, will help us to achieve 85 percent of our fiscal year 2001 performance target, which we will exceed with the inclusion of units from our capacity building activity included.

Of the $4,460,850 of funding recommended through the Trust Fund in this cycle, more than 42 percent will be applied in rural areas, with the remaining 58 percent applied in urban areas of the state. And this is pretty much consistent with the historical average that we've run within the program. It's pretty much been a 60/40 split throughout the history.

We received requests totalling $9,865,734. That is an oversubscription level of 1.45 to 1. Of the $3,290,500 in development funding, 40 percent of that amount will go toward the production of units for extremely low-income persons and families.

I'd now like to read off the projects that we are recommending for funding, unless anyone has any questions before I began.

(No response.)
MR. HOFFPAUIR: Very well.

MR. JONES: Would you like to make a public comment now?

VOICE (from audience): [inaudible.]

MR. JONES: Okay. Excuse me. Thank you.

MR. HOFFPAUIR: All right. TownPark Fredericksburg, Fredericksburg, Texas, 450,000 in development funding. Dayton Housing Authority in Dayton, Texas, 29,350 in HTF/SECO funding.

Housing Authority of the City of Meridian in Meridian, Texas, 60,000 in HTF/SECO funding. Heatherwilde Park LP, Pflugerville, Texas, 350,000 in development funding. Deen-Fort Worth in Fort Worth, Texas --

MR. JONES: Keith, since we have this in writing before us, I don't know that you need to read it to us.

MR. HOFFPAUIR: Be happy to. Otherwise, I'll take any questions the board may have on our recommendations.

MR. JONES: Thank you.

MR. HOFFPAUIR: Yes, sir.

MR. CONINE: Help me a little bit with the total funds available. We're showing 4-million-9, I think, in the Housing Trust Fund that we NOFA'd for.

MR. HOFFPAUIR: Yes.
MR. CONINE: How was that number derived?

MR. HOFFPAUIR: That number was derived from our general revenue allocation that we received for this year of the biennium and also deobligated funds from previous projects that did not go forward, which are considered local funds within the agency.

MR. CONINE: Okay.

MR. HOFFPAUIR: So we add those two together, and that gives us our amount to go forward with.

MR. CONINE: And what's the relative size of the corpus of the Housing Trust Fund now, give or take a million dollars?

MR. HOFFPAUIR: We are looking at -- this next biennium, we're looking at roughly about $6.5 million in funding per year. Now, that would not include any funds that may be transferred to us from other areas during the course of the year.

MR. CONINE: And, again, for my clarification, we -- the one specific one, the Heatherwilde deal --

MR. HOFFPAUIR: Yes, sir.

MR. CONINE: -- is the one we were talking about earlier where this is going to fix their problem. And it was left off of the other calculations, under my recollection, on the tax credits.

MR. HOFFPAUIR: Yes, sir.
MR. CONINE: And we all have that understanding?

MR. HOFFPAUIR: Uh-huh.

MR. CONINE: Okay. I move we approve staff recommendation on the Housing Trust Fund recommended project list.

MR. DAROSS: Second.

MR. BREWER: Second.

MR. JONES: Motion made by Mr. Conine. It was seconded by the Judge. He barely beat out Mr. Brewer. Sorry, Mr. Brewer.

MR. BREWER: That's okay.

MR. JONES: Further discussion on the motion?

(No response.)

MR. JONES: 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 please say nay.

(No response.)

MR. JONES: The ayes have it. I think that moves us to Item 3(b). We do have somebody that would like to speak.
MS. FORD: Hello. My name is Mia Ford, and I'm the director of Texas Development Institute. My organization is dedicated to supporting the capacity building of our community-based development organizations here in Texas through training and technical assistance.

Through the past two rounds of the Housing Trust Fund's capacity building program my organization was awarded and we provided 16 training workshops around the state on developing affordable housing.

The need for capacity building funding in Texas for non-profit housing organizations is great. And the needs to be addressed through capacity building funding are greatly diverse.

I would like to praise the Housing Trust Fund staff for their efforts to a new approach for the capacity building program this year in directing funding towards technical assistance rather than training.

The response of 64 proposals, regardless of having less than a month to prepare those proposals, is a statement itself of the huge need for capacity building funding. I truly wish that the capacity building program could fund all 64 proposals this year.

However, the funding is limited and Housing Trust Fund staff have recommended 13 organizations whose proposals show the more experience. I commend the staff's
recommendations for 13 organizations who are providing fine quality work for their communities.

However, I would like to express my concern that there are no organizations primarily serving rural areas who are recommended for funding. And I would like to express my regrets for those organizations who are less experienced and who are start-up. All of these organizations are struggling to make financial ends meet while making projects happen.

I helped prepare the proposal for the Lufkin Community Development Team. This is a one-year old organization who is seeking to revitalize their deteriorating north Lufkin neighborhood.

In their proposal they requested funding for the preparation of a market study and for technical assistance to analyze that market study to perform a survey of their community and for guidance in strategic planning.

They are attempting to take the right steps to identify their market before they jump into their first housing development project. These are the steps that we technical assistance providers teach our young organizations. However, these steps take money, and this money is difficult to come by, except for programs that are designated for capacity building.
Therefore, it is my recommendation that for future rounds of funding through the capacity building program that perhaps a tiered approach be taken -- that perhaps for next year's allocation that the money be divided into perhaps three levels for start-up organizations, intermediate organizations, and those more experienced organizations. And I volunteer to work with the Housing Trust Fund staff to create solid guidelines criteria to help establish the tiers.

I appreciate your consideration of my comments, my concern, and my recommendation. And thank you.

MR. JONES: Thank you.

MR. CONINE: Which organization were you with?

I'm sorry.

MS. FORD: Texas Development Institute.

MR. CONINE: Okay. Thank you very much.

MR. JONES: Thank you. All right. We're on 2(b) -- I mean, 3(b).

MR. HOFFPAUIR: Keith Hoffpauir, Housing Trust Fund manager.

What I would like to do now is present our recommendations for funding under our 2001 Housing Trust Fund Capacity Building Program.

At this time I would like to introduce, maybe to some of you for the first time, our senior planner, Ms.
Stacy Higgins. Stacy has the day-to-day responsibilities of managing this program, and she has done a super job working with me and developing kind of a different direction for capacity building at this time in the program.

And I wanted to give her a chance to shine a little bit. And she'll be making the presentation for the activity today. And I'll be right here if she needs my help, which I doubt she will. Thank you.

MS. HIGGINS: Good afternoon. My name is Stacy Higgins, and I am the senior planner for the Housing Trust Fund. And I'm very glad to have this chance today to present our recommendations to you. I guess, in the interest of time, I won't recap too much of what you already have in your summary unless, of course, you'd like a summary of the overall program.

I do want to take a moment to address Ms. Ford's comments, which I'm very glad that we have the opportunity to bring up some of these points. As she said, within the past two years, we have funded workshops for the capacity building program. These were statewide.

This year, when we were looking at how to structure the 2001 program, we were hoping to find a way that we could complement, rather than duplicate, a lot of the training that is going on right now, and will continue
to go on across the state, particularly with the Housing
and Urban Development and with the Local Initiatives for
Support Corporation.

Both of these organizations are providing
technical assistance very much along the lines of what Ms.
Ford was referring to to help start-up organizations --
those that are at the very beginnings. Additionally, HUD
also has community builders statewide that come in and
will work with these types of organizations.

So our goal was to find a way we could
complement and move to the next level. And, in doing
this, we decided to give the non-profits the choice
themselves of what they felt their areas of capacity
building needed to be. We developed this as a result of
comments we'd received from non-profits across the state
and what their needs were.

The additional benefits in doing this -- and
I'm very excited to be able to tell the board that this is
the first year that capacity building is able to have the
actual creation of units, a total of 516 proposed units,
to be exact.

And this is a benefit that is not only the
primary goal of the Trust Fund, but is also outlined in
the Housing Trust Fund rules, which is the next thing I
just wanted to comment on.
The reason that we had to look at organizational experience and we had to go ahead and give some points for the more experienced -- because our rules do state and because the primary point is the creation of housing, we have to focus our funds where we know that the actual -- that there will be a follow through.

Start-up organization is an organization that is, say, one or two years old. If we invest $50,000, we need to know that that organization is going to be there in year three, year four, and year five to produce results with those $50,000.

We looked around the state, and that was being provided and will continue to be provided through HUD and through other local groups. Trainingwise for those organizations, we felt this year the best use of the funds was to move forward to complement and, as you can see, list some of the benefits that I've outlined here, with 70 units or more going for special needs. We have 215 units for extremely low income.

We're going to have a specialized project for a person with HIV and Aids in their families. At least one-third of these agencies that are being funded are going to serve special needs directly.

So we're able to hit a wide variety of groups, including 56 units set aside for the elderly. And these
benefits alone, I think, have certainly supported the
direction that we've decided to go this year.

The recommendations -- on May 11 we put out the
request for proposals. We did receive, as Ms. Ford noted,
64 proposals in response. It was a very difficult scoring
process. And, out of that, we had 13 organizations that
we are ready to recommend for funding. They are listed
before you in your books. I'll be happy to read them and
summarize them if you'd like, or we could --

MR. BREWER: Mr. Chair --

MR. JONES: Most of us can read. Conine is a
little shaky, but --

MR. BREWER: Mr. Chair, I recommend that we
approve the 2001 capacity building program as recommended
by staff.

MR. GONZALEZ: Second.

MR. JONES: We have a motion made by Mr. Brewer
and seconded by Mr. Gonzalez. Further discussion?

(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 nay.
(No response.)

MR. JONES: The ayes have it. Thank you very much.

MR. CONINE: Could I ask Ms. Stiner a question?

MR. JONES: You may.

MR. CONINE: Ms. Stiner, tremendous demand for this program, as you can see by the number of applications. Is there something we can do within the HOME funds and the rest of our bailiwick to try to shift some more into the demand cycle of this particular program?

MS. STINER: That's the same question we spent our staff meeting yesterday considering among our directors is where do we go. It seems that there were so many developments. So we're continuing to look at all of our funding sources to see if we might come up with some additional funds as we were speaking.

I don't think the HOME people were represented, so this will be news to them -- to look there and any other resources we may have internally. It was a fantastic response, and there were many worthy developments and organizations that we just didn't have the funds to assist at this time.

MR. CONINE: Thank you.

MR. JONES: 3(c). Mr. Brewer?
MS. ARELLANO: Good afternoon. I'm --

MR. DAROSS: Need an introduction.

MR. JONES: Go right ahead. Just tell us who you are.

MS. ARELLANO: Jeannie Arellano for the HOME program, HOME program manager.

MR. CONINE: Nice to meet you.

MS. ARELLANO: In the interest of time I -- today the HOME program staff is presenting their recommendations for the 2001 HOME Demonstration Fund.

We have three other activities that we will be funding and presenting to the board for recommendation in September -- we hope in September. And I hope at that time that we can give you a complete summary and highlight some of the many changes that we have made in the program's policies and procedures and application cycle -- funding cycle in response to our various audits and public comment.

So today, I'm only prepared to present our Demonstration Fund recommendations.

MR. JONES: Thank you.

MS. ARELLANO: Last fall the HOME program staff did participate in the public hearing and public comment process and the consolidated plan, which established that approximately 2.6 million of our total project funds would
be available in set-aside for the Demonstration Fund.

The Demonstration Fund set-aside was for the preservation of existing affordable or subsidized housing, and could include 4 percent or 9 percent low-income housing tax-credit applications. It is also targeted to nonparticipating jurisdiction areas, with the exception of any CHODO applicants we would have received under that set-aside. And it was not subject to the regional allocation formula.

We received a total of six applications. One of the applications we received after the deadline, which was disqualified. We also received an -- one of the -- of the remaining five, one of them did not pass the threshold score of 180 points, as required for that, and they did receive a disqualification letter. And four are being recommended. Of the four that are being recommended today, three of them are low-income housing tax-credit applications.

Our recommendations are going to result in a total of 165 units. There is a detailed project level writeup that's been included in the board books. There are also various conditions that these recommendations are subject to, which will be required to have been met before the loans, the HOME loans, close on these awards. So if there's --
MR. JONES: Thank you.

MS. ARELLANO: -- not any other questions, we request approval.

MR. JONES: Thank you.

MR. SALINAS: Move for the approval.

MR. DAROSS: Second.

MR. JONES: Mayor makes the motion and the judge seconds it.

Any questions? Comments? 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. ARELLANO: Thank you.

MR. JONES: The concentration policy. Who wants to present that?

MR. BREWER: Who's going to present --

MS. STINER: Mr. Gouris. Go ahead.

MR. JONES: I know we've talked about it many times.

MR. BREWER: Yes.
MS. STINER: And Mr. Gouris.

MR. GOURIS: I'm Tom Gouris, director of credit underwriting. We presented this to the board last month and discussed in detail some of the history of it.

The board asked that we revisit a couple of folks who had indicated some interest in looking at the issue a little bit more closely, Mr. Henneberger and Mr. O'Conniff [phonetic]. And we met with them a week or so ago, discussed in detail where we are coming from, what we're trying to do, and asked -- they asked -- we asked them to provide us with written comment.

On Monday, I guess, of this week -- did we get an e-mail from Mr. Henneberger indicating his --

MS. STINER: Friday.

MR. GOURIS: Friday? -- withdrawing his concerns for this interim policy, but reemphasizes his general concerns about fair housing and indicating a general desire to -- you know, for the Department to develop a more proactive fair housing policy. But, for this interim concentration policy, he pretty much withdrew his concerns or issues.

And so we would like to again ask your approval of this interim policy to be able to move forward for the rest of the year until we can get a more full-fledged policy in place.
MR. JONES: Thank you.

MR. CONINE: Mr. Chairman, what's going to -- the makeup of the ad hoc advisory group, can you expound on that a little bit?

MR. JONES: How about Ms. Stiner address that issue?

MS. STINER: That was one of the issues that we had hoped to just address in the executive director's report, whether or not that would be membership that this board wishes to make or whether or not you would instruct the Department to move forward with appointing people with -- representing a cross-view of the industry.

So that was the question we are posing to you. We had not moved forward to make those recommendations.

MR. CONINE: Is the chairman or the executive director going to put together the ad hoc --

MS. STINER: That is the question.

MR. BREWER: I've got a recommendation --

MR. JONES: All right.

MR. BREWER: -- Mr. Chairman. I recommend we approve the concentration policy that we have now, and that the executive director work with the ad hoc committee to work on a concentration policy to present to us before we issue the next QAP.

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

MR. CONINE: Is there discussion? Are we discussing now?

MR. JONES: Yes. Go ahead.

MR. CONINE: Mr. Brewer, I think, was intimately involved in this to get us to this point. And I'd love to see him on the advisory -- ad hoc advisory committee.

MR. JONES: I would, too. I guess I didn't understand the motion and --

MR. BREWER: I was recommending that the executive director would form the ad hoc committee --

MR. JONES: Okay. Thank you.

MR. BREWER: -- with the staff, and then that they would work --

MR. JONES: Okay.

MR. BREWER: If you want a board representative, that's fine.

MR. JONES: Yes.

MR. CONINE: I agree.

Would you accept that as an amendment to your motion, Mr. Brewer?

MR. BREWER: I would.

MR. SALINAS: I would, too.

MR. JONES: Mr. Brewer made the motion and the
mayor seconded it.

MS. STINER: I would just note for the record that the next QAP is scheduled to be approved by December 1. So we will work --

MR. BREWER: Correct.

MS. STINER: -- very quickly.

MR. JONES: Thank you. All right. 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 to the motion say nay.

(No response.)

MR. JONES: Motion carries. Thank you. That will then bring us to Item 4 on the agenda. I'll tell you what. Why don't we finish the agenda and then we'll go back? Okay. Item 4 on the agenda, which is the Morgan Housing, Inc., doing business as Morgan Homes, Respondent, case.

We have a recommendation here concerning the ruling of the administrative law judge, Katherine L. Smith, in Docket Number 332-01-2621.

Is there a motion in this regard?

(Pause.)
MR. JONES: Yes. Go right ahead.

MR. SCHROEDER: My name is Jerry Schroeder --

Good afternoon. My name is Jerry Schroeder.

I'm the dispute resolution supervisor for the Department.

The Department sought administrative action

against this particular respondent. It ended up in an

administrative hearing. The judge, as you said, granted

our request for default judgment. I recommend that -- the

staff recommendation of the Department is that we accept

the PFD from the administrative law judge and assess a

$2,500 penalty against Morgan Manufactured Homes.

MR. DAROSS: So moved.

MR. JONES: We have a motion.

Is there a second?

MS. SAENZ: Second.

MR. JONES: And the second's made by Lydia

Saenz. Excuse me, I couldn't see down there.

Ms. Saenz? Okay. And any further discussion

on the motion?

MR. SCHROEDER: I assume nobody here is from

Morgan or representing Morgan.

MR. JONES: If they have, they haven't signed

up to speak. Okay.

Hearing no further comments 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: Motion carries. Mr. Conine, Item 5?

MR. CONINE: Thank you. I believe we'll call on Mr. Dally.

MR. DALLY: Good afternoon, Mr. Chairman, board members, Ms. Stiner. I'm bringing to you a recommendation for our external auditor. That contract comes up about every five years.

The reason for that length is because it takes time for an auditor to come in and understand your business. And they oftentimes lose money that first year too, and then we have to give them a window of time to learn.

I would like to thank David Gaines and his internal audit staff. They helped me put together the RFP that went out. We put that out on the Texas Market Place. In the end we had two respondents. We had Deloitte & Touche and our current auditors, KPMG Peat Marwick.

We put together a team of four. I had two of my managers, Byron Johnson and David Gaines -- looked at
both proposals, put their scores together. And it was the conclusion of the group that Deloitte & Touche had the best proposal.

So I'm recommending them to be the Department's auditor.

Now I did put a note in the board book at the end. They had a proposal to have a minority firm participate to a level of about 30 percent. I'm going to -- what I would like to do is get back to them because our current arrangement is we have a 50/50.

And it's one of the initiatives of the state is to have HUB participation where you have a partner with a large firm and then minority firms work together. And what I'd like to do is get back and visit with them and see if we can't up a percentage from 30 to perhaps 40 or 50 percent.

We can do that in a way -- what happens is each year we'll actually draft up an engagement letter which will lay out the fees and the work to be done. And we can look at the percentage then. Are there any questions on --

MR. CONINE: The first year we're talking about is which year that this proposal would kick in?

MR. DALLY: With the year -- the audit coming up -- the one that will conclude this August 31.
MR. CONINE: Right.

MR. DALLY: And it will issue in December.

MR. CONINE: Okay.

MR. DALLY: The audit statements will be in December.

MR. JONES: Questions?

MR. CONINE: Mr. Chairman, I make a motion that we approve staff recommendation subject to their ability to negotiate with Deloitte & Touche to get it up to -- I'm going to say 50 percent minority participation.

MR. GONZALEZ: Second.

MR. JONES: We have a motion made and seconded. It think it was the mayor.

MR. SALINAS: No, it was Mr. Gonzalez.

MR. JONES: Oh, I'm sorry.

Mr. Gonzalez, I apologize. Anything further discussion?

(No response.)

MR. JONES: Hearing none, are we 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 eyes have it.

MR. DALLY: Thank you.
MR. JONES: Thank you. If we could, let's now go back -- although I would say this to board members, my life was threatened today if I did not get correctly everybody that seconded a motion by the court reporter. So I have acted in very great fear and trepidation today.

Now we go back to Item 2(b), which is staff recommendations of projects for the waiting list for the year 2001 allocation round.

And Mr. Njie is just dying to talk.

MR. NJIE: Yes. We have looked at the recommendation -- the remaining projects and, at this point, would like to propose a waiting list.

In doing so, we looked at the regions for which we have not quite met the targets as a guide rather than just looking at the points. And then also took into account regions for which there are no additional credits really -- additional projects to put on the waiting list.

With that, we came up with the following projects. In Region 10, 1095 and 1098. These are already on the waiting list. In Region 5, Project Number 1028, Spindletop in Beaumont. In Region 7, Project Number 1012 in Bastrop. In Region 8A, Project Number 1167 in San Antonio. Again, in 8A, Number 1039 in Boerne. In 8B, Project Number 1055, Laredo Villejo in Laredo.

MR. CONINE: That was 8B you said?
MR. NJIE: 8B.

MR. CONINE: Okay.

MR. NJIE: 1055. Another one in 8B, 1143, also in Laredo.

MR. CONINE: Okay.

MR. NJIE: And, finally, 1086 in Refugio. And that will make it nine projects in all. And it will be subject to underwriting determination. So assuming that these projects are all financially feasible, we would put them on the waiting list.

And if additional credits become available, or for whatever reason the recommended projects fail to proceed, we will pick from among these projects as replacements.

MR. JONES: Thank you.

MR. SALINAS: You need a motion? I move that we go ahead and take his recommendation on the holding list.

MR. JONES: Thank you, Mayor. We have a motion that these recommendations be approved by the board for the waiting list.

Is there a second?

MS. SAENZ: I second.

MR. JONES: The motion's been seconded by Ms. Saenz.
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MR. CONINE: Mr. Chairman, I need just a little bit of time.

MR. JONES: Sure. We're going to give you that time, Mr. Conine.

MR. CONINE: Cherno, could you help me with the latest round of regional allocation numbers, the shortfall? Have you been able to determine that -- kind of where we are now? I mean, 8B's going to be probably the worst -- still the worst one that we've got shortfall on.

MR. NJIE: Okay. Let's --

MR. CONINE: Or is that --

MS. BOSTON (from audience): The funds you added back in from the other ones?

MR. CONINE: Yes. The net-net-net of where we are right now. That's -- we're not counting the forward commitments now.

MR. NJIE: That's correct. If you're not counting the forward commitments, then really the numbers haven't changed.

MR. CONINE: Numbers haven't changed a whole lot.

MR. NJIE: That is correct.

MR. CONINE: Can you also give me one other piece? The recommended list that you've just made,
roughly what does it total up to on credits?

MR. NJIE: Okay. Just a moment. We can get that.

MR. CONINE: I don't have to have it exact. I can -- just get me in the ball park.

MR. DAROSS: I'm going to make a suggested amendment to the motion, and that is we add two projects from Region 3 to the wait list as being Project 1007, which is the Grand Texas Seniors Community, and the Ennis Senior Estates, 1036.

MR. JONES: Will you accept that as an amendment to your motion?

MS. SALINAS: Yes.

MR. JONES: He accepts that as an amendment to his motion. And I assume the --

MS. STINER: Could I --

MR. JONES: -- second will accept that also.

Is that true?

MR. SAENZ: Yes.

MR. JONES: Okay. Yes.

Ms. Stiner.

MS. STINER: Can we have the project numbers again, please, and the name of them?

MR. DAROSS: 1007 and 1036.

MS. STINER: 1036.
MR. JONES: Mr. Conine?

MR. CONINE: Yes. She's still adding.

MR. JONES: I'm sorry.

MR. CONINE: She's got that -- that adding machine is so hot right now.

Cherno, you can probably answer a QAP question for me right quick.

MR. NJIE: Uh-huh.

MR. CONINE: Does the QAP address the priority on the waiting list or is that up to staff/board discretion?

MR. NJIE: No, the QAP doesn't specifically address any priority on the waiting list. And we wanted to propose a flexibility to look at the projects depending on the amount of credits available, again, with the non-profit being at least 10 percent as a caveat.

MR. CONINE: So you've got a lot of balls working -- you've got the 10 percent set-aside working in general for the non-profits; you've got the -- if one falls off you've got to kind of match it up either with another size or a combination of projects to equal the same -- or get close to equal.

MR. NJIE: And, added to that list, of course, now is the regional allocation. Should one fall from one region, you would ideally want to substitute it for one
from the same region.

    MR. CONINE: Well, that's -- that, to me, sounds like the absolute only practical way to handle the waiting list.

    MS. BOSTON: Okay.

    MR. CONINE: Yes.

    MS. BOSTON: The total of funds, including the two projects in Region 3, is 5,251,402.

    MR. CONINE: That answers my question.

    MR. JONES: We have a motion on the table. It has been 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 to the motion please say nay.

        (No response.)

    MR. JONES: The ayes have it. Motion carries.

    And we then move to Item 2(d) on the agenda. This is the issuance of a determination notice for tax exempt bond transaction known as Project Number 01430, Blunn Creek Apartments. Would that be Mr. Njie again?

    MS. STINER: That would be Mr. Njie.

    MR. JONES: This is your day.
MR. NJIE: Once a year. If I can find that one --

MS. STINER: I have it here if you need it, Mr. Njie.

MR. JONES: We're on 2(d).

MR. NJIE: Yes. This is Blunn Creek Apartments in Austin, Texas, Project Number 1430. We're utilizing tax exempt bonds. The underwriting report is part of your board book. And there are four conditions in our summary. Staff is recommending an allocation of $684,850 annually. The project is comprised of 280 units, and I believe the developer is Hunt based in -- Hunt Corporation based in El Paso. And, then, it is consistent with the local housing needs, and there is no opposition to the property.

So with that, we move that the board recommend -- or accept staff recommendation to award the credits for this project.

MR. CONINE: Move for approval.

MS. SAENZ: Second it.

MR. JONES: We have a motion made by Mr. Conine and seconded by Ms. Saenz. Further discussion?

(No response.)

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

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(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: The motion carries. Item 2(e).

MR. NJIE: 2(e) is extension request for placement in service. And these are two projects that are seeking extension. One is based in San Antonio, 99182. It is right now 70 percent complete. The Department's placement in service date is October 31, which is an earlier date than provided for under federal law, which is December 31. So the developer is seeking extension of that deadline to December 31 to place the project into service.

MR. CONINE: We going to vote on them separately or as a group?

MR. NJIE: I can look at the -- I can go on to the other one as well. The second project is in Mesquite. That one is also seeking extension regarding placement in service. And that is a 2000 allocation. Actually, it was a forward commitment. They are asking for an extension of deadline to September 30 of 2002.

MR. CONINE: What percentage complete -- excuse me. Go ahead.

VOICE: No, go ahead.

MR. CONINE: What percentage complete are they,
would you say?

MR. NJIE: This one doesn't indicate what the completion is right now. It is under construction, however.

MR. CONINE: Yes, they're under construction. They're started. Right?

MR. NJIE: That's correct. The -- it is under construction.

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

MR. JONES: Motion made by Mr. Conine.

MR. SALINAS: Second.

MR. JONES: Seconded by the mayor. 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. And then we'll return to the remaining item on our agenda, which is the executive director's report. Ms. Stiner?

MS. STINER: Thank you, Mr. Chair. The board is required to adopt an operating budget for the
Department by August 31 of each year, which is -- I guess September -- September 1 of the fiscal year.

We have committed to this board to give you two opportunities to look at that. So Bill Dally, who is the CFO of the agency, will present to you today a draft of that budget. This budget will be coming back to you next month for our final approval.

Mr. Dally?

MR. DALLY: Yes. And, typically, I have prepared a set of comments and some statistics and comparisons. I do not have that prepared today, but I promise you I will get that out to you this week so you can look at this budget.

But, quite frankly, this still needs a lot of internal work among a lot of our staff and with Daisy Stiner because what's new this year is that, with the Legislature, what we've typically had is one pot of resources is going to be eventually subdivided. And two other boards are actually going to look at and contemplate these resources later this year after they get appointed.

And so this will sort of be -- but we need to get a preliminary cut and have something approved so that, come September, we can carry on business in sort of a transition period until some of those boards are in place.

But they're quite a few resources used to get
settled, and I think we still have some meetings with the Governor's Office and stuff to discuss some of the details. So this is -- it still needs a lot of work.

But this -- what this looks like is a lot more like what we've had in prior years. But we still need to do some work to see what that might look like in transition.

MS. STINER: I think that I might add just a statement, Mr. Chair --

MR. JONES: Go ahead.

MS. STINER: -- is that the boards that Mr. Dally has referenced to is out of the legislation. One of the programs in the agency, the Community Development Block Grant program, is going to be moved to a new department. And they will have a new board. The Manufactured Housing Division will remain with the Department as an administrative entity, will also have a new board.

So there are some challenges in trying to divide up this pot. They're still some variables and some answers to questions we haven't gotten back yet, and probably won't happen until those boards are set and constituted.

So we are working diligently with the -- those offices that Bill mentioned -- the Governor's Office, the
Legislative Budget Board and others, to try to guide us through some of the answers to those questions.

So when we get back to you 8/31, we're very optimistic that all of those questions will have been answered. And we can present you then with a budget. I hear laughing in the audience. We will be able to present to you some semblance of a budget for operating the TDHCA, as well as OCRE [phonetic] the Manufactured Housing Division.

OCRE is a new rural development agency that has been created to which the CDBG program will be transferred.

MR. DALLY: If I can add a little bit, I think what we'll have to do is -- if we can agree on a set of assumptions that -- and a time line that will get us so far into this, then, I think we can make some rational decisions on kind of how to split this up.

But it's still -- there's still the unknowns of some boards and some directors and stuff that are going to have to -- once this is in place they may -- they're going to revisit some of this too.

MR. CONINE: Ms. Stiner, could you comment on -- I know the office space was a subject matter of, I'm sure, this budget deliberation -- kind of where we are there?
MS. STINER: Yes, sir. We have two things going on with the budget. We have made a request for a waiver to exceed our capital budget, so we might do some build out. We've gotten an observation that, since the fiscal year is over, we probably won't get an improvement on that.

To the other end, we've requested a waiver to exceed our 153 square feet of space per employee. The Governor's Office has been very instrumental in working with our agency and the GSC to get a consideration of letting all of our employees, and the employees that will be transferring eventually to the new agency, to remain in place until those decisions are more firm.

And director of facilities have been working on our staff with the landlord trying to negotiate that space for at least a minimum of six months. So it appears, if those are successful, that all employees at TDHCA, as well as the new agency employees, will remain in place for at least six months until some of those questions that I alluded to earlier are answered.

MR. CONINE: Okay.

MR. DALLY: Any further questions?

(No response.)

MR. DALLY: We'll meet on this again next month. Thank you.
MR. JONES: Thank you.

MS. STINER: Mr. Chair and board, we have one final presentation. We'll make it very brief. Ms. Suzanne Phillips, who is director of compliance, is making her way down to give you an update on an issue we brought before the board, I think a couple of months ago -- an amendment to a LURA. And we went back and met with the principals of the particular development and have a conclusion that we would like to report to you.

Ms. Phillips?

MR. PHILLIPS: Good afternoon. For the record, my name is Suzanne Phillips, director of the compliance division.

Immanuel Glotzkin, the owner of a 70-unit property in Nacogdoches, has requested a modification or correction to the home land use restriction agreement for Commonwealth Apartments, which has a $300,000 home loan and an allocation of tax credits.

This issue was previously presented to the board but tabled for future discussion. Subsequent to that board meeting, Ms. Stiner and Ms. Cedillo asked the housing program director, legal staff, and the compliance division to review the request and submit a recommendation.

According to the Department files, Mr. Glotzkin
submitted a request for a LURA correction in March 1999. In his request that he states as a part of his application for funding, he agreed to set aside 14 units for families earning less than 50 percent of AMFI.

He also pointed out in his letter that the executed LURA set aside 100 percent of the 70 units under the HOME program rather than just the 14 units. He also reminded the Department in his letter that the 14 units that he offered to set aside exceed the number of affordable units required under the federal or state programs.

According to the Department records and the program files, Joe Mann, the HOME program manager at that time, and two regional coordinators both concurred with Mr. Glotzkin's request, and in May 1999 requested an amendment for the following reasons.

The percent of HOME units should be 20 percent or 14 units, not 100 percent as currently written. The 14 HOME units should be set-aside 100 percent for the very low income. The Department is in second lien position on the property, with less than 7 percent of their total financing for the property.

So after review of the files and extensive discussion with Department staff and the deputy director, the housing program director, Pam Morris -- who's on
vacation today -- legal staff, and myself, and the audit resolution manager for the Department, are making the recommendation to Ms. Stiner that the owner's request be granted and a LURA correction be granted.

Any questions? Thank you.

MS. STINER: It appeared, as Ms. Phillips has indicated, that the Department did agree with the LURA amendment. It's just that staff did not move forward to amend the LURA in 1999, and they were able to -- it's just a report. It's an administrative function to amend the LURA. So we will be doing that.

But we thought, since we had brought it to you, and you had tabled it and told us to go back and look at it, we wanted to at least report to you what action is being taken.

MR. CONINE: Didn't this discussion at the board meeting when it came up center around the financial burden that the applicant was under because he had all 70 units at 50 percent or under and not just 14?

MS. PHILLIPS: Yes, sir. Because the way the LURA was written, it restricted 100 percent of the property under the HOME program instead of just the 14 percent.

MR. CONINE: And weren't we specific in our request, upon tabling this item, that we wanted to see
just how burdened he was relative to debt service coverage ratios and, at least in the report that I thought we were going to get back, would have dealt with that issue?

MS. PHILLIPS: Yes, sir. I believe that was mentioned. And I think part of that could have been the way that we presented the request previously, in that in the owner's letter he did state that, to the extent that we forced him to do the 100 percent, that it would be a financial burden.

But, after reviewing the files, it was determined that his representation in his application never represented or offered more than 14 units. So it basically became a moot point.

MR. JONES: I don't -- make sure I understand this. What I'm understanding is we agreed to a different LURA than the one that was actually written. And we've gone back and checked with Joe Mann, and he said, That's not the deal. The deal is something different. Is that what we're talking about?

MS. PHILLIPS: There were actually documents in the file -- in the program file that showed that discussions were held with the developers, that, in fact, it was not supposed to have been 100 percent but should have been just the 14 units.

MR. JONES: I'm not going back to documents in
the file. I mean, usually in real estate transactions there is the document. And we're saying that the document was in mistake. The LURA as written was mistaken.

MS. STINER: That's correct.

MS. PHILLIPS: Yes, sir

MR. JONES: And we're saying we went to our file and we found notes or other things like that that led us to believe that LURA was in mistake.

MS. PHILLIPS: Yes, sir.

MR. JONES: And then we went and asked Joe Mann, and Joe Mann said, No, that wasn't the deal.

MS. PHILLIPS: No. We didn't have to ask Joe. There was actually a memo from Joe requesting that amendment be made. And that amendment just was never processed.

MR. JONES: But just because you request an amendment be made, and there's a memo that it was requested to be made, doesn't mean that that becomes part of the agreement. I -- it just seems like a strange thing to me.

MR. CONINE: Well, I'll take it another step further. And I think I said this when the issue came up before. Is that -- the project is how old now?

MS. PHILLIPS: It was a 1996 allocation of credits in the 1996 HOME loan.
MR. CONINE: And what town are we in?

MS. PHILLIPS: Nacogdoches.

MR. CONINE: So what we're doing is we're releasing 56 units to go market rate.

MS. PHILLIPS: No, the other 56 units will remain rent-restricted under the tax-credit program.

MR. CONINE: To 60 percent of LURA?

MS. PHILLIPS: Yes, sir.

MR. CONINE: So you're still releasing the 56 units from 50 to 60 percent is what we're doing by processing the new LURA.

MS. PHILLIPS: Well, we would -- yes, sir.

MR. CONINE: Right?

MS. PHILLIPS: Yes, sir.

MR. CONINE: That's the net effect of what we're doing. And for what we -- to get back to my original question, we still -- unless you've got the numbers, we still don't know what his current debt service coverage ratio is.

And we could even ask our underwriting department to give us a thing -- and I think we did -- to give us a feeling on what this would do, or what his current situation was. Do we have that information?

MS. PHILLIPS: We have met with underwriting staff extensively. We reviewed the underwriting that had
been done on the property. Actually, I believe that it had been reunderwritten four times during the process, and each time was reviewed and underwritten with a different rent.

I think one of the things that we looked at is that, in the original underwriting, the rents that were used were incorrect. So there were, throughout the process, mistakes that were --

MR. CONINE: You're missing what I'm saying. What's actually happening today is what I want to know. Over the last 12 months what was the guy's debt service coverage ratio?

MS. PHILLIPS: I don't have that information.

MR. CONINE: That's what we wanted, I think. Because, as Mr. Jones said, even though all intentions were good to do something else, the facts are the documents say what they say. And it requires an undoing, if you will, of that.

And if there is no, quote, financial pressure demonstrated, even though the applicant has said he has it, but we have yet to see those numbers -- unless one of our staff tells us we've seen those numbers -- and he's in default on some of the current debt procedures, then for me to say in Nacogdoches, Texas, we go do 56 units from 50 to 60, would probably raise the ire of some of our low-
income advocates out there relative to that specific project in Nacogdoches.

MS. STINER: Mr. Gouris, are you able to represent which version of the underwriting this board looked at when the project was presented for the tax credit? And I suspect they saw that the tax-credit approval process, must have also seen that the HOME approval for that underwriting assumptions in both of those. Okay?

MR. GOURIS (from audience): The original underwriting for HOME was stated, was in error.

MR. CONINE: So what we saw and what was approved was in error.

MR. GOURIS: Yes, four years -- three years ago.

MR. CONINE: Say that again one more time?

MR. GOURIS: The way it was originally underwritten, neither the applicant or the interim staff recognized the lower HOME fair market rents.

MR. CONINE: But the action of the board approved three years ago -- was it at 100 percent?

MR. GOURIS: Based on higher tax-credit rents.

MS. STINER: Higher tax credits.

MR. GOURIS: Or higher HOME rents.

MR. CONINE: Forget what the rents were. I'm
talking about the 100 percent. Did we approve a LURA for that project at 100 percent? And the LURA lasts for how long in this particular case?

MS. PHILLIPS: For the tax credits it lasts for 30 years and the HOME LURA is, I believe, the same length of time.

MR. CONINE: Again, Mr. Chairman, I'll just say, until they can demonstrate current problems -- forget what the underwriting was, forget -- history is history. Until -- unless they can demonstrate current financial burden debt service coverage ratios, I wouldn't be in favor of staff making this particular move.

MR. JONES: I think they just -- I think that staff's reporting to us that they've already done it.

MS. PHILLIPS: No, sir, it has not -- the amendment has not --

MS. STINER: According to -- is what I'm proposing to do --

MR. JONES: Okay.

MS. STINER: -- in the administrative authority has not -- I have not signed the LURA yet.

MR. JONES: The board has not -- you know, this is not an agenda item for action, so the board can't take any action.

MR. CONINE: I thought it was on our agenda.
MR. JONES: It's on our agenda as a report item only, not an action item.

MR. CONINE: Well, I guess we're getting into the question of the authority of the staff to do what they say they're getting ready to do.

MS. STINER: Well, it's clear we have authority, but, certainly, I can always defer authority. We'll bring it back to the board if that's the desire of the board.

MR. CONINE: I want to see the numbers. I think I said that in the board meeting at the last time, and I just hate for you guys to run off and do that without showing us numbers -- existing numbers. Not what was -- it was underwritten. Don't care. I want to see if it's got current problems.

MS. STINER: If you want a full explanation -- we've dealt with this for two months, so he needs all of it.

MR. GOURIS: We -- underwriting's been involved in this and have been prepared to -- and have been working on providing revisions. But we ceased activity on it primarily because our counsel indicated that there was no basis for us to be able to enforce the LURA as it was.

I think they were indicating to us that, because of the mistakes that were made, we would
ultimately be crammed down with what we had.

MR. CONINE: Well, it's different if a court of law does it.

MR. GOURIS: I fully agree with you.

MR. CONINE: You know, I'm just saying let's -- the documents are what they are. I presume the sponsor of the applicant signed those documents. And they are recorded on the deed of the property -- to the title of the property -- and to unwind that -- again, I get back to what's the current financial situation. No one's answered that question for me yet.

And we may end up wanting to take a tough stand in this particular instance for -- in a preservation issue. And if we lose, we lose.

MR. GOURIS: I --

MS. STINER: We certainly can bring those numbers back to the board.

MR. GOURIS: Yes, I can do that.

MS. STINER: I don't have a problem with that.

MR. CONINE: I would respectfully request that staff not do anything on this deal until we have our next board meeting and take a look at the numbers.

MR. GOURIS: Thank you.

MR. JONES: Is that your report, Ms. Stiner?

MS. STINER: Yes, sir.
MR. JONES: Thank you. I think we've completed our agenda and the Chair --

MS. WILLIAMS: May I ask a question?

MR. JONES: Yes, you sure can.

MS. WILLIAMS: A few months ago we worked on a Sunset Commission's appeals process, which I don't was ever finalized, if I'm not mistaken. And I'd just like to put that back out for something that we could work on and probably get done now that we have our tax credits behind us.

MR. JONES: Can we have a report on that at our next meeting?

MS. WILLIAMS: I think we were waiting to have a meeting is what we're doing.

MR. JONES: Okay. So we'll put it on our next -- an agenda item for our next meeting.

MS. WILLIAMS: Sure.

MR. JONES: Okay. Great.

MS. WILLIAMS: For the committee.

MR. BURRELL (from audience): We're having to address the mandates of Senate Bill 322.

MS. STINER: There are some implications on the appeals, but they still can to work toward it just since we add those -- what -- just for point of clarification, Mr. Burrell brought up a point that when we first started
working on the appeals process, S.B. 322 had not been passed. Now that is has been -- become law -- there are some requirements in S.B. 322 that also relates to the appeal process that we need to make sure we incorporate. But all of it can be addressed when the members are ready to meet again with staff on the appeals process. And we certainly will work to having it on the agenda for next month.

MR. JONES: Thank you.

MS. STINER: Yes, sir.

MR. JONES: On another front, I have -- as far as a meeting date for our board meeting next month, of the ones that have been circulated by Delores, the only date where we can get a quorum appears to be August 21, 2001. So unless somebody has some better ideas, we'll try to meet then on August 21, 2001.

All right. The Chair would entertain a motion to adjourn.

MR. GONZALEZ: So moved.

MR. BREWER: Second.

MR. JONES: We have a motion, and it's been seconded. And all in favor say aye.

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)
MR. JONES: The ayes have it. Motion carried.

(Whereupon, the meeting was concluded at 3:55 p.m.)
CERTIFICATE

MEETING OF:  TDHCA Board
LOCATION:  Austin, Texas
DATE:  July 31, 2001

I do hereby certify that the foregoing pages, numbers 1 through 247, 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.

08/07/01
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