TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Room E2.026
State Capitol Extension
1400 Congress Avenue
Austin, Texas

9:15 a.m.
Wednesday,
October 17, 2001

PRESENT:

MICHAEL JONES, Chairman
VIDAL GONZALEZ
NORBERTO SALINAS
C. KENT CONINE
ELIZABETH ANDERSON

STAFF:

RUTH CEDILLO, Acting Executive Director
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REPORT ITEMS

Executive Director Report
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EXECUTIVE SESSION 33
MR. JONES: I now call to order the board meeting of the Texas Department of Housing and Community Affairs for October 17, 2001.

The first order of business after the call to order is the roll call. Ms. Beth Anderson?

MS. ANDERSON: Present.

MR. JONES: Shadrick Bogany is absent.

M. Kent Conine.

MR. CONINE: Here.

MR. JONES: Mr. Vidal Gonzalez?

MR. GONZALEZ: Here.

MR. JONES: Mayor Salinas?

MR. SALINAS: Here.

MR. JONES: And Michael Jones is here. We have five members present and one member absent, and I do determine that we have a quorum.

Our next order of business is public comment, and at the choice of our commenters, you have an opportunity to either speak now at the beginning of the board meeting if you care to, or to speak when we take up the particular agenda item you'd like to speak on, but you do need to turn in now a witness affirmation form to let us know that you want to speak so that we can know who we are going to be hearing from today. So if you would do
that, please turn in a witness affirmation form right now to Delores.

With that, Mr. Steve Poppoon. Mr. Poppoon?

UNIDENTIFIED SPEAKER: He was just here.

MR. JONES: He was just here? I'm sorry.

Well, we'll come back to him.

Mr. Davis, Mr. Tres Davis?

MR. DAVIS: Yes, I'd like to wait.

MR. JONES: And what item would you like to speak on?

MR. DAVIS: The HOME Program recommendations.

MR. JONES: Thank you, sir.

Mr. Mike Fields?

MR. FIELDS: I'm available to answer questions only for Item 2(c).

MR. JONES: 2(c). Thank you, sir.

Mr. David Hail? Good morning.

MR. HAIL: Good morning. This is great. I'd planned an extended stay in Austin today just to be able to speak, and so --

MR. JONES: Well, we'll give you an option. If you want to have an extended stay, we'll give it to you.

MR. HAIL: Right off the bat, love it.

My name is David Hail; I'm senior vice-president of Allied Mortgage Capital Corporation and head
of the Rural Development Division for Allied Mortgage Capital.

Let me give you a little bit of background about Allied Mortgage Capital because I want to speak on the HOME fund recommendations. We're the largest seller-servicer of 502 leverage-direct loans in the United States, according to Fannie Mae. Our sole purpose and my sole job is to facilitate rural lending across the United States. Of course, the fact that I live in the state of Texas, my heart is definitely here. Ronnie Raidle, before he passed away, he was head of the USDA Rural Development Single Family Housing Division, and Ronnie was a good friend of mine. And of course Scooter Brockett is a good friend of mine and then we have another head of the United States Department of Agriculture Rural Housing Division. And of course, we work in conjunction with them.

I was asked two years ago by State Representative Bill Carter and Senator Chris Harris -- we were called in to a meeting with USDA to address the issue of helping out rural designated areas and so we took the task, between us and USDA -- which Allied Mortgage Capital and USDA have had a long relationship of working together and doing deals; like I said, we're one of the largest in the United States, if not the largest -- and we were asked to address the issue of helping out rural designated areas.
areas. And we did just that, we did what Bill Carter and Chris Harris asked us to do.

We started out trying to do an out-of-funding-cycle proposal to TDHCA; we submitted it and actually we got no response whatsoever, not even a phone call. So we called and we finally realized that what we needed to do is just go into the funding cycle. By the way, we have made previous applications for one single county but that wasn't near what we were trying to accomplish.

Bottom line is we made an application for Region 03 here in the state this year. We were denied based on scoring; we got a score of 133 out of -- I don't know what's the possible, but we got a score and we're not recommended, which is a surprise to us because by our calculations we should have scored at least 197 minimum.

I visited with Pam Morris about the scoring and I hear what she's saying but it doesn't logically make sense. So whether I solve the problem now, as I appeal to you to reconsider your allocation to Allied Mortgage Capital because not only are you making it to us, but this is a proposal that was put together with us and United States Department of Agriculture, and I'll explain why it's so significant and what we'll be able to do that nobody else can do momentarily.

The scoring, for example, in financial capacity...
and cash reserves, we got a score of five points, I believe it was, out of a possible 40. Now, how is it possible that a lender who is a nationwide lender, we're in 48 states, including Guam and the Virgin Islands, we're approved with FHA, VA, Fannie Mae, we have warehouse lines of probably $30 million, we get a financial capacity score and a cash reserve score of five.

Now, visiting with Pam, it sounded like there was some little resolution that we failed to sign, even though a year ago I asked TDHCA if there is something that we are missing, let us know. There has been no response and no help whatsoever.

Now, the reason I'm mainly here today is because I feel so passionately about the cause that we're trying to achieve, and that is helping people in rural designated areas across the state of Texas. Us and USDA do it better than anybody in the state.

Now, here's what we're able to offer to the State of Texas, and even though we've expounded this before -- even though I've given this out before, you can pass those out -- and this is kind of a summary of what we're able to offer.

Bottom line, there is no bond money program that TDHCA can offer that can beat what we're able to offer. We are able to provide assistance to people, as
far as payment assistance on their home loans, to as low
as a 1 percent interest rate on the biggest portion of the
loan. On a $100,000 house, for example, they may have a
total house payment of, say, around $600-650 a month with
taxes, insurance included. Nobody else can do that; there
isn't anything that TDHCA can offer, as far as bond
programs, that will accomplish that in rural designated
areas.

In addition, we can get these people into a
house for no cash whatsoever -- that's literally possible.
We can go into areas that nobody can achieve, we can hit
adjusted median family incomes that nobody else can
achieve. In our proposal that we made, we said that we
would guarantee you that at least 50 percent of our
allocation would go to people under 50 percent of the
median income. And I looked at what I saw proposed and
very little of that went to under -- of your funds, of the
HOME funds, went to people under 50 percent of the median
income.

In addition, now, we would have applied for the
entire state. Now, admittedly, we probably should have
come to more of the comment periods so that we could
address certain issues, and that's a mistake we're going
to correct in the future because keep in mind, we're a
mortgage company, and from talking to Pam, it sounds like
the system, the way the scoring is done and everything is
done is geared toward individual cities and CDCs is the
way the scoring is designed; it doesn't allow what Bill
Carter, in my discussion with him yesterday doesn't allow
for the wisdom of HOME fund allocations and the allowance
for a company like a mortgage company that doesn't fall
into the what do you call it -- boxes or the square pegs,
as I might put it, of dealing with HOME funds.

What we're able to offer is far beyond what
anybody else can offer.

The scoring flat didn't make sense to us. We
were asked to provide you with a solution for rural
development lending and we did just that. I noticed that
in Region 03, for example, that you had slightly over a
million dollars allocated for HOME fund allocations but
you only funded less than half a million, yet we were
asking for $500,000 just for Region 03, and we would have
applied for the entire state. This citizen survey that
you came up with, or TDHCA or somebody came up with, put a
squelch to that because it is impossible for a national
lender, along with U.S. Department of Agriculture, to go
out to every city and county in the United States and come
up with a citizen survey because that would take too many
hours.

So not only did we provide you with 29 citizen
surveys, we gave you a pipeline. Now, Pam told me
yesterday that nobody in the staff understands what a
pipeline is, and a pipeline was better than a citizen
survey. We were showing you people that right now need
the money; we showed you that 80 people right now in
Region 03 have made loan application and can't do it
because they can't bridge that gap of affordability
because they don't have the funds to close.

We can get them in for a zero-down loan but
there are closing costs associated and there are sometimes
other issues as far as repairs. The greatest partner in
the world for the State of Texas could be TDHCA. USDA
Rural Development, and Allied Mortgage Capital. We are
the bridge for all these counties.

In Region 03 there was only one rural
designated city that received funds and that was the City
of Commerce in Region 03. When we made application, we
were applying for all 19 counties in Region 03 which
included every single city, no matter what size, that we
could help. There may be one deal that comes out of
Roane, Texas, or there may be one deal that comes out of
Nevada, Texas, one deal, but those are some people that we
could help that nobody else could help, and that's what we
made application for.

Now, I don't know where the flaw comes in in
the scoring, and I love what Bill Carter said yesterday. He said, David, we're working on the wisdom of allocation. We did everything that we were asked to do; we thought we gave TDHCA everything they needed; we've asked for help; we've gotten no technical assistance whatsoever, even though we've asked for it.

And here's an interesting thing that Ronnie Raidle said. Ronnie said, David, we have been trying for years to accomplish what you're trying to accomplish -- this is before he passed away -- he said, David, I'll be shocked if you're able to get this through. And I told Ronnie, I said, Ronnie, I sincerely believe that they can see what we're trying to paint the picture of, and unfortunately, so far I'm wrong, because what we're able to accomplish so far exceeds what you've been able to do so far, you have no idea. The loan program we're offering here is the greatest loan program in the United States.

Do you have any other questions?

MR. SALINAS: Who did you ask for assistance at the office, technical assistance?

MR. HAIL: In September of 2000, we were asked by Bill Carter and Chris Harris, almost two years ago -- we just missed the 1999 funding cycle -- we were asked to step in and come up with a solution to help rural designated areas across the state of Texas. We came up
with a proposal; unfortunately, we couldn't get it in time to make it happen. I wrote a letter to Pam Morris and asked her for -- I said, I understand we may not totally understand what's going on here, but we asked for help. If our proposal is not the format that you need it to be, tell us what you need to see.

In visiting with her yesterday, my understanding of the scoring process doesn't lend itself well to a mortgage company; the scoring is designed for CDCs.

MR. SALINAS: You didn't get any help from the office?

MR. HAIL: Oh, we've got no help whatsoever. Now, I understand that they're going to have coordinators out there, but see, we are the stop-gap, we are the bridge for all these communities out there. Do you realize that I counted, just in the 19 counties that we were asking for help in or for assistance, I counted over 100 cities that we could have done loans in, and only one in all of Region 3 gets help, and that was the City of Commerce. And that's the only rural designated area in the whole state; we could have done them all.

MR. SALINAS: But you're saying that you asked for some assistance and some money from the Texas Department of Housing and you didn't get any.
MR. HAIL: Zero.

MR. SALINAS: But that you have a good program as far as financing homes at 1 percent.

MR. HAIL: Yes, sir.

MR. SALINAS: With Farmers Home?

MR. HAIL: They get a subsidy as low as 1 percent, depending upon their income. There's no better financing program in the United States, period.

MR. SALINAS: And you didn't get approved. Right?

MR. HAIL: No, sir, we were not approved.

MR. SALINAS: Can I ask the staff if anybody else made an application similar to what he did, if anybody else came in with the same proposal or the same ideas as far as putting it together and getting 1 percent finance for maybe a home of $80,000?

MR. JONES: Could you please state your name for the record, Pam?

MS. MORRIS: I'm Pam Morris, director of Housing Finance Programs. With regard to the score model for the 2001 score criteria, we used the sorts of criteria that would make it very simple for any applicant to apply for which was to get lender letters for lenders in your area that were willing to offer mortgage products, what type of loan products were available -- that was part of
the score criteria. The citizen surveys were part of the score criteria which was to try to encourage our applicants to do some outreach to find out what the demand would be based on the income targets that they're committing to in their application and the readiness to proceed, so to speak.

We don't look particularly, at least in this last score model, at specific loan products that an applicant is applying for because out of the 244 applications, we probably only had about three mortgage companies apply; most of them are all cities and counties and CDCs that apply for the funds, or nonprofit organizations. So the score model is not customized to fit a mortgage company, and it is difficult for a scorer, scoring that many applications to be able to read a narrative and decide that that's a good product necessarily; it's got to be very objective and not subjective, and they fell short in some of the documentation we'd asked for.

MR. SALINAS: But how could you compare his application with anybody else in the city where a city goes out and gives people $5,000 down payment, and let the builder charge them 12 percent. So you have somebody here that's willing to work together with the city or whoever and bring it down to a 1 percent and we're trying to get
people at a very low interest rate.

MS. MORRIS: Well, I don't know that some of the administrators or the applicants that have applied won't use a rural development product. I mean, many lenders that they surveyed that submitted letters saying they had loan products available were smaller banks within their communities that had rural development loans or FHA loans or Fannie Mae loans available to them. They just need the down payment to be used in conjunction with that, so that's what outreach the applicants went through to try to determine what kind of loan products were in their area because most of our applicants aren't mortgage companies, as I said, they have to rely on an independent.

MR. SALINAS: But he was one of the first ones? You were the only one that did an application?

MR. HAIL: Well, in Region 3 only one city received funds that's in a rural designated area and that's the City of Commerce. We were asking for funds that would address every single rural designated area in the entire Region 3, and so there's the issue that we're trying -- we're trying to get out to everybody. Let's say a population like Cross Plains, Texas, for example, it's a 1,200 population, they don't have the staff. They have probably two cops that even patrol the streets; they don't have the staff to apply for funds, and that's where we...
came in; we were the bridge, I guess you'd say.

So we asked for funds for entire Region 3.

This was done in conjunction and support in our application from United States Department of Agriculture.

If you realize what is behind us, the tremendous resources that are behind us, and there may be a flaw in the scoring system. That's what Pam is addressing here, and I hear what she's saying. It may be so objective that it needs to be re-looked at to allow for mortgage companies because we have a small voice. Out of 240-something application, is what Pam is saying, only three of them were mortgage companies. But what we're able to offer so far exceeds what one city can do -- and that's inside the city limits.

In Region 3 only McKinney, Greenville, and Commerce received funds; that's it. And only one of those is a rural designated area, and we were asked to step in because that's all we do is rural development lending. We were scored less because we included all of Region 3 which included Dallas and Tarrant County, but we didn't say we wanted to do stuff in the city of Dallas or Fort Worth. We wanted to do it in the rural areas, but yet we were scored less as a result.

MR. JONES: Pam, I understand Mr. Hail's criticisms of the scoring criteria, the scoring process, I
know he has problems with those, but I also understand his criticisms of our failure to work with him, and all those are issues I think we should look at it; there are also issues that are more staff-oriented.

The thing that I'm very concerned about, though, is he says I've got this great program, I can help you help a lot more people than you're currently helping. Do you agree with that statement that he makes?

MS. MORRIS: Yes, sir.

MR. JONES: So the bottom line is you agree with him with regard to the concepts, the policy concepts?

MS. MORRIS: Correct, absolutely. Mr. Hail had approached us about a year ago, as he had indicated, in writing, and I recall from my memory -- and I'd have to check notes -- I did talk to Mr. Hail about that proposal and that at the time we were not accepting out-of-funding-cycle recommendations, that we had been asked to put everything in the cycle so that there were not direct awards, per se, that it had to go through the competitive process.

MR. JONES: Thank you.

Mr. Conine.

MR. CONINE: Mr. Hail, you don't have, quote, a corner on the market on Department of Ag funds, do you? Most all mortgage lenders that qualify under the Ag
program can have access to the funds that they use for their subsidy. Is that correct? You just happen to be the biggest and the brightest?

MR. HAIL: Well, technically, keep in mind it's probably one of the most understood loan programs in the United States. Most lenders don't mess with it because it's one of the most difficult loans to deal with. Actually, we probably are one of a handful across the United States that even deals with them.

MR. CONINE: And can't you technically take your loan program and go to all these awardees and do some volume of lending all across the state of Texas with the cities or nonprofits?

MR. HAIL: Well, yes. Like we could contact the City of Commerce and do loans for them, but that didn't help -- the thing is my point being is we gave TDHCA a pipeline of people that are in all these different cities and counties in Region 3.

MR. CONINE: Understood. Most mortgage companies have pipelines all over -- all the time.

MR. HAIL: These are actual applications.

MR. CONINE: I understand. But it doesn't prevent you from, again, having access to these same dollars by going to the awardees, not that you don't deserve an award yourself necessarily, but you can still
go to the individual nonprofits or cities or whoever wins the awards today and still create the volume of loan demand that you think will help rural citizens of Texas.

MR. HAIL: No, sir, we can't.

MR. CONINE: Why not?

MR. HAIL: Because in Region 3 we could only do loans in one city with HOME funds, and that was the City of Commerce.

MR. CONINE: Well, why can't you go to Region 5 and 7 and 11?

MR. HAIL: A lot of the regions received no funds at all, and we would have applied for the entire state, if it hadn't have been for the citizen survey issue. It's physically impossible for -- we'll address that issue in future public comment, but that citizen survey didn't lend itself.

MR. CONINE: Every borrower that receives assistance from us needs a mortgage loan to go with the HOME assistance. Why can't you take the dollars you have in your rural program and go to those particular towns or cities?

MR. HAIL: Well, of course, we applied for Region 3 and out of the probably over 100 cities in Region 3 that we could do loans in and use HOME funds, we were able to only do one.
MR. CONINE: Why did you apply just for one region?

MR. HAIL: Because of the citizen survey. We originally intended to apply for the whole state but the citizen survey -- because you have to physically have someone go out and get a survey from an individual; it is physically impossible for a nationwide lender to go out and do that. We were able to get 29 of them but the rest of it we decided to bridge by showing pipeline for Region 3, and that was done in conjunction with the United States Department of Agriculture. We gave you better than a citizen survey, yet we were knocked in score as a result of that.

MR. CONINE: I'm still missing a link here somewhere.

MR. HAIL: But what I'm saying, though, is right now we can only use HOME funds -- am I right, Pam? -- in one city in Region 3 that's a rural designated area which is the City of Commerce; only the City of Commerce received funds.

MS. MORRIS: When you mention rural designated, is it rural developments designated?

MR. HAIL: Right.

MS. MORRIS: Because HOME funds would allow those others in the regions.
MR. HAIL: The City of Greenville and the City of McKinney, which are the only two in Region 3 that received funds, are not considered rural designated areas; so therefore, the City of Commerce is it. So out of the at least 100 cities that are in Region 3, we can't do one single -- don't get me wrong, we can do loans, but it doesn't have anything to do with what we're trying to accomplish here.

MR. CONINE: We would have to change our policies substantially to grant block grants to regions of HOME dollars.

MR. HAIL: We were asking for an in-cycle allocation under the current guidelines for HOME funds.

MR. CONINE: But what I hear you asking for is a block grant to Region 3 so you can go to any city in Region 3 you want to go to.

MR. HAIL: Any city that's rural designated, yes, sir.

MR. CONINE: I think that is a little bit opposed to the current policy we have where we try to target specific projects and developments that are going to receive the benefits of the HOME funding.

MR. HAIL: I don't agree with that. My understanding of the mandate from what I'm understanding is that you're wanting to hit rural designated areas.
MR. CONINE: No. I'm talking about current existing policy on awarding HOME funds that the department currently has. A mandate is something that isn't policy, I guess, at this point.

MR. HAIL: So if you're asking if we should apply for each individual city --

MR. CONINE: No. What I'm asking for, I guess, is your thought process of a block grant to a region as opposed to a specific grant to a city. That's a different concept for us.

MR. HAIL: I think the concept that has been previously stated is that your system is geared toward individual cities and CDCs and nonprofits.

MR. CONINE: The system is the policy. Do you understand what I'm saying?

MR. HAIL: Yes, sir.

MR. CONINE: The policy is we go to a targeted city, we don't do block grants to regions and let you decide who gets the money.

MR. HAIL: Well, then how do these individual towns -- other than doing it the way we do it, how do these individual cities of 5,000 population, 6,000 population that don't have the staff to apply for HOME funds, how do they get there unless we do it for them?

MR. CONINE: Well, we had a laundry list of
those who did, and some of them win; some of them lose. Okay? It's just where the decision process takes place. And I hear what you're saying that you may be able to do a better job of it than we are because you have a pipeline full of people that we're not aware of. We can only deal with specific applications.

Unless we change our policy to block grant to mortgage companies and let them decide where the money goes -- which I don't think we're not here to decide today -- but that's the reason behind the policy as it sits today and probably why the scoring -- you can never get there under the current policy and scoring manual, you'll never get there because you don't have a specific person, a specific project. You're just saying we're out here with 1 percent mortgage money which in and of itself is a good thing. Your testimony is good because we're hearing it, I guess, and we can revisit that for future allocations -- that's my point.

MR. JONES: I think Mr. Conine's comments are real insightful because what we're dealing with here are some major policy issues about the way you do things. Once you get over the criticism of staff and some pretty narrow regards with regard to your --

MR. HAIL: It's not meant to be criticism of staff, it's has to do with criticism of policy.
MR. JONES: I understand that, but there are some issues there that have been raised like assistance from us in working with people, and secondly, how we score things. I understand that as we've heard them, but there are also some huge policy issues that you're raising.

MR. HAIL: Yes, sir.

MR. JONES: Any further questions?

MR. GONZALEZ: I was just curious, Pam, as far as what your thoughts are personally and concerning this situation for finding ways to work with mortgage companies in the future when it comes to housing.

MS. MORRIS: Certainly. I think we can always do a better job explaining what some of our requirements are that people may have missed. One of the things that Allied had fallen short with scoring on -- and I spoke with Mr. Hail about this yesterday -- was the cash reserves. I very well know that Allied has sufficient cash reserves because of warehouse lines because I know how the mortgage companies work; however, as a score, it was required that as a governing body that they put in the resolution that they were willing to put up cash reserves to fund the down payment loans until they're reimbursed.

Every applicant was asked to do that so that we would know that the governing body was in concurrence with using that warehouse line. That was not in the resolution
so he didn't get points for that. I understand how
frustrating that is because they certainly had the ability
to do that, but we have to be consistent.

Same thing on the citizen surveys. The
applicants that received higher points actually surveyed a
number of people. I know it's a limited community and
they had the ability to do that, or they went to mortgage
companies to see what was in their pipeline to see if they
had eligible borrowers that would be willing to survey.
The pipeline report was not something scorers were
familiar with, so it was hard for them to judge whether
someone gets extra points for that, and we were trying to
keep it, as I said, very objective.

So those are things that they fell short on,
and I understand that that's frustrating, and we just need
to better educate as to what's in that criteria, what's
required in order to get an equitable score for everyone.

MR. HAIL: And I might add that we asked for
that assistance, and we were denied earlier as a result of
a failure of a resolution that would allow me, David Hail,
to proceed with this program. They said, Come back and
give us that and then we'll move forward. And we did
that, but no additional mention was added -- no one
mentioned that they also wanted this other documentation
which we could have provided them.
As a mortgage company, we have the capability to do more than any of these CDCs or anybody else. And that's the issue: what we're able to accomplish so far exceeds what any of these CDCs are able to offer.

MR. CONINE: But you're missing my point, and that is where does the decision-making for that assistance lie: does it lie sitting here with these six or seven people or does it lie with you, the mortgage company out in the field. Heretofore, we believed it lies here through the cooperation of local municipalities and local nonprofit groups with specific projects, and I still say that's the best alternative, but if you have a different opinion -- which you stated here today -- you're free to do so and we'll consider it.

MR. HAIL: Well, my point simply is that instead of Region 3 receiving one city in a rural designated area, we could have done them all.

MR. CONINE: But we wouldn't have had the choice, you would have had the choice; that's the difference.

MR. SALINAS: I guess you just forgot the resolution, so it's a little bit late now, so maybe next time around.

MR. HAIL: Well, but we asked for that technical assistance, I might add too.
MR. SALINAS: And you didn't get it.

MR. HAIL: I think we need to revisit the issue of policy as far as gearing these things to common sense. I like what Bill Carter said: the wise distribution of funds. Because what we could have done, we'd been asked to do two years ago.

MR. SALINAS: Well, common sense is something we've not had here for long time, so maybe we'll start using that.

MR. HAIL: I see that now.

MR. SALINAS: Now, I know it's common sense [inaudible].

MR. HAIL: Well, it's sad though.

MR. SALINAS: It's sad that you have a great program and wish we had it in South Texas, and I'm sure, like Mr. Conine said, maybe you can do some of that. But I think here -- which is common sense -- you asked for technical assistance and you didn't get it.

MR. HAIL: Out of almost $8 million that was made available in the HOME program, you only funded about $4 million and we only asked for half a million. So thank you, sir.

MR. JONES: Thank you, Mr. Hail.

Next we have Mr. Larry Washburn.

MR. WASHBURN: Yes, I'm on the agenda. Can I
MR. WASHBURN: My name is Larry Washburn; I'm with LCJ Management and also LCJ Construction which is a division of LCJ Management. We are the developer -- I guess you'd say Developer Number 2 on this project and we're also the contractors. I'd like to just give you a little overview of the complex.

This is '99 tax credits. The original developer on the job, after some nine months, decided he did not want to continue with it when he found out he would have to personally guarantee the construction funds, so they called us in to see if we would take over as the developer on the complex, and we did that in April of 2000, I guess.

This is kind of an unusual complex in that there is no public water supply in the city of Huffman, which means we would have to put in our own well and water system for the complex. Fortunately, the City of Houston had, about a half a mile away, a sewer treatment plant, so we didn't have to do that, but we had to go through the City of Houston for all of our plans and specifications. The City of Houston fire marshal made us put in an 84,000-gallon tank to fight fires on the complex. Even though
this is not within the city of Houston, it is in their jurisdiction.

We finally signed into our construction loan on November 15, 2000. We thought we had plenty of time to get the job constructed, but between the 15th of November and the 1st of February in Houston, we had so much rain that we got three weeks of work done in that 2-1/2 months because you're working in the ground and when it rains every three days, it's very difficult.

We're asking and we've requested from the board an extension of 30 days. We were supposed to be complete the 15th of October; we've asked for an extension to the 15th of November.

As an aside, last Thursday, Friday and Saturday, we had ten inches of rain on the project, three inches, four inches and two inches in those three days, so we've been kind of fighting the rain for quite some time. We've had about 68 lost days from rain since we started.

Thank you.

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

MR. WASHBURN: Thank you.

MR. JONES: We like rain in Texas, though, don't we. Keep it coming.

Mr. Robert Sherman.

MR. SHERMAN: I'd rather speak when the item
comes up on the agenda.

MR. JONES: Okay. And what item is that, sir?

MR. SHERMAN: Item 2(a).

MR. JONES: Thank you, sir.

Mr. MacDonald.

MR. MacDONALD: I'd rather speak at the time also.

MR. JONES: Okay. And what item is that?

MR. MacDONALD: 2(a) and 4(c), I believe.

MR. JONES: Ms. Patricia Wentworth.

MS. WENTWORTH: I would rather speak when Item 3(f) comes up on the agenda, please.

MR. JONES: Thank you.

Mr. Chavira?

MR. CHAVIRA: 3(f).

MR. JONES: Thank you.

Mayor Javier Mancha.

MAYOR MANCHA: 3(f)

MR. JONES: Thank you, sir.

Mr. Bruce Spitzengel?

SPEAKER FROM AUDIENCE: He's actually out in the hall but he wants to speak on Item 3(a).

MR. JONES: Mr. Westbrook?

MR. WESTBROOK: 3(f).

MR. JONES: Representative Price?
MR. PRICE: Former Representative Price.

MR. JONES: Former Representative Price.

MR. PRICE: 2(a).

MR. JONES: Once you've had that, don't you always get to keep it, or do they take it away from you?

MR. PRICE: You're correct.

MR. JONES: Thank you, sir.

MR. PRICE: I didn't want anybody to think that I was here presently serving.

MR. JONES: Thank you, sir. I thought it was like judges, you know, they're always that way.

Mr. Harms?

MR. HARMS: 3(g).

MR. JONES: Ms. Banks.

MS. BANKS: 3(g).

MR. JONES: Thank you.

Those are all the forms that I have. Is that everyone that would like to speak today? All right, we will then close the time for public comment and we will come to those people who want to speak at the time the particular agenda item is brought up. Did Mr. Poppoon come back?

MR. POPPOON: Yes, sir. 4(e).

MR. JONES: Thank you, sir.

We will now turn to Item 1 on our agenda with
regard to the action items which is the presentation,
discussion and possible approval of the minutes of the
board meeting of September 19, 2001.

    MR. CONINE: Move for approval.
    MS. ANDERSON: Second.
    MR. JONES: The motion has been made that it be approved by Mr. Conine, I think it was seconded first by Ms. Anderson. Further discussion? 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.

    At this point, without objection, I believe, from talking with our acting executive director -- or our assistant executive director -- excuse me -- that we would probably be best served to go ahead and go into executive session, and at this time I would like to call the board into executive session, unless someone has an objection to me doing so out of order. Hearing no objection, I will do that.

    On this October 17, 2001, at a regular board meeting of the Texas Department of Housing and Community
Affairs held in Austin, Texas, the board of directors adjourned into a closed executive session, as evidenced by the following: The board of directors will begin its executive session today, October 17, 2001, at 9:55 a.m.

The subject matter of this executive session deliberation is as follows: personnel matters; personnel matters on executive director position and application; personnel matters on resignation of current executive director and appointment of acting executive director; litigation and anticipated litigation; consultation with attorney pursuant to Section 55.071(2) of the Texas Government Code; consultation with attorneys concerning litigation on Cause Number GN102058, Kenneth H. Mitchell, et al. v. Texas Department of Housing and Community Affairs; consultation with attorneys concerning pending litigation in Cause Number GN102420, The Encinas Group of Texas, et al. v. Texas Department of Housing and Community Affairs, et al; and discussion of any time listed on our board agenda for this same date.

At this point we will go into executive session.

(Whereupon, the meeting was recessed, to reconvene following executive session.)

MR. JONES: I hereby certify that the board of directors has completed its executive session of the Texas
Department of Housing and Community Affairs on October 17, 2001 at 11:07 a.m. The subject matter of this executive deliberation was as follows:

Personnel matters, action taken none; personnel matters on executive director position and applications, action taken none; personnel matters on resignation of current executive director and appointment of acting executive director, action taken none; litigation and anticipated litigation (potential or threatened under Section 551.071 and 551.103 of the Texas Government Code), action taken none; consultation with attorneys pursuant to Section 551.071(2) of the Texas Government Code, action taken none; consultation with attorneys concerning litigation on Cause Number GN102058, action taken none; and consultation with attorneys concerning pending litigation in Cause Number GN102420, action taken none; and discussion of any item listed on the board meeting agenda of even date, action taken none.

I hereby certify that this board agenda meeting of an executive session of the Texas Department of Housing and Community Affairs is properly authorized pursuant to Section 551.103 of the Texas Government Code posted at the Secretary of State's Office seven days prior to the meeting pursuant to 551.044 of the Texas Government Code, that all members of the board of directors were present,
with the exception of Shadrick Bogany, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code, signed by myself as chair of the Board of the Texas Department of Housing and Community Affairs.

MR. JONES: With that, we will then return back to our agenda and turn to Item 2 on the agenda which is the presentation, discussion and possible approval of low income housing tax credit items, and Ms. Cedilla, would you bring those to the front for us.

MS. CEDILLO: David Burrell, could you please make those presentations?

MR. CONINE: Mr. Chairman, if I might?

MR. JONES: Yes, sir.

MR. CONINE: Based on some information that we were apprised of in our executive session, I'd like to make a motion we table Item 2(a) until our next board meeting.

MR. SALINAS: Second.

MR. JONES: We have a motion that's been made and seconded by the Mayor. We have a motion to table Item 2(a) on our agenda and it has been seconded. Is there further discussion? 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, nay.

(No nays.)

MR. JONES: Would you like to speak, sir?

MR. NWANERI: Board members, Ms. Cedillo. My name is Charles Nwaneri, the acting manager for the Low Income Housing Tax Credit Program. The item that is to be postponed relating to the waiting list project is something that I think I need to say something now such that the board will know the impact postponing it today will have on the program.

The amount of funds that we have today that we're trying to allocate, if it's postponed to the next board meeting, it might result to getting too close to the end of the year where maybe any or all of the --

MR. JONES: If I could interrupt you just for a minute, sir. What I would suggest you do is the board does want to move on this as expeditiously as possible. The board does need further information, and I think if you and the acting executive director will get together, you'll probably be able to resolve those concerns.

MR. NWANERI: Okay, thank you.

MS. CEDILLO: The board has agreed to work with us and try to get this resolved as soon as possible and they'll set their next board meeting to where we can
accommodate the concerns that you have.

MR. NWANERI: Okay.

MS. CEDILLO: Thank you.

MR. JONES: Yes, sir?

MR. SHERMAN: I'm sorry if I'm out of order, but I did ask to speak on what you voted. May I have a couple of moments at the microphone?

MR. JONES: You may.

MR. SHERMAN: Thank you. Mr. Chairman, ladies and gentlemen of the board, thank you for allowing me to speak out of order. I'm representing, as you know, Mr. Price in a matter in 2(a)

The first thing I want to do is apologize for confusing the issue last time when I spoke in saying that there was an order of priority. It was written from an old QAP; I was quite incorrect and I apologize if I left anybody with the wrong impression.

I have some points that I want to make on this item. Is it appropriate to make them now?

MR. JONES: Yes, you may.

MR. SHERMAN: It is? Very well.

MR. CONINE: Well, I think he's asking is it appropriate now or should he wait until the next board meeting when it comes up again.

MR. JONES: He has every right to do it now.
MR. CONINE: You have a right to do it now, or you can do it then.

MR. JONES: You need to understand that we are going to take up these items at another board meeting, and you have every right to speak to it now, as I understand our rules and regulations. You can also speak to it at that time too.

MR. SHERMAN: If I may, I'll take two minutes of your time, not a long-winded thing.

First of all, Mr. Nwaneri is quite right. If we go up against December 31, we're in real trouble putting it together, although we can do it, but it puts us at a -- we'd have to start right now and gamble a lot of money right now that we could make it.

The main points I wanted to make is I received a memorandum -- so did everyone -- dated September 10. It uses the 2001 and 2002 forward commitments as perfectly good logic for approving the Spindletop Estates in Beaumont. Another memo written October 9 -- which is after September 10, of course -- uses the 2000 round, the 2000 Qualified Allocation Plan, combining it with the forward commitments of the 2001 Qualified Allocation Plan for logic in moving the Spindletop Estates to the bottom of the list and then perhaps putting other properties in front of it.
This memo also states that it's the first year the agency has used the regional allocation formula, and that's 2001, not 2000, and my point is that if we were applying -- we did apply under the 2001 Qualified Allocation Plan, I feel with my logic that we fall under the 2001 rules which includes a 2002 forward commitment which is precisely what the first memo came to me saying as completely logical for the selection of the Beaumont deal, Spindletop Estates, but the second memorandum brings up an old Qualified Allocation Plan where there was -- this is very important -- where there was no regional allocation formula, and somehow, using whatever logic, combines it with the 2001 forward commitment.

I would submit to you that we operated under the 2001 with a regional allocation, including 2002 forward commitments, and to go back into a QAP that didn't even carry that designation, didn't have a regional allocation plan, and assume that we're now part of that old 2000 application round where the rules have been superseded by the 2001.

The first memo made perfect sense to me. The second one, with all due respect to the agency and those who did a lot of hard work putting this together -- because it's complicated -- I would respectfully disagree with. I don't think you should use an old QAP, outdated,
without that designation in it at all and say we're now part of that. We didn't apply under that; it's history, it's gone.

I was also asked -- and this may influence the decision-making, I understand that, but I'm going to say it -- Mr. Conine asked the last time, said to me: I want to know how this thing works at 80 or 100 units when you submitted 120. The answer is that the land is only $260,000 for the whole thing; you go from $2,000 a unit up to $2,600, so I would never put together a deal -- and Mr. Conine knows that I've been in the business some time -- I would never put in a deal where $600 or $800 or even $1,000 per unit at $2,000 to $3,000 a unit for land would ever influence the deal. So I wanted to assure all of you, and especially Mr. Conine, that the deal is perfectly sound at 80 or 100 units.

With that, I'll rest, and I thank you once again for allowing me to speak out of order.

MR. JONES: Sure, and we appreciate your input. And just by way of background, obviously this board is under a number of pressures here: we've been sued; we're trying to comply with court orders; we're also acting upon advice of the Attorney General's Office; we're also trying to make sure we accommodate everyone's interests here. And we understand the timing issue and it is our intent to
accommodate that, but we do need to gather some further
information on this subject matter to make sure we comply
with all the various factors here --

    MR. SHERMAN: I'll make sure we make it, by the
way.

    MR. JONES: -- kind of coming to this V in this
vortex. So thank you, sir, and we certainly do understand
the timing issue.

    MR. SHERMAN: I will make sure we make it,
whatever the timing is.

    MR. JONES: All right. Thank you, sir.

    Also on 2(a), besides Mr. Sherman, Mr.
MacDonald had said he wanted to speak on that subject.

    MR. MacDONALD: Thank you, Mr. Chairman. I'll
keep it brief.

    I'm speaking on behalf of 039, the Park Meadows
Apartments in Boerne; Texas that's on the wait list. I'm
somewhat concerned that it appears we've created some type
of priority on the wait list as established under this
item with the Beaumont properties, two from Laredo and one
from Refugio. It doesn't seem to me like it's fair for
the wait list to have two from the same city on it, and if
this list is somehow the priority list, I'd like for that
to be rethought.

    Region 8A which is where Park Meadows is
located -- this is a rural elderly project -- received no rural allocations this year. I realize that the allocation for rural is based on a state allocation; however, in the past the department has tried to spread those allocations in rural areas out equally and 8A received no allocations at all for rural this year.

And I'd also like to bring up that on this particular project we're using about 25 percent less credit units, dollar per unit than all the others that are listed on the agenda.

MR. JONES: Thank you, sir.

MR. MacDONALD: Thank you.

MR. JONES: Former Representative Price.

MR. PRICE: Mr. Chairman and members, thank you very much. My name is Al Price and I appreciate the opportunity to appear before you.

The argument has been made, and we shall stand by, awaiting your further action, and we'll be ready to proceed. Thank you.

MR. JONES: Thank you so much.

Those are all of the individuals that I had that wanted to speak on 2(a). Have I missed anybody? I don't believe I have then, and we will then move forward to Item 2(b) on the agenda.

MS. CEDILLO: Charles Nwaneri is going to make
MR. NWANERI: Thank you, Mr. Chair, Ms. Cedillo. My name is Charles Nwaneri, the acting manager for the Low Income Housing Tax Credit Program.

We have about six extension requests that we are coming to you today to request your approval for these extension requests for placement in service. They relate to 1999 allocations that were made to these developments, and the other two are coming in requesting extension of the commencement of substantial construction.

Before I get into that, in the last board meeting, there were a couple of questions that some board members asked that made me throw in additional information this time that would help to give you enough information relating to a particular development that is asking for extension. So on your agenda you see where we started off with number of units, cost of development of unit based on the amount allocated, and I think this will be enough for your request, but if you notice that there is some information that I'm missing today that we can add on, please let know.

The first one on the list is Sunset Arbors Apartments, Project Number 99126. This project is located in the city -- county -- Abilene in Taylor County and is from the general set-aside. It's a new construction for
220 low-income units; the amount of award was $1,100,880, giving us a cost per unit of $5,004. They have paid the $2,500 extension fee. The deadline, as established by the department, was October 31, 2001 for meeting the placement in service. The IRS, however, allows them all through December 31 this year to place this project in service, and the applicant is requesting all through December 15 this year to complete this project.

This has not requested an extension before on this project in the past, and the reason for the request is delays caused by weather, rain. There's a total of 15 buildings in this property and I think some of it has been placed in service already. About nine have been placed in service and they need a little extra time to complete the remaining six.

Staff has looked at their request and has recommended approval form the board.

MR. CONINE: Move for approval.

MS. ANDERSON: Second.

MR. JONES: Have a motion made and seconded

Any further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, pleas say aye.

(A chorus of ayes.)

MR. JONES: All opposed say nay.

(No nays.)
MR. JONES: Motion carries.

I notice the information he just gave us we have in our board packets, and I know from prior experience that the board members have all reviewed that. Are there any further questions you might have for staff concerning those?

MR. CONINE: Move for approval of the balance of 2(b).

MR. JONES: We have a motion on the floor that we approve the balance of 2(b).

MR. SALINAS: Second.

MR. JONES: There is a second. Further questions, comments, discussion? 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 nays.)

MR. JONES: The ayes have it.

Item 2(c), I think we also have the information with regard to those extension requests. Are there any questions for staff?

MR. SALINAS: I'll move for the approval of all of Item (c).
MS. ANDERSON: Second.

MR. JONES: We have a motion made that we approve them; we have a second. Any further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: The ayes have it, motion carries.

Thank you, sir.

MR. NWANERI: Thank you. Made it easy for me.

(General laughter.)

MR. JONES: Which I think brings us to Item 3(a) of the agenda. Oh, excuse me. Somebody wanted to talk on 2(c), Mr. Fields.

MR. FIELDS: Questions only, if needed.

MR. JONES: I assume you're okay, no complaints. Right? I apologize.

Moving along, 3(a).

MS. CEDILLO: David Burrell is going to make the presentation on the appeals process.

MR. BURRELL: Good morning. I'm David Burrell, director of the Housing Programs.

This morning we are asking for the approval of our appeals process and the adoption of the proposed
rules. The rules, as you'll see, is basically the appeals process that we have but just in a different form so that we can get it into actually the rules of our program.

Under the appeals process, we are asking the board to approve a process which is in two stages: one is a staff appeals process, and the other portion is the board appeals process. Under this particular process, we're including all the programs except for the Low Income Housing Tax Credit Program. The Low Income Housing Tax Credit Program is having its appeals process included in the Qualified Allocation Plan which you will be seeing next month.

According to this, an applicant for funding can appeal the disposition of their application based upon a misplacement of an application, a mathematical error, or a procedural error. The applicant must file a written appeal with TDHCA no later then 14 days after the date that the department publishes through a notice on its website the results of the application evaluation and the scoring. The executive director must respond in writing no later than 14 days after receipt of that appeal.

When the executive director does his or her review, they can concur with the appeal and make the appropriate adjustments to the staff's decision, or disagree with the appeal and provide the reason that the
appeal was denied. If for some reason the applicant is not satisfied with the executive director's response, then that applicant can make a request directly to the board within 60 days of the executive director's response.

In the case where the executive director finds that the applicant should be funded, then we can fund from the current year's funding, and if there is no funding available, then we can make a commitment from the next year's funding or from a pool of de-obligated funds.

Moving on to the board appeal process, once the board receives an appeal directly from the applicant, the board -- which will be made up of three members which will be appointed by the chairman -- that committee would review the application, along with the appeal with any additional documentation that has been presented, and that committee can then make a recommendation to the full board, and the board can either concur with the appeal and make the appropriate adjustment and provide the funding if it's available, or make a commitment from the next year's funding or de-obligated funds; or the board can disagree and provide the basis for rejecting the appeal to the applicant.

Basically, that's what we have on this.

MR. JONES: Thank you.

MR. CONINE: Move for approval of the appeals
process.

MR. GONZALEZ: Second.

MR. JONES: We have a motion made by Mr. Conine and seconded by Mr. Gonzalez. We had one person who said they wanted to speak on this issue, but I believe he has withdrawn his request. Mr. Spitzengel, is that correct? Any further discussions.

MS. CEDILLO: We've got the rules also that have to be approved. Do you want to do it concurrently?

MR. CONINE: Did I miss part of that?

MS. CEDILLO: The process and the rules.

MR. JONES: The rules.

MR. CONINE: 3(a) in its entirety.

MR. JONES: So your motion is the approval of the appeals process and adoption of the proposed rules. Correct?

MR. CONINE: That's correct. And I would like to tell the board that I had some questions on this I think last time, the reason it got put off until this times, and staff was gracious enough to have a conference call with me and work out a lot of my concerns, so I'm fully supportive.

MR. JONES: Thank you.

We have a motion that's been made and seconded. Further discussion? Hearing none, I assume we're ready
to vote. All in favor of the motion, please say aye.

   (A chorus of ayes.)

MR. JONES: All opposed, nay.

   (No nays.)

MR. JONES: Motion carries.

Item 3(b).

MS. CEDILLO: Homer Cabello is going to make the presentation. As you might recall, you approved primary members of the Colonia Residents Advisory Committee at your last meeting with the exception of the primary recommendation that's being made for Willacy County, and this is the present the secondary members of the advisory committee.

   MR. CABELLO: Good morning. As Ruth mentioned, my name is Homer Cabello, director for the Office of Colonia Initiatives.

   At last month's board meeting, you approved the Colonia Resident Advisory Committee as prescribed under Senate Bill 322. Due to the issues raised about the items that were noted on the website and the board book only, those members were the only ones approved. We have provided a list of additional members to be added to this committee as secondary members. In case the primary is unable to attend, there's an alternate member that will be able to attend to represent the county. We're also adding
primary and secondary members for Willacy County.

MR. JONES: Thank you. Is there a motion?

MR. SALINAS: I move that we approve all of Item (b), the appointment recommendations.

MR. GONZALEZ: Second.

MR. JONES: A motion has been made by the Mayor and seconded by Mr. Gonzales. Any further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: Motion carries.

Item 3(c).

MS. CEDILLO: Tom Gouris is going to make the presentation on the long term affordability and safety of multifamily-level rental housing development policy.

MR. GOURIS: Good morning. My name is Tom Gouris; I'm the director of credit underwriting for the department.

Senate Bill 322 had some requirements regarding long term affordability policy be adopted by the board no later than November 1. We have taken the language from the bill and drafted a policy for your review and hopeful approval. We did this not to create a new rule, just to
set that as policy, and rules will come from this as the policy is established.

There is one correction that I need to make to the policy as it's proposed in the second paragraph. The third line where it talks about, extremely low, very low, it should say, low, and moderate incomes.

MR. CONINE: Could you repeat that one more time? I missed you on that one.

MR. GOURIS: Second paragraph of the policy itself, the third line, the back side of that line starts saying, extremely low, very low. It should say, low and moderate incomes.

This policy was sent around to a number of the advocates who had participated in the legislative session to get their input, and that was actually caught by one of the advocates, and I was very appreciative of that catch.

The other comment that we received dealt with an additional subsection of this portion of the legislation that deals more with preservation issues. That is going to be addressed in a forthcoming preservation policy that the staff is working on, so it's unaddressed here.

MR. CONINE: I've got a couple of questions.

MR. JONES: Please.

MR. CONINE: The first paragraph offers an
incentive which I'm all for. The project developments
have an incentive for scoring criteria to keep these
things in preservation longer. What we're doing with the
last paragraph, though, it says for projects which we
provide loans or grants or loan guarantees for in excess
of 33 percent of market value, well, that's pretty much
all of them, isn't it?

MR. GOURIS: No. Some of our HOME rental
projects wouldn't that it might not apply, but the reality
is typically they're going to be 30-year loans, and so
they're going to be a 30-year affordability anyway, so it
ends up not being a significant effect. Again, we took
this language from the bill itself to try to make sure
that we comply with the intent of the bill. Some of the
Housing Trust Fund loans also may not be 33 percent of the
market value.

MR. CONINE: Make it simple for me. On the tax
credit deals, are we extending them from 15 to 30 years
under this scenario, the 9 percent credit deal? I don't
think we are, but I'm trying to read between the lines, Or
for projects which the department provides tax credits but
excluding the 501(c)(3) bonds.

MR. GOURIS: Right. I think the effect is that
all the tax credit projects go for 30 years now, but
that's already in effect because of scoring issues, and
this just requires it beyond scoring and provides a
scoring incentive for beyond 30 years.

    MR. CONINE: They're only mandated federally
for 15 years. Correct?

    MR. GOURIS: Correct.

    MR. CONINE: So we have scoring criteria that
encourages to get from 15 to 30 already in the QAP.

    MR. GOURIS: Correct.

    MR. CONINE: And what we're saying here is
that -- all right, I'm okay with that. I'd be interested
to hear if there's any other comments. Do we have any
speakers on this item, Mr. Chairman?

    MR. JONES: We do not.

    MR. GOURIS: If I may point out that I've
spoken with the tax credit staff and they believe that the
draft of the QAP complies materially with this, and so I
don't know what kind of input they've gotten, but
hopefully that will be addressed in there.

    MR. SALINAS: And it goes up to 30 years.

    MR. GOURIS: Right. It could go beyond 30
years.

    MR. SALINAS: Beyond 30 years.

    MR. CONINE: No more questions.

    MR. JONES: Does anybody care to make a motion
on this item?

    MR. CONINE: Oh, I thought it was already on there.

    MR. JONES: I don't think there's ever been a motion on this issue.

    MR. CONINE: Move approval of Item 3(c).

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

    MR. SALINAS: I second it.

    MR. JONES: The motion has been seconded by the mayor. Further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

    (A chorus of ayes.)

    MR. JONES: All opposed, nay.

    (No nays.)

    MR. JONES: The ayes have it, the motion carries.

    We then will turn to item 3(d) on the agenda.

    MS. CEDILLO: We have the request for approval of the TDHCA Section 8 payment standard for housing choice vouchers. David Burrell is going to make that presentation.

    MR. BURRELL: Again, I'm David Burrell with the Housing Programs.
The TDHCA Section 8 program is required by the U.S. Department of Housing and Urban Development to adopt a payment standards schedule that estimates the voucher payment standard amounts for each fair market rent area in our jurisdiction. We must establish the payment standard amounts for each unit size where the unit size is measured by the number of bedrooms. In operating as a PHA in nonparticipating jurisdictions, we establish the payment standards amounts for unit size at any level between 90 percent and 100 percent of the published fair market rent for the rent size.

We're recommending that we establish our payment standards at 100 percent of the fair market rents, with one exception, that the executive director be given the authority to go up to 110 percent of fair market rents in extenuating circumstances. We have a chart of the rents and the different unit sizes in there broken down by regions: the Dallas region, Houston region, and the San Antonio region in which we participate.

MR. CONINE: Move for approval.

MR. JONES: We have a motion for approval by Mr. Conine.

MR. SALINAS: Second.

MR. JONES: Seconded by the mayor. Further discussion? 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 nays.)

MR. JONES: Motion carries.

Item 3(e), I believe.

MS. CEDILLO: Pam Morris and Jeannie Arellano will be making the recommendations on Disaster Relief Fund under the HOME Program.

MS. MORRIS: I'm Pam Morris, the director of Housing Finance Programs.

I'm presenting today a recommendation for funding some Disaster Relief applicants from the Donley County disaster and the Houston area disaster. I won't go into all the details; it was fairly clear in the write-up.

We had set aside back in June of this year a million dollars out of the de-obligation pool for disaster relief, anticipating applications for this particular disaster. We received two applications: one from Donley county for that particular area, and then one from the City of China for owner-occupied rehab as well.

Both applicants were reviewed for basic threshold requirements. I would like to make the comment, just as a footnote, that the City of China, even though
they had originally been disqualified in the 2001 funding cycle because of a delinquent audit certification form, that form came in in July and this particular application wasn't due till the end of August, so they had passed that threshold.

So what we're recommending is $500,000 be awarded to the City of China for owner occupied rehab and $40,000 be awarded to Donley County for owner-occupied rehab, and we are also recommending administrative funds of up to 4 percent for both applicants.

MR. SALINAS: I move for the recommendation.

MS. ANDERSON: Second.

MR. JONES: A motion has been made and seconded; it was made by the mayor, and Ms. Anderson seconded it. Further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: Motion carries.

MS. ANDERSON: I have a question, Mr. Chairman.

MR. JONES: Sure.

MS. ANDERSON: Since there was a million set aside and based on the applications received, there's
still some de-obligated money sitting there, what are the options for the money at this time?

MS. MORRIS: That's a good question. We had another disaster recently that was brought to our attention and we will be doing some field work to determine the needs there, so obviously those funds will go for any other disasters that come up. And we've talked with Ms. Cedillo about possibly doing more of an open cycle, so to speak, for disasters, so it's a first-come, first-served and there's a disaster application you fill out and it's a more limited type application.

MS. ANDERSON: Take them on a rolling basis with some very defined criteria.

MS. MORRIS: Absolutely.

MR. CONINE: We don't lose the money then; it's still there. Just clarifying that point. I was glad to see that the City of China has figured out we're here.

MR. JONES: I'm just glad to see when you ask a question, Beth, it's a good question because I never hear that when I ask a question. Nobody ever says: That was a good question.

MS. MORRIS: I'll keep that in mind.

(General laughter.)

MR. JONES: I think we'll move to Item 3(f).

MR. CONINE: They normally tell you it's a dumb
question.

MR. JONES: Yes, that's the way they always look at me, like what an idiot.

(General laughter.)

MR. JONES: Item 3(f).

MS. CEDILLO: And that's Pam's also, and she'll be making recommendations on the remainder of the HOME Program funding categories with the exception of the rental housing developments.

MS. MORRIS: We gave you a quite lengthy write-up -- I apologize for it being so long, but we felt that it was important for the board members to understand how we've worked over the last couple of years and how we've tried to get to a point in time to where we've made some improvements.

I'd like to say, first of all, that I do commend the HOME staff considerably for what they've done. They've been a very dedicated team. We have gone through a lot of turnover, we've had a lot of new staff come through, but they've worked very hard to support Jeannie and I, and to make some improvements that they think are important to the program, so I do want to commend them for all of the work that they've gone through.

We did make some changes in policies and procedures in addition to the HOME application. That was
based on a number of audits that the program had been challenged with, and we took them very seriously and tried to do what we could to make appropriate changes so that we don't continue to have audit findings.

The changes to the application cycle were basically a number of elements. We tried to use the new uniform application cycle in its draft form to introduce that into our applicants so they get familiar with the new application as it is formed for this next funding cycle.

We did completely revise the score model. We had been told by the auditors and it was recommended that we have a more objective score model and not so subjective, so we took that into consideration and tried to think it through as a group as to what they had seen in the past and what they had seen through the administration of the program to try to make sure that we were appropriately looking at the score model and giving the points that we felt were most important.

We did prioritize to nonparticipating jurisdictions. We had to introduce that into this year's score model and application as far as list of who the nonparticipating jurisdictions were as dictated by HUD and who our participating jurisdiction was. That's also in an effort to start implementing the intent of the new law in the Sunset bill which states that 95 percent of our funds
will be expended in nonparticipating jurisdictions. Five percent will be allowed in a participating jurisdiction but it will have to be for applicants servicing people with disabilities. So we've been trying to work toward that direction.

We also looked at the Administrative Code and the state rules, tried to do a thorough review of that, to make sure it was all incorporated in the application and the proper threshold checks. As a result of that, we did get some complaints and concerns from some applicants with regard to disqualifications, and that will be the next agenda item that I'll share with you.

We had score teams developed; I even was able to, fortunately, pull in some managers from some of the other programs that I'm responsible for so that we had some very quality score teams. They were all trained; we went through every score sheet and explained it very carefully so that everyone understood what each score element meant.

Every application was scored three times. Jeannie and I personally looked at every score sheet for all applicants that were scored to make sure that there was consistency, that there were equitable decisions and that match and cash reserves most particularly were looked at to make sure that at least a thorough review had been
conducted.

The applications were available on the web so that people could print them off of the web or at least read the rules and regulations. We conducted application workshops to advise applicants as to how to fill the application and the forms out and what was needed in their application. We also allowed every applicant to submit questions and we asked that they were in writing and we posted all questions and answers on the web so that all of our applicants during the application process could read and see what questions other applicants had to see if they could be better informed of the process.

We did all of our thorough checks and making sure that everyone was in compliance with any current TDHCA programs or any loans that they had with the agency. We also did an informal review with an executive review advisory committee -- I may not be saying that exactly right -- as a first step to do kind of a practice run, if you want to call it, to see what the other directors' feedback was, and I think it was a very worthwhile process because it was nice to hear other directors' input and as a team make sure that we were all making the right decisions.

Fortunately, we were able to get all of the write-ups and all of the lists of recommendations on the
web in advance of the board meeting so that everyone had access to all of the information. We didn't get every letter mailed that we wanted to; we got most of them all mailed before the board meeting, but at least we referred them to the web and they could read the write-ups and it might answer most of their questions.

We also did publish all the score summaries so everyone could go on the web and see all the details of their scores to see where they may have fallen short or what they may have needed to improve on.

I won't go into a lot of detail about the score model; I tried to lay it out in the work paper. The needs assessment score model component was very important. We've gotten a lot of compliments on that because communities didn't have to write a narrative and do their own market study research; we were able to rely on what Housing Resource Center already had available in information and it worked very well. And Sarah Anderson's group was very instrumental in developing that and making sure that it was understood by the applicants.

We anticipate taking the recommendations, the number of units that we're capturing in contracts that will be reported in our performance measures for the first quarter of this year. We failed to meet that deadline last year because of the thorough review that we needed to
conduct to make sure that we were making the proper recommendations.

MS. CEDILLO: I would like to mention that even though the HOME awards were not made before the August 31 deadline for reporting the annual performance measures, we did make over 80 percent of our performance measures for last year.

MR. JONES: Thank you.

MS. MORRIS: We still have some changes that we're continuing to make. We're trying to improve on the policies and procedures manual so that it's more clear, more user-friendly to our applicants, and looking on how we can improve our CHDO set-aside because that was one concern we have with the nonparticipating jurisdiction rule that we'll be faced with.

To get down to the recommendations, we have four different activities that are allowed under the HOME Program: homebuyer assistance for people that are purchasing their home; we have owner-occupied rehab for people needed rehabilitation for their existing home; tenant-based rental assistance which is for eligible tenants to used rental assistance vouchers in various projects within their community; and rental housing development. We had percentages set aside for the funds for each one of these activities and it was also built
into the consolidated plan and it's part of the regional allocation formula that HOME is subject to.

We received a total of 244 applications; 213 were eligible for scoring and 97 are being recommended to you today. Out of those 97, only six are actually servicing a participating jurisdiction, but those were limited to the tenant-based rental applications and they are serving special needs.

The HOME Program Funding Plan that I gave you, and that's the detailed front sheet of the spreadsheet, shows you the regional allocation formula, what was available for activity and what we funded. We fell short in total eligible homebuyer assistance applications; we didn't get as much demand on that. The highest demand we received was from owner occupied rehab and for special needs, TBRA and owner occupied.

So we looked in every region. We fully funded every homebuyer assistance applicant that was above threshold and any balance that was remaining was moved to other eligible applicants in the next activity but always within the same region, so each region received their full allocation for the total amount of HOME funds, it just may have been a different activity.

We also complied with the full intent of the consolidated plan and stayed within our percentages.
The application numbers that were shaded on your spreadsheets were the ones that were originally disqualified but were allowed a deficiency correction period. For example, things like a resolution may have had an error in it, a typographical error, a blank may have been missing on a form, so those things were allowed to be corrected as long as it didn't have a significant impact on their scoring of the application.

The rental housing development applications have been scored and have been preliminarily underwritten but there were some concerns about readiness to proceed and some workout, so to speak, that we needed to address, so we felt it was more prudent to wait until we could have that completely reviewed.

So having said that, we are recommending that we allow for a little bit more time for the CHDO rental applicants for review. We are requesting approval of the 2001 HOME Program recommendations and all the set-asides attached on those lists. We are also recommending that any applicant that's eligible -- which I believe for-profits are the only ones that are not eligible -- to receive the 4 percent administrative funds in connection with the projects that they're being awarded and 5 percent to CHDO applicants because we have one that we're awarding for operating expenses which is allowed under the CHDO
set-aside.

I think that's it with regard to this particular item.

MR. JONES: We have a number of people who would like to speak on this topic. Mr. Davis?

MR. DAVIS: I signed up for 3(g).

MR. JONES: 3(g)? I'm sorry, I got that wrong. Mr. Hail, I think has already spoken.

Ms. Wentworth?

MS. WENTWORTH: Mr. Chairman, I would like to yield my time to Robert Chavira.

MR. JONES: Okay. Mr. Chavira?

MR. CHAVIRA: Members of the board, Ms. Cedillo. My name is Robert Chavira. I am representing two applicants who are being recommended for funding today. The applicants are Bluebonnet Trails MHMR and the City of Encinal. Although these applicants are being recommended for funding, I am here to appeal on the category or allocation of funds that Bluebonnet Trails is being recommended under and the amount of project funds that are being recommended for the City of Encinal.

Now, in the case that I'd like to make, I will be referring to the board book which I believe is under Tab 3 (f), but I'd like to begin with Bluebonnet Trails. Bluebonnet is a nonprofit organization that serves persons
with disabilities, more particularly mental health and mental retardation. They have an eight-county wide jurisdiction which includes the counties of Bastrop, Burnet, Caldwell, Fayette, Gonzales, Guadalupe, Lee and Williamson.

Now, due to the TDHCA's regional boundary map, the eight counties within the service area were divided: six counties fall under Region 7 and eight counties fall under Region 8A, but being that the clientele or the targeted population that Bluebonnet Trails works with -- which is persons with special needs -- they saw the opportunity to increase their chances of funding by submitting three applications: one application was submitted under Region 7, one under Region 8A, and the last one under the special needs set-aside.

Now, as far as these regional allocation applications versus the special needs set-aside, if an application is funded under a regional allocation, then you must serve the clientele within that region, versus special needs which is a statewide type allocation and you can serve anybody as long as they reside in your service area.

Bluebonnet Trails scored very well in all three categories. In fact, with special needs, they scored the second highest. And you can see that on page 3 of your
special needs section -- you can see that they scored a
246 which, once again, was the second highest ranked. If
you turn to the latter pages of your section and you look
under the regional allocation TBRA, under Region 7, they
scored a 257, came in second, and under Region 8A they
scored the highest ranked.

When the recommendations were made before you,
being that they scored one or two, staff could have
decided to recommend funding under any one of those three
allocations. They decided to make the recommendation
under Region 7. Now, we feel that the reason why that was
made is because if you look at page 3 of the special needs
TBRA section, every single applicant that met the
threshold scored a 180 is being recommended for funding
and they're also being recommended for the full amount.

But in doing so, if they would have recommended
everybody that met the threshold under the special needs
allocation for TBRA, that would have left very little
money to be moved over to the owner occupied special needs
allocation. So what they did, our feeling, is they put
Bluebonnet, rather than in special needs, they put them
under Region 7 so they could free up some money.

Now, Bluebonnet Trails is appreciative of the
fact that we're being recommended. Unfortunately, because
it's under Region 7, we can only serve applicants that are
applying for this TBRA in Region 7, leaving the residents under Region 8A -- which is two counties -- with no funds to apply for.

Now, of course, with appeals, if we're approved and being that we ranked second under special needs -- because that's our request; we would prefer that the recommendation be made under the special needs allocation -- what that means is that you'll probably knock off the lowest ranked person which I believe is Tropical Center. In fact, they scored a 189, only nine points above the threshold score, whereas Bluebonnet Trails scored a 246. But we really don't want to see that happen.

There's really maybe one alternative that can occur here. If the board cannot approve Bluebonnet's funding of $500,000 under the special needs and the only option is just to keep it under Region 7, we ask that the board allow Bluebonnet Trails to also serve clients under Region 8A. Essentially it's the same outcome if it was approved under the special needs. We basically want to serve everybody in the service area.

I also want to talk to you about the City of Encinal, but if you have any questions regarding Bluebonnet, I'll be glad to answer.

MR. CONINE: Could we get, I guess, an
interpretation from the rules under the HOME Program
whether the board has that discretion to do that, number
one; and then I'd like to hear Pam's comment on that if I
could.

MS. MORRIS: We did review applicants that were
applying in multiple regions; it was a requirement in the
application that an applicant is limited to a
recommendation of only up to $500,000 for one activity.
They applied under TBRA so it was the same activity, just
in different spots: special needs in different regions.

When you look at trying to keep the full
integrity of the regional formula intact, we took into
consideration whether or not someone should be funded in
special needs or under the regional formula so that we
could fully fund what we could within the formula.

Special needs had different scoring criteria
with regard to the AHN score than the other ones, so
sometimes a score is going to be different on special
needs versus a nonspecial needs, but that's the basic
explanation I had. We had three applications, all
totaling more than $500,000, so a decision had to be
made -- when an applicant doesn't necessarily prioritize,
you know, if I have a choice, then I want to be plugged
here, we have to make a business call, basically, on
making sure we keep the regional formula intact as much as
we could.

MR. CONINE: You kind of skewed off my question just a little bit.

MS. MORRIS: Sorry.

MR. CONINE: Because one person lives on one side of the tracks versus the other, in your opinion, is there any harm done if the board has the authority to grant the exception for them to go and service their entire area? Is there any downside to that, from your perspective?

MS. MORRIS: You know, it may raise question to any other applicant, you know, that might want to expand outside the region, and we lose the integrity of the region by the whole point of limiting it.

MR. CONINE: So you've got audit concerns from HUD or whomever.

MS. MORRIS: No, I don't believe HUD would necessarily have a concern; I'm just saying other applicants that may have applied multiple times as well may want to open it up. It's a hard question to answer.

MR. CONINE: Is this something that maybe in the next go-round we need to address in our rules of the game for those jurisdictions that, again, happen to fall on the lines? Is there enough policy there?

MS. MORRIS: If an applicant conveys a
priority, if they're going to submit multiple applications and could tell us whether special needs is what their priority is, or Region 7 or Region 5, whatever they're applying in, then we will know when they're going to pop up and score well in all three, we can't fund all three, we have to make a judgement call. So maybe we give the option to the applicant to give us a priority on their application.

MR. CONINE: But I see his point. It would be terrible sitting down there with $500,000 and somebody walks in and they can only service half of their region or whatever. It would just be kind of a bad situation to be in.

MR. JONES: This is going to be one of those dumb questions. I'm struggling with this, but what I hear you saying is you're okay with it. Right? Number one.

MS. MORRIS: Yes.

MR. JONES: And number two, what I hear you saying is we do have the authority to do what he's asking. Is that right?

MS. MORRIS: Yes, sir.

MR. JONES: That's an unequivocal yes.

MS. MORRIS: Yes, sir.

MR. JONES: We won't be violating any laws, regulations, rules, whatever you might name?
MS. MORRIS: Not that I'm aware of, unless I'm missing something.

MR. JONES: Thank you. Would you please state your name?

MS. ARELLANO: Jeannie Arellano, HOME Program manager.

MR. JONES: Thank you.

MS. ARELLANO: We had a lot of applicants that applied under the other activities, especially owner occupied, that submitted applications both under special needs and under the regional, and my concern would be that you'd have many applicants out there that may question the ability to also be able to serve two regions.

MR. JONES: A long time ago I realized I couldn't make everybody happy in this job and I don't think any board member is under the impression we can, but I do want yes or no answers to these questions. Number one, is it staff's recommendation that this sounds like a good idea to us; and number two -- I understand the reason why you did what you did, you've explained that well -- are we going to violate any rule of the department, regulation, statute, anything else if we do this. You are telling us: Board, you have the authority to do what he has just asked us to do. And I'd kind of like an unequivocal answer to that.
MS. ARELLANO: I think that you have the
authority.

MR. SALINAS: Let me say one thing. If you
have a recommendation for us, you're going to hold
yourself to the recommendation. Right? And I've been
watching her recommendations to the board and she makes a
lot of sense. Now, what I would like to do is for us not
to break that trust on the staff simply because he comes
around and he gets funded and he doesn't like the way he
got funded. Well, at least you got funded; there are 100-
and-some-odd cities that didn't get funded. You know, I
cannot understand this system. I've been here maybe three
months and people are complaining because they get funded
but they didn't get funded in the right place.

And I would hate to go against the
recommendation of our staff that work on it, and you know,
we don't have the best reputation here in the last two
years, and what I would like to do is to support our
staff, to support Ms. Cedillo here, and do what we have to
do.

And Senor, you just got a bunch of money here
but you just don't like it in the right place; you don't
have it where you want it, and I think, as she says, if we
do it for you, we've got to change it for everybody else.
Just get in line.
It's like the first item we had on the agenda where somebody else complained about the assistance that she didn't give them and I think she even talked to them about that resolution. It's not her fault that the guy didn't get the resolution in the package, and I think we've got rules, and I think it's about time this agency starts obeying those rules and quit playing around with certain people's way of funding. Well, you didn't like it, give it to somebody else who might want it.

I'm sorry that I feel this way but I traveled 350 miles to come to this meeting and I'm surprised that some people get funded and they just don't like it the way they got it. I'm sorry, guys.

MR. JONES: I understand.

Ms. Anderson?

MS. ANDERSON: I really want to hear staff's recommendation from a policy perspective because it's my experience that a lot of community agencies have cachement areas or areas of jurisdiction for housing programs or other kinds of social service programs that don't align neatly with maybe what a state regional thing is. And my concern is setting a direction or a precedent about when someone applies in one area and wants to sort of seek the board's approval to then provide service in another area, we have these kinds of problems across our social service

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community, so I'm real interested in what you all think the implications of that are.

MS. MORRIS: I do agree. I believe that when an applicant has applied for a region, nonspecial needs, their intent was if they receive that, they could fully fund that region. I understand, as well, to be as competitive and to have a chance at an application to be awarded, they provide multiple applications, hoping that if I don't get it here, I might get it over here. So I understand the intent of why they do that, but some decisions have to be made when you're oversubscribed in one area and you're not in another, and we made those decisions and I personally feel that it ought to be held to that region to give the region a chance.

MR. JONES: Thank you.

Did you want to speak on another issue?

MR. CHAVIRA: Yes, sir. I understand the recommendation will remain with Region 7.

MR. JONES: There haven't been any motions by the board, we have just discussed.

MR. SALINAS: But she's recommending Region 7, $500,000.

MR. CHAVIRA: The next one is the City of Encinal. The City of Encinal, a small city in La Salle County about 30 miles north of Laredo, has a very high
population of elderly persons. The City of Encinal, as a result of the elderly persons, it's eligible under a special needs set-aside application as well.

Now, with special needs, there's three categories: TBRA -- which is what I discussed; owner occupied housing assistance, and homebuyer assistance. They submitted under owner occupied housing assistance to rehab these homes that are dilapidated that are owned by these elderly families.

The City of Encinal scored the second highest ranked application, and you can see that, once again, on page 1 of your special needs, the second highest with a 258, and it's being recommended for $235,331. Its request was $500,000.

Now, the basis for the city's appeal is that we feel that there was not consistency in the dollar amounts that were actually being recommended versus the amounts that were actually being requested. In every case throughout all allocations or all pools of funds that are available under the HOME Program, if there was a first and second ranked applicant and there were subsequent ranked applicants, the first and second applicant received the exact amount of money that those applicants requested except for the City of Encinal. The City of Encinal's request was cut in half, basically.
So we feel that this was not fair. So in fact, had staff followed the same priorities or policies or whatever decision-making process they made as it relates to funding first and second ranked, the City of Encinal should have received the amount that they requested which is $500,000.

Another point that I wanted to make, with special needs there was a total of about $4.1 million to be divided among all activities: TBRA, owner occupied, and homebuyer assistance. Unfortunately, in this particular case, there were not any homebuyer assistance applicants being recommended, just TBRA and owner occupied. Out of the $4.1 million, 73 percent, or about $3.4 million, was placed in the TBRA and the rest of it was put in owner occupied, about a million two. So that's another reason why we feel that Encinal was shortchanged.

So if staff had decided to maybe apply more of the special needs money into owner occupied, then Encinal would have probably had a greater chance of getting more money that what's being recommended.

Now, as far as policy is concerned, there is no policy, no rule, there's nothing regarding the distribution of special needs dollars among all activities. This is strictly an arbitrary decision made by staff, and as a result of that, my client was
shortchanged. Now, once again, I want to focus on consistency. Everyone else, first and second ranked received the amount they requested, and we're talking $500,000 as far as second ranked; in this case the City of Encinal received half of what they requested, so we feel that this is not fair.

I also want to point out, as it relates to special needs, the City of Encinal is not a participating jurisdiction. There are six participating jurisdictions under TBRA that are being recommended for the full amount that they requested, amounts that range from $4- to $500,000, and also scores that fall as low as 189. 189 is receiving $400,000, yet a 258 under owner occupied, the City of Encinal, is receiving half the amount. So once again, it's just a matter of inconsistency and it's a matter of unfairness.

MR. SALINAS: You got a 258 and Tropical got 189?

MR. CHAVIRA: 189, yes, sir. And you have to switch pages because Encinal is on page 1 and the TBRA on page 3.

MR. SALINAS: What does the staff say?

MR. JONES: Pam, I think there's a question for you.

MR. SALINAS: How many cities applied for these
funds? I mean, how many got funded and how many did not get funded?

MS. MORRIS: In a particular category or in all?

MR. SALINAS: In this category concerning Encinal.

MS. MORRIS: Well, I don't know the total number of applicants. There were 32 for owner occupied in special needs and there were a total of 20 for TBRA in special needs. Generally, when we were looking at the oversubscription in nonspecial needs, so many funds were pulled from other categories into owner occupied because we were so oversubscribed in owner occupied, and we were so undersubscribed in TBRA in the nonspecial needs — as you can see on the recommendations, there's very few cities being recommended nonspecial needs — we made the decision to fund more TBRA in special needs because we were so oversubscribed on owner occupied and were awarding so many owner occupied already that we felt that the TBRA applicants. Because they do offer a lot of match for the apartment on their applications, in addition to trying to even out the activities as much as we could, we awarded more in TBRA.

I would like to make a comment that I do agree with Mr. Chavira in that this is actually a typographical
error on the City of Encinal. They would have been
awarded the full $500,000. Unfortunately, when we did our
final threshold checks for compliance, we had some
applicants that were being recommended that had to be
removed, and it skews a very large Excel spreadsheet, and
so unfortunately we did not catch that error, so I
apologize and we can certainly make that right.

MS. ANDERSON: What was the error?

MS. MORRIS: He indicated correctly that the
city was being awarded $235,331. That may have been what
they were originally being awarded before we had taken
some disqualified applicants out at final checks and the
number didn't get changed.

MR. SALINAS: So how much is it right now,
actually what he's going to get for Encinal?

MS. MORRIS: $500,000. We can have that
changed.

MR. SALINAS: So that's an error on the part of
the staff.

MS. MORRIS: Absolutely.

MR. SALINAS: So it would leave Tropical Texas
the same.

MR. JONES: So do you have any further
comments?

MR. CHAVIRA: Yes, sir, just one.
MR. CHAVIRA: I did want to make a point. Now, of course I'm representing the clients that I work with. As it relates to Bluebonnet Trails, once again, we do appreciate the fact that we are being recommended for funding, but of course since we represent a large area and as far as the division of the counties as a result of the boundary lines that we had no control in, Region 8A clients won't be able to apply. I mean, we felt that it was our duty to the clients of Region 8A to come speak before you; if we didn't, then we'd have some very upset clients. So once again, we had no choice but to be here.

MR. JONES: Thank you for your input.

The next individual that I have that would like to speak on 3(f) is Mayor Mancha.

MAYOR MANCHA: Thank you. I got my money.

(General laughter and applause.)

MR. JONES: You're very eloquent, Mayor, very eloquent; the most eloquent speaker I've ever heard.

Mr. Westbrook, and Mr. Westbrook, that's going to be hard to follow.

MR. WESTBROOK: My name is Gilson Westbrook; I represent St. John Colony Neighborhood Association. We've been recommended for funding under rental housing, and I'd like to know when are we going to receive our money. We
know the amount but we have no indications of what "to be
determined" means. Based on your rules, we can't contact
staff, so we have to wait on the web or correspondence.

MR. JONES: Thank you, sir.

MS. CEDILLO: The staff is working on that and
we'll try to get it to the board as quickly as possible,
possibly by the next board meeting.

MR. JONES: Thank you.

Mr. Harms is the next person, I believe, that
would like to speak.

MR. HARMS: I'll defer to Ms. Banks.

MR. JONES: Thank you.

Ms. Banks, how are you today?

MS. BANKS: Fine. Mr. Chairman, ladies and
gentlemen of the board, I'm Jewel Banks, executive
director for Angels Oaks.

We are seemingly disqualified for our Angels
Oaks II because we did not submit a letter saying we did
not owe an audit. So the next thing is we have found
nothing in the guidelines or submission checklist asking
for written documentation. So in the booklet that we gave
you in the folder, our folder supplies exhibits mentioned
above.

And I have the best person in the world to have
helped me with my project, the most beautiful project in
the state of Texas, and I invite you to come to Angels
Oaks. And if you'd like to speak with Mr. Mike Harms,
he's the best.

MR. JONES: Thank you. Any questions?

MR. SALINAS: So they were not recommended for
funding?

MR. JONES: Would you like to respond to that,
Mr. Harms?

MR. HARMS: It seems in the board packet that
we've been disqualified for not submitting a letter that
we don't owe an audit. We don't owe an audit until the
year 2002 for our 2001 project -- Angelica Homes is the
first phase. We could find nowhere in the application or
the checklist where we had to prove a negative. We don't
owe an audit, we're not in default, we're in none of those
things, but we could find nowhere where we had to provide
that, but we're on the disqualification list which seems
like that's going to be corrected but we can't really tell
if that's going to be corrected. And we scored a 187
which puts us fourth on the list.

MR. JONES: Would you like to address this?

MS. CEDILLO: Ms. Morris will address it.

MS. MORRIS: Certainly. I was going to go into
more detail with the next agenda item with regard to the
disqualifications, but we did, through the final

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verification checks, any applicant that had not submitted their audit certification form, we followed the same process as we'd done on the original checks and there were some recommendations that came up delinquent for the audit certification.

MR. JONES: So where do we stand on that?

MS. MORRIS: That's the next agenda item as far as the recommendations.

MR. JONES: We're ahead of ourselves.

MS. MORRIS: Right.

MR. JONES: All right. We're on 3(g); let's stay on 3(f). I'm sorry.

We've heard, I think, from everybody that wanted to talk on 3(f). Is that correct? Anybody else want to make public comment that I missed?

MR. CONINE: Move for approval of staff recommendations on Item 3(f).

MR. SALINAS: Second.

MR. JONES: We have a motion made by Mr. Conine, seconded by the mayor.

MS. MORRIS: Do you want to amend the one contract dollar amount and number of units on the correction for the City of Encinal?

MR. CONINE: Yes, I'll accept that amendment.

MR. SALINAS: Second.
MR. JONES: The motion is so amended and the motion is seconded as amended. Further discussion on the motion? 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 nays.)

MR. JONES: The motion carries.

At this point in time I need some instruction from the board. It won't take a minute. I'm not going to do it, I don't think, Mr. Conine. I know there have been concerns about lunch in the board meeting and I have received those concerns; I know we also have flights that we need to catch. Is the chair correct in assuming that at this point we want to plug forward, or do we want to break for lunch?

(No comments.)

MR. JONES: Hearing no comments, I assume we want to go forward. Now, having said that, Delores is going to help us because I know some of us may need to have a little sustenance here, and Delores, here's 20 bucks, help everybody out. Anything they want, can you get somebody to get it for them? Okay, thank you. Because I do know there are planes to catch and I'm sorry
to make us miss lunch, but I don't know what else to do, unless some board member has a better solution.

MR. CONINE: I need to lose weight.

MR. JONES: Yes, Mr. Conine would kill me if I shut us down.

MR. CONINE: I'm fine. But take care of Beth; she needs something to eat.

MR. JONES: Okay. We will then move to 3(g).

MS. MORRIS: I would also like to state before I get started that any other errors that are brought to our attention through this process -- because I know we're not completely perfect, as much as we try to make sure that it is -- we will review that and come back. If anything comes up, so I just wanted to make sure that everyone was aware of that.

This is a presentation with regard to the disqualified applications, the analysis and the recommendations that we're making. This has been a very long, drawn-out process, and I'm sure you all are aware, with the many public comments that we received.

MR. JONES: You're kidding.

(General laughter.)

MS. MORRIS: I want to get it over with for you. To try to be prudent in our checks, we did do pretty thorough threshold checks on the things that were stated
in our state rules. I tried to go into the types of those thresholds, I've provided you with the qualifying threshold requirement page that listed that out for you, in addition to every explanation of every applicant that was disqualified and why.

It worked out to be into three parts. The first set of appeals, so to speak, that we looked at were with regard to documentation. These were things that in the threshold requirement list were considered items that may disqualify you for funding, and those were things like an incomplete form, a missing resolution. Those were the main things that were considered something that you could be disqualified for.

Now, we took it to the full intent and we looked at every application very thoroughly, but we did receive some criticism that we needed to be more flexible. So as a group we met and we gave some applicants the opportunity to make those corrections and those were the ones that were shaded on the previous presentation that were allowed in the round.

The second set of disqualifications were part of the second part of the threshold requirements which stated that if the following items are not satisfied, the applicant is automatically disqualified, there was no leeway on that. That was with regard to loan.
delinquencies with the department, any compliance issues that may be outstanding with the department, or any required past due audit, in addition to expenditure rate thresholds. So those items were checked and those applicants that were disqualified were not overturned or allowed in the round.

However, specifically with regard to the audit certification forms, as you have heard from our public comment in the past, it is our recommendation, after meeting with executive and discussing this at length, that since the application itself didn't actually state an audit certification form -- it said any past due audit delinquent with the department -- we are recommending that the applicants that fell in that category that are listed on the write-up be allowed a 14-day grace period to submit their audit certification form. If they submit the form and it discloses that they were not subject to a single audit for the fiscal year in question, that they be allowed to be scored and reviewed as the funding plan worked out and if they would have been eligible for recommendation based on the amount of funds available and the way it was presented, that they be recommended -- which will come back to the board -- out of de-obligated funds to award those applicants.

However, if the audit certification form

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indicates they were subject to a single audit, it will be
delinquent as of the date of this recommendation because
we only captured audit certification forms for fiscal
years that would have been through December of 2000. An
audit is required by HUD, through the Single Audit Act,
for any applicant that has expended any federal dollars,
whether they're with the agency or any other agency of
$300,000 in expenditures during that fiscal year. If that
ends as late as December of 2000, that audit would be due
to the department by September, and we've passed that
marker, so if that's not in, then they will be delinquent.

MS. CEDILLO: And disqualified.

MS. MORRIS: And disqualified. And I don't
know if you have any questions; I don't know how far you
wanted me to go in this explanation.

MR. SALINAS: Looking at all this list --

MS. MORRIS: That many had delinquent audit
certification forms.

MR. SALINAS: If they bring in their audit
reports, they'll be considered the next meeting?

MS. MORRIS: If they bring an audit
certification form in that discloses they were not subject
to a single audit, then they'll be eligible for scoring
and then we'll see how they would have fallen out in the
recommendations as previously done.
MR. CONINE: Do you have an idea of what the total dollar amount of that list is, just off the top of your head?

MS. MORRIS: Off the top of my head, I don't. Part of the funds are from CHDOs because these are CHDO applicants which were undersubscribed, so if they are awarded, they will come out of the CHDO set-aside. There are some applicants that we feel they're going to be very close to a requirement for a single audit, but the ones that we looked at, as far as their score and what we know today -- because some of them haven't been scored -- I believe it came to about $2.9 million. I believe that included CHDOs, I'm not sure -- it may not have.

MR. CONINE: Then you go through the 14 days, they all come in, you're going to bring the results of that back to the board at the next meeting? Is that the intent here?

MS. MORRIS: Right. And they'll only be recommended if they would have received a recommendation based on what I presented today.

MR. CONINE: Right. Move for approval of Item 3(g), Mr. Chairman.

MR. JONES: We have a motion that's been made.

MR. SALINAS: Second.

MR. JONES: The motion has been made and
seconded. Any further discussion? All in favor of the motion, please say aye.

(A chorus of ayes.)

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

(No nays.)

MR. JONES: Motion carries.

MR. CONINE: Mr. Chairman, I'd like to state for the record that I think Ms. Morris and her whole HOME Program management team, along with Ms. Cedillo's help, has done a commendable job here, and we appreciate your hard effort because you have a tough balancing act between meeting the demands of the citizens of Texas and the HUD watchdog and some of the audit procedures, and I appreciate your efforts.

MS. MORRIS: Thank you.

MR. JONES: Mr. Davis, did you care to speak? I'm sorry, I just noticed that you cared to speak. Are you here to speak on this issue?

MR. DAVIS: Yes, I am, and I'll be brief, I promise.

MR. JONES: Yes, sir.

MS. CEDILLO: While he's coming up, I would like to concur with Mr. Conine. Ms. Morris and Ms. Arellano have done an excellent job in trying to meet those demands that we have for the funds under the HOME
MR. DAVIS: I'm Tres Davis with Grant Works and I'm actually here to say thank you on behalf of all of our communities and thank you to Pam and the HOME Program staff for reconsidering their decision. And I have letters of appreciation and support from the cities of China, La Coste and Merkel, and I'll just give them to Delores. Thank you.

(Applause.)

MR. JONES: Thank you.

I think we can now move to Item 4 on the agenda, Mr. Conine.

MR. CONINE: Is it me?

MR. JONES: I think it's the Finance Committee.

MR. CONINE: All right, let me get to it here. We're going to call Mr. Byron Johnson up for the presentation on 4(a) probably. Just give us a 30-second version.

MR. JOHNSON: Good afternoon. Byron Johnson, director of Bond Finance.

I'm here today to request that we extend the certificate purchase period for Program 55A. The bonds were issued back in May of 2000, $50 million in bonds, and we've used all of the money for mortgages except for about $5 million. If we do not extend the program, we would
have to use the money to call bonds, and we believe firmly
that we can originate mortgages, so we're requesting that
we extend the program period.

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

MR. JONES: There's been a motion made.
Second?

MR. SALINAS: Second.

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

(A chorus of ayes.)

MR. JONES: Opposed, nay.

(No nays.)

MR. JONES: The ayes have it.

Item 4(b).

MS. CEDILLO: Betty Marks will handle that.

MR. CONINE: Betty is going to do that? Okay.

MS. MARKS: Betty Marks, general counsel.

You have in front of you a full explanation of
exactly how we RFP for outside counsel, but for new board
members, I wanted to also explain that I know you met in
the last meeting with our outside tax credit counsel.

There are really three positions; there will be from time
to time requirements, for example, if we're in litigation
where we will be represented by the attorney general --
that's by state law -- and so you will meet other outside
counsel, however, with respect to various programs.

There are two outside counsel presently in our Bond programs. One is our bond counsel and the other is for a separate issue, and we're one of the states that does this and I think we're very smart to do it is we have bond disclosure counsel. That means that they are overseeing all the SEC regulations in terms of disclosure as far as our bonds are concerned.

With that in mind, the AG's office has requested that we RFP for these positions on an annual basis. They have made exception, however, where you have specialty items, for example, like in our bond issues. Since the bond issues sometimes extend more than on an annual basis, they have allowed us to have an automatic extension for bond counsel for two years. That two-year period went up since the announcement by the AG, and so this year we sent out RFP or we published a request for proposal for legal counsel to come in and make a proposal.

We had five requests for a copy of the RFP for bond counsel and two written proposals were received by the department by the close of that request for proposal period which was September 10. Vinson & Elkins submitted a very lengthy proposal for bond counsel; McCall, Parkhurst & Horton submitted a proposal for bond securities disclosure counsel; and I've summarized in your
board book materials each of those proposals.

I'm recommending that we retain Vinson &
Elkins; they've done an outstanding job for us in our bond
counsel, and their proposal was very well presented. I'm
also recommending that we employ McCall, Parkhurst &
Horton as our bond securities disclosure counsel.

MR. GONZALEZ: So moved.

MR. JONES: We have a motion by Mr. Gonzalez.

MR. CONINE: I'll second it as well. And if I
could, Mr. Chairman, I think for the benefit of the new
board members, sometimes it's better to put a face with a
name, and I'd ask each of the two recommended people that
represent these two firms to come up and give us the 30-
second version of why they would love their opportunity to
serve us to the Texas Department of Housing and Community
Affairs.

MS. MARKS: I thought you were going to ask me
a question, in which case I was going to say that was a
good question.

(General laughter.)

MS. MARKS: This is Elizabeth Rippy with Vinson
& Elkins; she's the partner in charge of our bond issues.

MR. JONES: I didn't know that's who you were
talking about; now I can't vote.

(General laughter.)
MR. RIPPY: Mr. Chair, members of the board.
I'm Elizabeth Rippy; I'm a partner with Vinson & Elkins here in the Austin office; I've worked on the your account since 1994. Vinson & Elkins has represented the department as bond counsel since the previous agency was formed in 1980, and I appreciate your consideration of our request and thank you for the opportunity to continue to serve in that capacity.

MS. MARKS: Elizabeth is not old enough to have represented us since Vinson & Elkins started representing us.

This is Alan Raynor and he's from McCall, Parkhurst.

MS. RAYNOR: I'm Alan Raynor with McCall, Parkhurst & Horton, and we have been fortunate enough to serve as your securities disclosure counsel since you first created that position. I've also been involved with the department and the predecessor agency since the mid 80s in connection with many of your financings and would be pleased to continue this relationship.

As Mr. Conine and I had a brief opportunity to visit earlier today, the fact that we may have been the only person interested in this job could be interpreted two different ways. Number one, we certainly prefer the interpretation that the department has had excellent
representation in this area and that that is recognized outside the department; it could be that nobody else wanted the job is the other explanation, but I certainly hope it is the former.

We really have enjoyed our relationship with the department and would like to continue giving you the kind of service you'd like to have.

MR. JONES: Thank you.

MR. CONINE: Sometimes it's good for the other board members to see some of those faces that show up in our audience sometimes but don't get a chance to speak, and I appreciate both of your willingness to serve and appreciate the relationship we have with your respective firms.

MR. JONES: We have a motion that's been made and seconded. Further discussion? All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: The ayes have it.

MR. CONINE: Item 4(c), I guess Mr. Dally will be doing our investment report.

MR. DALLY: Good afternoon, Mr. Chair, board members, Ms. Cedillo. My name is Bill Dally; I'm chief
financial officer for the department.

You'll find under Item 4 Tab (c) the quarterly investment report for the department's investments for the quarter ended August 31. This is not an action item but a report item that's required by the Public Funds Investment Act, and you'll find all the elements there.

It shows the activity for this beginning with the first part of the quarter through the end, as I said, 8/31. You'll see both the carrying values and market values of our investments; I'll just hit the highlights.

Overall, the portfolio decreased by about $37 million over the quarter, so it's now at $1.124 billion. The portfolio is made up entirely of fixed income securities; there are no equities in this. This is entirely for the purpose of doing mortgage loans for both single family and multi-family, so it's all fixed income securities.

The portfolio is made up of 70 percent mortgage-backed securities. Those are Ginnie Mae and Fannie Mae that we issue and so those are the loans that back our bonds. Twenty-two percent is in guaranteed investment contracts and investment agreements. Those are where we put our bond proceeds and we use that to invest in the Ginnie Maes and Fannie Maes when those pools are put together. We have 6 percent in repurchase agreements;

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those are overnight repurchase agreements which is where
the liquid funds that we use to operate the department are
kept. And then we have 2 percent other in some mutual
funds.

For activity, we had $27-1/2 million in
purchases of mortgage backed securities for this
particular quarter, so that's showing you our activity
using our bond funds to purchase Ginnie Mae and Fannie
Mae. We had new issues of $21.3 million in multi-family.

Overall, the market value of the portfolio
increased by $12.9 million; that's a result of, as you
know, the interest rates have been lowered over the last
six months or so, and that has the effect of increasing
the value of our portfolio.

The 30-year fixed mortgage for the week ending
August 31 was at 6.92 which was a decrease in rates from
what it was at the first of the quarter in June at 7.24.

Are there any questions with regard to the
report?

MR. JONES: Thank you, sir.

MR. CONINE: Item 4(d) would be the
participating lenders for the bond programs, and who's
-going to handle this one? Pam?

MS. MORRIS: Hello again. I'm presenting today
the list of lenders that had submitted applications to
TDHCA for participation in Bond Program 57 and 57A. All of these lenders -- which is a total of 41 -- have been approved internally by the department and a few of them are still subject to approval by the master servicer, Countrywide Mortgage. They do some additional checks when you're a brand new participant to make sure that there are certain requirements that are met.

We'll be doing lender training in the next two weeks across the state to advise the lenders on how to submit their packages and go through the actual loan process of the bonds.

MR. CONINE: Move for approval of the participating lender list on Item 4(d).

MR. GONZALEZ: Second.

MR. JONES: The motion has been made and seconded. Any further discussion? Hearing none, I assume we're ready to vote. All in favor, say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: Motion carries.

MR. CONINE: Item 4(e) are the multi-family mortgage revenue bonds inducement resolutions, and I presume Robert Onion will be doing this one.

MR. ONION: Good afternoon, Chairman, board
members, Ms. Cedillo. My name is Robert Onion, director of Multi-Family Housing.

I want to give you a quick overview of the applications we received. We received 80 applications for the Private Activity Bond Program; three were withdrawn; of the 77 remaining, 74 met our guideline criteria. Our guideline criteria is back behind the narrative portion of our program. That includes all of them under Resolution 35 and also 36; that leaves three remaining resolutions which did not meet the guidelines.

Resolution Number 37 and 38, the applicant has proposed a structure with an interest rate of 6.35 at 40 years which represents a HUD transaction 221(d)(4). The reason we have not considered that interest rate in our assumptions is because our concerns that under a 221(d)(4), the length of time it takes to close that transaction and the amount of time that the applicant has from the time of reservation is only 120 days. As soon as you come up with any kind of guideline rule, there's an exception to that guideline rule. In these two cases, these transactions have already been presented to HUD under a 501(c)(3) transaction. Many of the third party reports have already been prepared and so that alleviates at least 45 days in the process.

Again, I'm trying to apply our assumptions
fairly and evenly across the board. They did not meet those guidelines; however, I'm willing to consider that Resolution 37 and 38 as an exception to our guidelines. The balance, which is Resolution Number 39, Park Meadow Apartments in Boerne, did not meet our assumption guidelines based upon the amount of deferral of developer's fee. Our deferral of developer's fee cutoff point was at no more than 80 percent deferred developer's fee. It's penciled out at 92 percent deferred developer's fee. I've had conversations with the applicant, the interest rate that we used was 6.35 at 30 years. We established those guidelines approximately 90 days ago; since that time, interest rates have gone down.

We recently closed a transaction, Wildwood in Meridian with an Ambank Sun America [phonetic] structure where the bonds on 30-year long term were 5.9 percent. The applicant has brought that to my attention. I certainly don't know what the interest rates are going to do six-seven months from now; certainly 30 basis points swing one way or the other would make a difference in this transaction. I have asked both of the applicants on 36, 37 and 38 to be here today to answer any questions that you might have with regard to our suggestion that these be considered.

MR. CONINE: Let me make sure I heard you
correctly. On 36, clarify the reason for me one more time. Was that the HUD loan, the 221(d)(4)?

MR. ONION: Yes, it was, but that was included under the guideline. What we did is we used the interest rate assumption of 7.4 at 40; we went back and used 6.35 at 30 which was a little more favorable, and it made it under the line. So from a guideline standpoint, all that are in 35 and 36 met the guideline; it's 37, 38 and 39 that did not.

MR. CONINE: Under the?

MR. ONION: The guideline or assumptions that we use.

MR. CONINE: And that's just because of the time frame on the reduction of interest rates. I thought there was a concern that the (d)(4) couldn't get closed in 120 days.

MR. ONION: There is a concern that the (d)(4) may not be able to get done within 120 days. The reason why I'm willing to consider an interest rate under the 221(d)(4) is because the applicant has already gone through the process, has ordered many of their third party reports which has shortened the time frame needed in order to get a HUD commitment.

MR. CONINE: They haven't gotten an SAMA letter or any of those sorts of things yet from HUD?
MR. ONION: I probably would need to refer that to the applicant representative.

MR. JONES: There's somebody who would like to speak to this issue.

MR. POPPOON: My name is Steve Poppoon; I'm the project coordinator for Cedar Park Ranch I and II and Eagle Glenn at Kenswick. These properties have already received their letter of invitation from HUD, so they're ready to --

MR. CONINE: So you can fast-track them and get it done within 120 days.

MR. POPPOON: If you gave us the allocation today and we could start the process today, we could close in 45 days from today. They've already been through it, HUD has underwritten them. HUD actually underwrote these programs first under the (e)(3) program which is specifically for tax exempt bonds, and they went back through and now have the letters of invitation for the (d)(4), so they're ready to go. And the reason we pursued this avenue was with a lower interest rate they can build a much nicer product that affords with the HUD guarantee, obviously, more protection for the issuer. HUD has their own annual underwriting that they do so there's an added layer of supervision of the finances of the property, and the lower interest rate just makes it a more solid deal.
economically. If it wasn't for that, we wouldn't have pursued it on this basis, but since we already have it in hand, there won't be any delay and it will be just like any of the other properties you're considering.

MR. JONES: Thank you, sir.

MR. CONINE: Mr. Onion, do I understand that it's staff's recommendation that even though these four are close, you would recommend we go ahead and let them go into the lottery and see what happens?

MR. ONION: Yes, sir.

MR. CONINE: Okay. I'll make a motion then, Mr. Chairman, that we approve Item 4(e).

MR. JONES: And would that be Resolutions 35, 36, 37, 38 and 39?

MR. CONINE: Yes, inclusive of all those resolutions per staff recommendation.

MR. GONZALEZ: Second.

MR. JONES: Seconded by Mr. Gonzalez. Further discussion, comments, questions? I assume we're ready to vote, hearing none. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: The ayes have it.
Item 5, Mr. Gonzalez?

MR. GONZALEZ: We need to have approval of the fiscal year 2001 Internal Audit Plan that is under 5(a).

MR. JONES: Mr. Gaines is here.

MR. GAINES: Board members, Ms. Cedillo. I'd just like to say thank you for saving the best for last. I believe I heard Mr. Conine say he had to leave at 2:30 today so I'll try to finish up by then.

The first item on the agenda is Item 5(a) and the agenda has a typo on there. You'll notice it says the Fiscal Year 2001 Audit Plan; that should be Fiscal Year 2002 Audit plan. If you'll turn to Tab 5(a), I'll go over that plan.

The Internal Audit Division solicited input from board members, from management, and external auditors in the development of the annual plan. The plan is based upon this input and upon a risk assessment that we perform annually. The risk assessment uses nine different risk factors and we apply each of those risk factors to each auditable unit within the department. We've defined auditable units within the department as those LBB strategies by which we're measured in the appropriations bill.

We've also broken out the administration strategy into significant operations such as data
services, human resources, facilities and support, payroll, disbursements and purchasing, grant accounting, and the cash-receiving processes.

Based upon the input received and risk assessment, we've developed the audit plan that's in front of you, and I'll just briefly walk through those projects for you.

The first project is intended to assess whether processes are in place to facilitate the communication of board policy to staff and if that policy is reduced to operating policies and procedures; secondly -- and this might be the other half of the coin -- to assess whether there are processes in place to ensure that board responsibilities are identified and communicated to the board members in a timely, accurate, complete and useful manner whereby you can fulfill your responsibilities.

The next project is a review of the project management framework being used by management in the development of the department-wide database. This review will assess whether the methodology is adequate to help ensure the success of the project. Specifically, we'll be considering the areas listed there before you by the series of bullets. Some of those areas will have more emphasis than others: the first four bullets I think will receive considerable attention; the sixth bullet, approval
of the work in phases as work is completed, will receive considerable attention; and the eighth bullet, identification of a strengths task during the planning phase of the project ensuring internal controls and security features are thought out and in the plan.

The objectives of this audit also will include consideration of the Texas Government Code, Information Resources Management Act, Section 2054.151 of the code, as it relates to project planning, monitoring and control. These are standards that have been established by the State in the development of projects.

We're anticipating using an independent third party consultant to provide quality assurance over the audit project plan, procedures, results, and conclusions. The plan is we'll jointly sign the report, the consultant and the director of Internal Audit.

The next project is a Low Income Housing Tax Credit project. The objectives are to compare project deliverables associated with tax credits that have been awarded by the board to the actual deliverables that have been provided. Unfavorable differences between what was planned and what was delivered will be reviewed and analyzed to assess what control was not in place or what control was not operating that allowed such unfavorable conditions to materialize.
The next project is also a tax credit project. The objectives of this review will be to assess whether management has established adequate controls to ensure successful implementation of Senate Bill 322 of the 77th Legislature as it relates to the tax credit program.

We're also proposing a payroll audit. This has been on and off several times now. The objective of this audit will be to determine that access to the payroll system is adequately restricted to those that need the access to perform their job, that payrolls are properly authorized, calculated and supported, that the department complies with the required state and federal filing requirements, and that terminated and resigned employees are properly removed from the payroll system.

The remaining projects, for the most part, are just ongoing activities and they include activities such as tracking and monitoring and reporting to the board prior audit issues, coordination of external auditors, and the preparation of the annual report which we'll be discussing in a moment, and the annual internal audit plan which I'm going through now.

Note also that we're scheduling an external quality assurance peer review of the department's internal audit function. This is required in accordance with professional standards; we're required to have this review.
once every three years.

Are there any questions in regard to this plan?

MS. ANDERSON: I have several questions, and
I'm new to this. This is my first time here looking at
one of your audit plans, and actually I'm reading ahead so
I'm reading Tab (c) which describes what's in the Fiscal
'01 audit plan, and there are a lot of sort of gray boxes
where it looks like things weren't completed or maybe the
board maybe amended the audit plan, you know, internal
security audit, several things from last year.

Can you explain to me what these gray boxes in
this column mean? Were those items deferred, were they
just not delivered on schedule, were they taken off the
list? Because I think before we vote on the contents of
the audit plan for the year going forward, I at least need
to understand what happened to these outstanding items.

MR. CONINE: In two minutes or less.

MR. JONES: No. As long as it takes.

MR. CONINE: Well, if he goes case by case, it
may take a while.

MS. ANDERSON: I mean, I can kind of take you
through what my questions are. There was an internal
security internet security audit planned for March 2001
and then there's this gray box, so I can't tell if that
was done, deferred, what's going on.
MR. GAINES: Yes, ma'am. The original plan approved in October 2000 was amended in 2001. On page 3 there's explanations for the reasons for those amendments. That particular audit, I had coming on board the following Monday, when I was notified Friday, a technical person that had the expertise to conduct that particular audit. Unfortunately, he had a better offer between Thursday and the following Monday, so I rescheduled that.

MS. ANDERSON: Okay. So when it's blank there, it means those things were sort of taken off the to-do list.

MR. GAINES: Right. If it started out on the October plan and it's not on the amended March plan, that's what happened.

MS. ANDERSON: Then my question becomes, with regard to the 2002 plan, what process did you go through to determine that the items that are on here -- and they're all good items -- that they were higher risk areas than some of these things that looked like we needed to do them a year ago and they're not being carried forward on to the 2002 plan.

MR. GAINES: Yes, ma'am, and we go through an annual risk assessment. A lot of the considerations on the current period, current assessment related to the much recent legislative session and the output of that. Some
of the risk factors we consider are the complexity of the
programs, experience levels of management, extent of
public third party interest. Those considerations may
weigh more heavily to bump those projects up and the
previous ones downs.

MS. ANDERSON: Do we consider among the
considerations the internal expertise of staff on board to
do some things? I'll just pick on internet security
again, you didn't have the expertise you needed to do that
last year because the person took another offer; have we
now brought that kind of skill set into the department or
not, and was that a reason that that particular one might
not have been put back on the radar screen?

MR. GAINES: We haven't brought that expertise
in. The Internal Audit staff consists of me and two other
professionals. The afforded budget for professional fees
has 19 projects right now; I believe the highest risk in
the department based on our current assessment is a
department-wide database that we stood before the
legislature and have drawn lines in the sand that this
will correct many of the problems they've had in getting
information as well as problems the department has had in
retrieving information.

MS. ANDERSON: So that's why the project
management tasked for that.
MR. GAINES: Yes, ma'am.

MS. ANDERSON: Then I just have one other question about the 2002.

MR. CONINE: These are all good questions; go right on ahead.

MR. GAINES: How are the answers?

(General laughter.)

MS. ANDERSON: So with regard then to the project management framework for the central database project, one thing that I don't see in the list of bullets that I think is a best practice in terms of project and program management is periodic reviews. There's one word in here that alludes to it which is "checkpoints" but normally when you're engaged in a large project, particularly a technology project, you want periodic reviews so that you don't get too far down the path to realize that your estimate to completion, you're going to be over schedule and over budget.

MR. GAINES: Yes, ma'am. That may not be obvious in that but in looking at the project management plan, we'll be looking at significant phases, and integral to that is users confirming the specifications, having test plans in place, acceptance testing. We'll be working through that and identifying whether management has identified those key control points and it's a part of the
project plan.

MS. ANDERSON: And the delivery of the central
database, or line in the sand, as you call it, what is the
expected go-live date for that database?

MR. GAINES: I was seeing if our IT director is
here. I believe it's been kind of a moving target and
that's one of the risk factors that brought this to the
surface.

MS. CEDILLO: The most current date we've been
given is December 2002, but we're still working with them
to move that a little bit closer because we're concerned
about the dates. And we are working with our information
systems group and we've set up a committee, our IS project
committee, to where we're going to be working closely with
our IS staff.

MR. JONES: That would be Information Systems?

MS. CEDILLO: Yes.

MS. ANDERSON: Thank you.

MR. GAINES: Yes, ma'am. Any other questions
regarding that plan?

MR. CONINE: Do we need to move for approval
here?

MR. JONES: I believe we do.

MR. CONINE: I move for approval of the audit
plan presented by Mr. Gaines on Item 5(a).
MR. GONZALEZ: Fiscal Year 2002, and I second that.

MR. JONES: We have a motion made and seconded. Further discussion, questions, comments? 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 nays.)

MR. JONES: Motion carries. Okay, 5(b).

MR. GONZALEZ: The next item is the proposed amended charter for the internal audit charter.

MR. GAINES: Yes, sir, and for the newer members of the board, the audit charter basically just provides for the purpose, authority and responsibility of the internal audit function, and the proposed amendments you have in front of you have been redlined on your draft, and I'll briefly discuss those proposed amendments.

The second paragraph of the authority on page 1 of the charter is being proposed for amendment to include the expectations of management in regard to responding to audit information requests. The initial recommendation was a 24-hour turnaround time; that's the recommendation you see in front of you. I thought this might be
reasonable, in that this is what IBM uses and I thought they might be a good benchmark to measure ourselves by.

However, in receiving feedback from interested parties, the belief is that a 48-hour turnaround would be more workable, and that's certainly workable with internal audit. Any circumstances whereby management has significant pressing needs, we're more than willing to accommodate them even in that 48-hour turnaround time.

MR. CONINE: So you're recommending that we amend this to say 48 hours versus 24 hours?

MR. GAINES: Yes, sir.

That particular amendment also clarifies information to include that to be considered confidential in nature.

Several amendments are being proposed on page 3 of 4 under the Responsibilities section. The first proposed amendment is the third bullet from the top of the page, and this provides for the expectation of management to include a target date for completion of corrective actions taken in response to audit issues. It also provides that management respond to report drafts issued by the Internal Audit Division within five working days.

The next amendment is the second bullet from the bottom of the page. This amendment establishes the expectation of the director of Internal Auditing to
coordinate with the directors of the Compliance and
Underwriting divisions to enable those divisions to
provide periodic reports to the Audit Committee and to the
board through the Audit Committee. This will allow the
board to be fully informed of those oversight and risk
management functions and the results of those activities
on an ongoing basis.

The final amendment is a statement of support
for the Internal Auditing Division to promote and
encourage the advancement of audit and control knowledge
through dissemination of that type of information and
active participation in professional groups and
organizations.

MR. CONINE: Ms. Cedillo, could you comment
from a management perspective on whether any of these
proposed amendments would place an undue hardship on staff
or the workings of the department?

MS. CEDILLO: I think the amendment on page 1
of 4 works well for the divisions. Sometimes their tasks
are numerous and to get that turnaround within 24 hours is
quite difficult, so giving them some extra time really
will help.

MR. CONINE: In your opinion, Ms. Cedillo, do
we need to clarify that as to business days so we didn't
go and call on a weekend or something like that?
MR. GONZALEZ: That's a good point.

MS. CEDILLO: Yes, sir, I think we do. I think the directors would appreciate that.

MR. CONINE: Holidays, or whatever the case may be.

MS. CEDILLO: Yes, sir. Thank you.

MR. CONINE: So management is in agreement with these amendment changes to the internal audit charter?

MS. CEDILLO: Yes, sir.

MR. CONINE: I move for approval, Mr. Chairman, subject to the amendments mentioned before.

MR. JONES: Which is two business days.

MR. CONINE: Yes.

MS. ANDERSON: Second.

MR. JONES: Seconded by Ms. Anderson, I believe. The motion has been made and seconded. Further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: The ayes have it; motion carries.

5(c).

MR. GAINES: The next report item is an annual internal auditing report that's required by the Texas
Internal Auditing Act. The format and content of this report is prescribed by the State Auditor's Office. The report is distributed to the Office of the Governor, the Legislative Budget Board, Sunset Advisory Commission, and the State Auditor's Office.

I'd like to just walk you through the report, giving you a general overview and highlighting some of the specific information. The first page of the report is the transmittal letter which is followed by the report. And then turning through the report, you'll see that the first three pages to be the department's internal audit plan for the year just ended, and Ms. Anderson brought up some of the questions I wanted to speak to, basically the original plan, amended plan, reasons for the amended plan being on page 3 of your report.

If you will also note on page 3 the last bullet which discusses a deviation from the amended plan, and this deviation relates to the delay in releasing the Single Family Liens Procedures Audit. The primary reason for this delay has been the result of basically not anticipating sufficient budget to consider the multiple systems and processes associated with the department's decentralized systems which are pretty much by the program areas that actually fund and process the single family loans. Right now we're really shooting for a November
release date on that.

   MR. JONES: Which is next month.

   MR. GAINES: Yes, sir, and I would suspect that
would be after the November board meeting, so we hope to
bring that to the board in the following month.

Page 4 of the report is a summary of the most
recent quality assurance review which was conducted in
August of '99. The results of the review concluded that
the Internal Auditing Division is in substantial
compliance, which is the highest of three possible
ratings.

Beginning on page 5 of the report is a listing
of the audit findings and recommendations for the year
with the current status of each. Again, for the newer
board members, a separate report is provided periodically
on the status of prior audit issues. This schedule here
and this report will provide you a good overview of where
we're currently at on audit issues that have been released
over the last fiscal year.

And on page 20 of the report is a copy of the
department's organizational chart which is a little bit
outdated at this point. The purpose of the chart is to
identify where in the organization is the internal auditor
located. The chart reflects that I'm in a position
whereby I report to the governing board which is in
compliance with the Internal Auditing Act.

On page 21 is information on other activities
of the Internal Auditing Division for Fiscal Year 2001,
and I believe actually your board book reflects Fiscal
Year 2000; that's been corrected, that is Fiscal Year

And finally, on page 23 will be the internal
auditing plan for the coming year, the plan that was just
approved by the board.

Any questions in regard to the annual report?

MS. ANDERSON: I have a question. The current
status column indicates a lot of times implemented per
management which I think is management advising you that
they've taken the corrective action. What is the
independent assessment? Some of these say implemented per
independent assessment.

MR. GAINES: Well, it's exactly that, that the
status has been reviewed and assessed by a party
independent to management which if it's external audit
reports, it's normally their follow-up audits in the
subsequent year; if it's internal audit, it's something
that we did.

MS. ANDERSON: Okay. So in the case of items
that are described from the Section 8 management review,
then those would have been a follow-up audit by HUD.
MR. GAINES: Actually, those per independent assessment is based on correspondence received from HUD based on information that's been provided to them, so you might call that an audit, yes. They have not come back on site.

MR. CONINE: An additional question, Mr. Gaines. On the organizational chart that you indicated was a little bit outdated at this point, the numbers in parentheses under some of these bottom boxes down here, is that number of full-time employees that we have related in each of those departments?

MR. GAINES: Yes, sir.

MR. CONINE: Can you provide us with a revised chart, getting it updated, and a list of those employees that are in each of these boxes on a separate sheet or list or something?

MR. GAINES: Yes, there would be no problem at all. There is a chart that I need to get current for this report, and pursuant to your request, that will -- it's a department-wide chart with the details which will list each individual within each division.

MR. CONINE: The reason I'm asking this is I think the board is getting ready to embark on a search for a new executive director and it would be important for those candidates to see an updated fresh list of how this
thing is set up and running, who's in what spot, so the quicker you can get that, the better off we'd be. Thank you.

MR. GAINES: Yes, sir. Thank you very much.

MR. JONES: Thank you. I believe that completes Item 5 for the Audit Committee. Right? Great.

We then come to Item 6 which is the presentation, discussion and possible approval of election of a vice-chair and secretary of the board. The chair has a suggestion that the current secretary be elected who is Delores.

MR. CONINE: So moved or seconded, whatever.

MR. JONES: There's been a motion made.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: Thank you, Delores.

MR. CONINE: Are you sure? Thank you.

MR. JONES: Thank you. I'm surprised you would do that, but thanks so much.

We now need to elect a vice-chair and the
chairman has no recommendations.

    MS. ANDERSON: You have no recommendations?
    MR. JONES: I have none.
    MS. ANDERSON: I would like to make a
    nomination.
    MR. JONES: You certainly may.
    MS. ANDERSON: I would like to nominate Mr. Conine.
    MR. GONZALEZ: Second.
    MR. JONES: Mr. Conine has been nominated. The
    chair does have an objection, but I guess he'll let it go
    without saying.
    MR. CONINE: So does the applicant.
    (General laughter.)
    MR. JONES: We have a motion made and seconded
    that Mr. Conine be elected. Further discussion? Hearing
    none, I assume we're ready to vote.
    THE REPORTER: Who seconded?
    MR. JONES: It was Mr. Gonzalez, I believe.
    There were probably several seconds, to be real honest
    with you, everybody but Mr. Conine. All in favor of the
    motion, please say aye.
    (A chorus of ayes.)
    MR. JONES: All opposed to the motion, please
    say nay.
MR. JONES: Motion carries.

MR. CONINE: Thank you, and don't you get sick.

MR. JONES: I plan on it; I'm going on a vacation.

Item 7 we will move to then, is the presentation, discussion and possible approval of election of a board representative concentration policy ad hoc committee. I made a mistake. We had Mr. Brewer do this before; at just an open board meeting we did that. I did talk to the mayor to see if he would be willing to serve in that capacity and he said that he would, and so that's what's happened, but we can elect whoever we want to elect.

MR. CONINE: We'll follow your lead.

MR. SALINAS: Don't you want to wait on that until we find out what really is going to happen?

MR. GONZALEZ: In the interim, he can still serve.

MS. ANDERSON: Since you appoint the committees and you make other kinds of appointments, why would this just not also be in your discretion?

MR. JONES: I don't know, I just don't think it is. Delores, you tell me.

MS. GRONECK: The board in the past had to
elect a representative to this concentration policy group, and Mr. Conine made a motion at one meeting and Mr. Brewer, and we just followed that procedure.

    MR. JONES: I guess it's history. I'll tell you what transpired, just to make sure everybody understands it, Delores had told me we needed one because Mr. Brewer obviously was no longer on the board and I had called the mayor, but that's just how it happened.

    MS. ANDERSON: I'd move that we ratify your phone call to the mayor.

    MR. CONINE: Second.

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

    (A chorus of ayes.)

    MR. JONES: The next thing is the appointment of the committees. I hope that I've talked to everybody about those, and that is under my purview, so I have appointed the committees as reflected there. What I'm going to ask Delores to do as our secretary is to call each member of the committee. I think the only committee that stayed the same is the Finance Committee, but all the other committees are new. Delores, if you'd call each committee member and just inform them of the history of that committee and kind of how it's operated.

    MS. GRONECK: We've got some stuff in writing
we'll get to you.

MR. JONES: Great. And maybe just talk to them about it because some of us have questions that need to be answered there, and I think that would be very helpful.

The committee I would like, though, to talk to us about, Mr. Conine and Mayor Salinas -- and Mr. Bogany is not here -- but why don't you just talk about your plans on the Executive Director Search Committee, if you would.

MR. CONINE: Thank you, Mr. Chairman. I appreciate the opportunity to serve in this particular capacity. My thought to the fellow board members is that we're in the application acceptance stage right now for the position. We have several applicants, as you know, and the committee probably needs to get together and meet.

I would probably prefer to have some sort of double interview process, or the first interview, maybe we'll get it whittled down on the applicants just from their resumes down to just, say, eight or six, somewhere along that range, and have the first interview with that group of candidates. And then, subject to that interview and further information that the committee would get, get it whittle down to say two or three or four to have a second interview with. And then finally from that process try to come up with a name that we can recommend to the
full board, and try to give some of the reasons why.

    That process is just one that I have
participated in in other organizations that I've been
involved in, it's one that has seemed to work fairly well.
You gain a lot, I think, from the second interview
process of various candidates. And I would also say that
this is not a closed committee, we'll try to make sure
that any other board member that's not on this particular
committee that wants to give input or listen in to the
various interviews would be welcome to do so.

    Those are my thoughts, Mr. Chairman. If
there's any other thoughts that any other board members
have, would love to have them at this time.

MR. JONES: The only comment that I would make
is I really think there needs probably to be participation
by other board members at some point in the interview
process, and the only thing I'll say in that regard is
we've got to be real careful about the quorum issues and
the open meeting acts, and I think the way you do that is
just to have interviews of the same candidate on more than
one occasion because no more than three board members can
ever participate at any particular time. So that's the
only comment I would make.

MR. CONINE: Is the new quorum four now instead
of five or six or whatever it was?
MR. JONES: It's four. So just as long as you have three people there, you're okay, but you can't go to four.

MR. CONINE: Well, that's valuable information.

MR. JONES: But that certainly does not mean that those of us who are not on the committee cannot participate in interviews.

MR. SALINAS: When you say select one and bring it to the board, would it be better if we choose three and let the board decide out of the three to support one, or how would we go about doing that?

MR. CONINE: If I could comment on that. My experience -- again, in going through this and other groups that I've been involved in -- is that it's just almost impossible for the balance of the board to have the volumes of information on each of the candidates and almost unfair to the rest of the board for us to have the advantage of having interaction with the candidates and the understanding and the conversations, and yet having the final ultimate decision rest with a group that hasn't had the advantage of that interaction. And it has worked, I think, best in other groups that the committee assigned to go through the evaluation process actually has to make a single recommendation so that you take some of that unknown process out of the equation.
Again, it's a degree of delegation that the board needs to feel comfortable with the three members that the chairman has appointed to this particular committee, but they have a job to do and it's a tough job to do, and hopefully we're up to the task.

MR. SALINAS: I don't have a problem with that but how do you all feel, that we just bring one recommendation to the board instead of maybe bringing two or three?

MS. ANDERSON: As an individual, I'm comfortable with that process, particularly given the chairman's comments about opportunity to have input or sit in and get some feel for at least maybe the short list of candidates, to the extent we're able to.

MR. JONES: And let me piggyback that comment. I appreciate your comment and I agree with it too. I just want to make sure -- and I think Delores can really help us on this -- that any time any board member wants in the process that we make that opportunity, because I think that why when you do come back with a recommendation to us, we'll all feel good about it, and we don't want anybody to get too far ahead of us.

MR. CONINE: We'll make sure that happens, and there's no -- currently we haven't got a set timeframe but we would hope to go through this project -- generally it
takes two or three months, at least to go through this sort of search, and I know we have quite a few candidates that have applied already and just an unwritten target, if you will, of the end of the year getting all this done and wrapped up and done, that's what we'll try to do.

MR. JONES: Thank you. Further discussion?

MR. CONINE: Is there not a chair of the Programs Committee? Is that a typo, or how are we going about that particular process?

MR. JONES: I think it's a typo, isn't it, Delores? Yes, I think that's a typo.

MR. CONINE: I just wanted to make sure.

MR. JONES: I honestly can't remember now, but I think it's a typo.

Any further discussion? Hearing none, we'll move to Item 9. On Item 9, as the board knows, I think everybody received a copy -- did they not, Delores -- of our executive director's resignation? And I have been advised by our financial department as well as our legal counsel that we can accept that letter of recommendation on the terms suggested in the letter, and I will certainly do that acting upon that advice which brings us to Item 9 which is the presentation, discussion and possible approval of the selection of the appointment of an acting executive director of the Texas Department of Housing and
Community Affairs and approval of resolution regarding signature authority.

I would say, too, that Ms. Cedillo is willing to serve, and I would love to hear a motion to allow her to so serve.

MS. ANDERSON: So moved.

MR. GONZALEZ: Second.

MR. SALINAS: Would we have to accept the resignation of Ms. Stiner first?

MR. JONES: I don't know that we have to do that. It's not on the agenda; I looked at the agenda and it's not on the agenda, so I think the position is vacant, and I will do that to the extent I can, but since it's not an agenda item, I don't even think we can do it today.

The issue of --

MR. CONINE: Can I amend that motion?

MR. JONES: Yes.

MR. CONINE: I was going to amend that motion to say that Ms. Cedillo will be compensated at the amount that the previous executive director was compensated at during her time as acting executive director.

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

MR. GONZALEZ: Second.

MR. JONES: Seconded by Mr. Gonzalez. Further
discussion? You're not running out of the room?

    I assume we're ready to vote. All in favor of
the motion, please say aye.

    (A chorus of ayes.)

    MR. JONES: All opposed, nay.

    (No nays.)

    MR. JONES: The ayes have it.

    MR. JONES: We then turn to the report items, the executive director's report.

    MS. CEDILLO: We have some information for you which you probably have received some of it, but it's with regard to the public hearings that have been held. We've held 12 public hearings regarding the various documents that the department must submit, including the Low Income Housing Plan, the Low Income Housing Tax Credit Allocation Plan, and we've also included the TDHCA uniform application for housing programs, the 2002 Regional Allocation Formula.

    As you know, it was used for the allocation of the HOME Program and we will have to make some adjustments to the formula, and those adjustments are being discussed at the public hearings, and the issue is going to be the other funds that are available to the various regions, and that is being taken into consideration for the next year.

    And we've also been discussing the development
of the 2002 Consolidated One-Year Action Plan which includes the HOME Program, the CDBG Program and also the Emergency Shelter Grant Program, and Housing Opportunities for Persons with AIDS. We have three more public hearings that are scheduled that have not yet been conducted for November 13 in Canyon, and November 14 in Tyler, and then November 15 in El Paso.

The comment period for the QAP is between October 5 and November 4 of 2001, and then the comment period for the one-year action plan is between November 2 and December 3, 2001. And that's all we have.

MR. JONES: Thank you. We have another resolution we need to take up. Thank you for bringing it to my attention. It's Resolution Number 01-44 which is a resolution of the board of directors regarding amendment and restatement of Resolutions 95-42, 95-60, 96-139, 97-10, 98-01, and 00-09, designating signature authority for the department.

MR. CONINE: So moved.

MR. SALINAS: Second.

MS. CEDILLO: We've not passed the acting executive director.

MR. JONES: Okay, good deal.

MR. CONINE: We need to approve that.

MR. JONES: Yes, thank you. This deals with
the governing body hereby authorizes and designates the executive director or acting executive director to sign. Any further discussion of that resolution? Hearing none, I assume we're ready to vote. All in favor of the resolution, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No nays.)

MR. JONES: Motion carries.

Any further items of business for the board at this board meeting?

MR. CONINE: Our next board meeting is -- I forget which date, Delores.

MS. GRONECK: We set it for November 14; Mr. Gonzalez has called and said he can't make it that date.

MR. CONINE: And we've got a pressing issue of these waiting list tax credit things.

MS. GRONECK: And the QAP has to be approved by the 15th.

MR. CONINE: And the QAP has to be approved by the 15th.

MR. SALINAS: We have to do it before the 14th?

MR. CONINE: Yes, I think we probably should at least consider that, Mr. Chairman, and ask you to look into that and check everybody's schedules and see if we
can't push up the November meeting date. You know, I
don't know whether we need to have two in November or not.
It doesn't sound like it, but if we push that other one
up, it might be helpful.

MR. JONES: I apologize to everybody. As soon
as we get one scheduled, it seems like we're rescheduling
it. My suggestion would be, Delores, that you call
everybody immediately, and immediately would be tomorrow.
I would say this too, and I don't want to
offend any board member, and if I do, certainly tell me,
these time deadlines are crucial and we'll probably be
moving forward with quorums at this point in time, as
we've done in the past. But trust me, we will never
select meetings by who can -- I mean, we're not going to
try to figure out how we'll vote, but I'm just saying
we'll move forward with quorums.

Further business? Hearing none, can I hear a
motion to adjourn.

MR. GONZALEZ: Do moved.

MR. CONINE: Second.

MR. JONES: Motion has been made by Mr.
Gonzalez, seconded by Mr. Conine. All in favor of
adjourning, say aye.

(A chorus of ayes.)

MR. JONES: We're adjourned.
(Whereupon, at 1:30 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: Texas Department of Housing and Community Affairs Board

LOCATION: Austin, Texas

DATE: October 17, 2001

I do hereby certify that the foregoing pages, numbers 1 through 143, 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.

10/23/01
(Transcriber) (Date)

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