TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

10:00 a.m.
Wednesday,
December 12, 2001
Capitol Extension
Room E1.012
1400 Congress
Austin, Texas

COMMITTEE MEMBERS:

MICHAEL JONES, Chairman
C. KENT CONINE
SHADRICK BOGANY
VIDAL GONZALEZ
NORBERTO SALINAS

STAFF PRESENT:

RUTH CEDILLO, Acting Executive Director
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MR. CONINE: Let's call the meeting to order.
The Board meeting of the Texas Department of Housing and
Community Affairs, December 12, roughly 10:18 a.m. Let me
call roll right quick, see who's here. Michael Jones is

MR. BOGAN Y: Here.

MR. CONINE: Kent Conine is here. Vidal
Gonzalez?

MR. GON ZALE Z: Here.

MR. CONINE: Norberto Salinas?

MR. SALINAS: Here.

MR. CONINE: I certify that we do have a
quorum, barely. I thank everybody for being here.

Public comments, we have several witness
affirmation forms. Anybody else who would like to make
public comments to bring their witness affirmation forms
up and turn them in. Let me see if we can go through
these right quick.

The first name I have is Ann Denton.

MS. DENTON: Good morning. My name is Ann
Denton. I am the director of the Austin office of the
Enterprise Foundation. We're a national nonprofit working
with communities all across the country on affordable
housing and community development.
And I had not intended to be first, but since I am, let me say that my purpose here is to do a couple of things. One, I would like to commend the department for the recent work on the consolidated plan and the low-income housing plan. You know, while no document is ever perfect, I would like to say that it has been a pleasure to work with Sarah Anderson as a member of the advocacy community during this planning process, and that there were a number of concerns raised by the advocacy community that have been addressed in the plan.

And I would like to specifically say, and thank the department for holding the tenant-based rental set-aside under the HOME Program at 20 percent, for increasing the special needs set-aside in that program from 10 percent to 20 percent, and, in general, making a good faith effort to work with the planning groups on the implementation -- the State of Texas implementation of the Olmstead Supreme Court decision. All good news. Thank you very much.

MR. CONINE: Thank you. I appreciate that.

Before I go to the next one, I would be remiss if I didn't mention that we have a couple of guests with us today that I wanted to point out. Johnnie Morales from the Speaker's office, good to see you here today. Back in the back of the room is State Representative Robby Cook.
Robby, good to see you here today. Thank you for coming. Appreciate your interest.

And also, the wind blew in a former Board Chairman, Don Bethel from Lamesa sitting over there in the corner.

Don, good to see you.

Okay. Moving on to the next public comment I have is Nicole Flores.

MS. FLORES: Mr. Chairman, can I speak related to the item that I signed up for?

MR. CONINE: Yes, you may. 3(c)? Okay, I'll hold you till then.

Jonas Schwartz?

MR. SCHWARTZ: Can I wait till the item?

MR. CONINE: You may.

Tom McMullen?

MR. MCMULLEN: Good morning, Mr. Vice chair, ladies and gentlemen of the Board.

I had an agenda item before you last month, and I wanted to bring in the documentation showing that I had met all my deadlines. I think that's very important. We don't want a perception that there's a stigma out there that we do not follow the rules, and that the department did not follow the rules when you did.

And I was at a disadvantage at the meeting last
month because I was not aware of what I was going to be
tacked [phonetic] with. So I did not have all this
documentation, but I just wanted to take a couple of
minutes and just present this to you so that you can be
assured that we did make all of our deadlines and follow
the procedures.

And I also would like to say that since the
meeting of the 14th, I have contacted the Kensington SCAN
[phonetic] Neighborhood Association to attempt to work
with them on the balance of their concerns, and they
replied that they were not willing to work with us unless
we agreed to downsize the project, and, two, that the
issue is that 35 units is too many.

And I thought it was interesting that neither
of those points was raised last week in their -- or last
month in their arguments. So that's the point that
they're pushing now.

And I really appreciate your letting me do
this, because all we have is our reputation. We work very
hard, and we've been doing this -- I've been in this
business 13 years, and it's important to maintain my
reputation. So I appreciate this very much.

We had seven deadlines that we had to meet, and
commitment notice and commitment fee no later than
September 15. So I have all that documentation right
here -- the transmittal letter, the signed commitment letter with the appropriate date, and the fee. We had to submit everything by the 13th, and I've got the stamped acceptance by the department. I've got the accountant's letter showing that we made the 10 percent as of the 13th. And it's the signed carryover allocation form as of the 13th.

The permanent loan commitment showing a stipulated debt service that was submitted on the 13th with the package, right here. The submission of a certification that the site is entirely clear of the 100-year flood plain, according to the City of Austin's flood plain map. And I have a copy of the letter that states, The limits of the 100-year flood plain is designated on the FEMA panel number 48453C0170F dated June 5, 1997. Do not encourage on the subject drag [phonetic]. There are no current City of Austin flood plain maps for this tributary.

I've also got the FEMA map showing we're not in the flood zone, and the surveyor's certification claiming that we're in Zone X.

I had to have a syndication commitment updated with the rate of 75 cents right here that was turned in on time. Close of construction loan and submit the evidence not later than June 15. Again, I've got the date-stamped
document and the transmittal letter, and then an approval letter back from the department saying that what we submitted was what we were supposed to have.

And evidence that the general contractor hired met the experience criteria -- that was submitted as part of the carryover, so I actually submitted that seven, eight, nine months early.

In addition, the association stated that they were joined in opposition to our project by the City of Austin Planning Commission and the Austin City Council. The City was against a rezone due to the tremendous opposition of that association.

I have acceptance into the Smart Growth Program, which is their centerpiece affordable housing program, and a letter of recommendation from the City, saying the City of Austin supports the application for tax credits.

The Kensington Association then stated that the original site location on the application filed with the department for this project was incorrect. The site location on the application is the same site location we have today. There is nothing different there except we did add an acre and a half. We did not move the site location.

I think they were confusing the points. There
was a map in the original environmental phase 1 that was incorrect. It was -- showed a location down the block. We provided the corrected legal description and -- or actually, the report was done with the correct legal description, and we had the consultant change the map, rewalk the site, and it was provided back to departmental underwriting before the Board voted, and I have that departmental underwriting report acknowledging that those issues had been addressed, and I've highlighted those things. It's from the credit underwriting division.

The Kensington Association stated that the purchase of the additional acre and a half occurred in December of 2000. There's a requirement that all documents related in the 10 percent test, including all expenditures, must be submitted in May before October 13. It appears to us that this purchase and notification to you was two months in arrears, yet we find no record in the file that there was an extension granted for this. They were referring to my letter, where I had stated, Though it is our understanding that the department is not requiring the partnership to purchase this additional 1.584 acreage prior to the end of the year, we elected to purchase the property in 2000. We felt that it would enhance our carryover for federal purposes by closing prior to the end of the year. And the reason is,
the department requires us to make this deadline by
October 13 -- that anything that we spend between then and
the end of the year will count for 10 percent on the
federal tax return, so that's what my letter was alluding
to. We did make our 10 percent test as of October 13.

The Kensington Association stated that it turns
out there's a 100-year flood plain as defined by the City
of Austin on the Kingfisher site. The condition was that
it states that there must be a certification that the site
is entirely clear of the 100-year flood plain, according
to the City of Austin flood plain maps. It is not.

So that's what they said.

We submitted both the survey and the
certification, which I presented earlier. And so we're
not in the flood zone, and there are no current City of
Austin flood plain maps. The City did not map that area,
so there is no -- they can't produce a map because there
isn't one. So we're not in the flood zone.

Then they've gone on to say that -- to assert
that the -- in fact, both the three-acre tract and the
1.5-acre tract on the back, both have 100-year flood
plain. This is clearly indicated on the site plan that
was recently filed with the City of Austin.

My response is, there's no portion of the
property that is designated as a flood plain by the FEMA
or the City of Austin's flood plain-mapping division. The notations on the site plan were within the boundary of stream that abuts the site, and simply show the limits of the water level at a 100-year event within the stream bed. This was a calculation by the engineer. That's how he chose to notate it. It's not within the area of construction. It's important to note that all drainage ditches, streams, creeks, culverts, retention ponds, and rivers anywhere in the country will have a water level given a 100-year event, because they are designed to convey water. That's what they're there for. So if you have a 100-year event, it's going to have water in it.

MR. CONINE: Mr. McMullen?

MR. MCMULLEN: Yes, sir?

MR. CONINE: Can I create a pause right here?

MR. MCMULLEN: Certainly.

MR. CONINE: You're aware that we, a couple of months ago, passed an appeals process that has a formality to it, rather than making your specific appeal to the Board. Is that something that you want to take advantage of, or I might encourage you to take advantage of?

MR. MCMULLEN: Well, my extension was approved. I just felt that I needed to get before you to --

MR. CONINE: Set the record straight?

MR. MCMULLEN: Yes, sir. I mean, it was
fairly --

MR. CONINE: I don't know that the Board needs the nitty-gritty detail, but continue on.

MR. MCMULLEN: If you're comfortable that you've heard what you need to hear, I'll just present it in writing.

MR. SALINAS: Don't you have public -- you have public zoning?

MR. MCMULLEN: Sir?

MR. SALINAS: Have you gone through the city zoning -- through the City of Austin for permit, or --

MR. MCMULLEN: Yes, we're that close -- I'm meeting with them this afternoon. So --

MR. SALINAS: You don't have that, then you don't have a project. They don't zone you or they don't give you a program.

MR. MCMULLEN: Right. That's right.

MR. SALINAS: So then FEMA might have changed their minds.

MR. MCMULLEN: No, I've seen those maps, too, and we're not in the flood zone. We're not in the flood zone.

MR. SALINAS: You might call them, then. Maybe they have new lines.

MR. MCMULLEN: Sir?
MR. SALINAS: You might call them, because they might have new lines.

MR. MCMULLEN: New lines that --

MR. SALINAS: rezoned that in a bunch of areas.

Changing the flood zones in the lines.

MR. CONINE: Go ahead and wrap up. I'm sorry I didn't --

MR. MCMULLEN: Okay.

MR. CONINE: Just didn't want this to drag out too long.

MR. MCMULLEN: Okay. Just two or three more things and I'll leave.

The Kensington Association say that they supported two other projects before the City Council in Austin. Actually, they spoke of a lot of tenant profile issues as well, which not necessarily in a favorable light, and the record of your own hearing of Tuesday, May 15, when these two other projects were being considered, they stated their philosophical opposition to further tax rate allocations.

They further stated they do not oppose affordable housing programs and the Smart Housing Program, but qualified that by saying that we do strongly support the concept of affordable mortgages. And in that case, government agencies won't be subsidizing the rent. And
let's look at the reasons that we oppose further tax credits.

And the last couple of things I have is Mr. Conine of the Board had a concern that we would not be able to finish the project before April. Our extension request was for commencement of substantial construction, so we basically have to commence construction beyond the foundation stage, which is basically begin some framing. We do not have to complete construction of the project.

And then there was additional concern by Mr. Conine that the project amendment was based on a project with certain ramifications and designs, and what's happened is perhaps that the project doesn't come close to the submission. And all I want to say about that was that the project site plan was reconfigured to meet the spoken verbal objections of the Kensington Association. We are providing the 35 units as we submitted in our application, utilizing the exact same site plus 1.5 acres, the same set-asides, amenities, et cetera.

So really, very little has changed, and the department approved the reconfiguration and I have that here. And that's really all I wanted to say.

MR. CONINE: Any questions?

(No response.)

MR. CONINE: Thanks for setting the record
straight.

MR. McMULLEN: I thank you for the time. I know it was lengthy.

MR. CONINE: No problem. Next I have Bob Sherman.

MR. SHERMAN: Mr. Chairman, members of the Board, and staff, I am here to speak on two items. First of all, I want to say that when the Spindletop Estates is considered in Beaumont for a possible award of the tax credits, and I've made arrangements to purchase the land with cash we have on hand so we can accomplish the carryover before the end of the year.

We've made several representations to that effect, but we were actually able to close it with no problems.

The other item I want to speak on today is, I want to ask the Board for some relief as it relates to the qualified allocation plan. And I know it's all approved and everything else. This is something that's come out in a few seminars that have been conducted by both the agency and private sector consultants.

I'm submitting three properties under the preservation set-aside in the 2002 allocation round. Am I too close to this microphone?

MR. CONINE: Probably.
MR. SHERMAN: I believe the QAP contains a fundamental error that effectively prevents me from submitting these properties and prevents preservation of affordable housing. Reading page 1 of the QAP under 49.1, Scope, paragraph B, Program Statement, that section reads in part -- and it's on the first page -- "Prevent losses for any reason to the state's supply of suitable affordable residential rental units by enabling the renovation of rental housing." And it goes on.

Beginning on page 18 of the QAP, Exhibit 101 under Threshold, demands the following of all property submissions: a certification that the applicant is in compliance with state and federal laws." That's all the current ones. "Staff has advised that this is to be taken literally and rehab deals are to conform to all these codes in the same manner as brand new construction."

Item E: "Five percent of the units are to be made accessible according to ADA." This is possible, but don't forget there are people living in these units now, and have been for years -- some of them over 20 years. Some don't want their units torn apart and modified to suit someone else.

In the case of a townhome development, I have one I can't renovate 20 percent of the units so that they have the required number of bathrooms and bedrooms.
downstairs. I would have to pass over the development.

The department also under Section F has minimum standards for energy-saving devices. Wall insulation of R-15, ceiling installation, R-30, energy star, HVA speed systems, all appliances including water heaters, energy star rated. Natural gas heating systems and furnaces to have a .85 flue efficiency, which we do in all of our new construction deals. No problem there at all.

These items, though, are impossible, or very impractical to use in existing 30-year-old properties. That's what the preservation set-aside is after -- these 30-year-old HUD deals, 236s, 236 mortgage.

In H, this section identified the need for extensive architectural drawings, but the following section asks for photos of rehab deals, which I think negates the drawing requirements, although it does say, though, technically that we have to provide drawings of the old 30-year-old deal.

I would ask that this Board agree with us that the preservation set-aside was invoked to preserve such housing at a reasonable cost, and there was no intention to exact unreasonable demands upon developers who are proposing to save these properties as affordable housing. And I'm in that group. I'm not here to point fingers. I missed it, too. If I'd have seen that, I would have
brought it out in the public hearings.

It would be impractical, if not impossible, to rehabilitate existing properties up to new, up-to-date codes. The very term "preservation" described in the QAP suggests preserving housing in its present state, at the same time adding years to the life of such properties by conducting a reasonable rehabilitation. I don't believe the intent was to create new housing from old stock.

Finally, I have made three deals myself with owners to preserve 100 units of East Texas, 60 units in San Antonio, and 130 in Fort Worth. All of this housing is operated under federal assistance and all the assistance will cease within one year as the owners sell this property to the private, market-driven sector.

These are exactly what the agency is after, and what it wants us to preserve. Please exempt these types of deals from the new construction codes, and let us rehab them to current normal code standard, as all of our market rate deals are rehabilitated.

And I want to add one little comment. I have, with my partners, assembled 4,000 units. Some of them we bought out of these programs before preservation came along. I addressed to the tenant groups in large meetings, and I provide HUD vouchers for them through HUD, of course -- through the local housing agency. So the
people are protected. But you try and tell some elderly lady that walks in with a respirator and a two-wheel dolly for the oxygen bottle, and she's been living there for 23 years, as in one case, that she's going to be just fine when we do all this.

It's a real hard sell, and in the Fort Worth property, for example, we were going to buy this thing a couple of years ago until I looked at the tenant profile and went back to my partner, and I said, We're not in the business of putting little old ladies on the street. So we wouldn't do it.

But that's -- the owners are old. Some of the partners are dead. They're going to sell this thing. It's going to go unaffordable, and those people are going to be out on the street with their voucher, from a place they've lived in for more than 20 -- and some of them in that property, over 25 years. It's a seniors deal.

I'd just like to see some relief where we just -- I think we all should have seen this earlier. I'll stop now, and then ask for your comment.

MR. CONINE: Any questions from the Board members? I appreciate those comments, and I'm sure the tax credit staff will duly note your comments and see if we can fix it the next go-around.

MR. SHERMAN: I'm sorry, I missed that.
MR. CONINE: The next go-around on the QAP.

MR. SHERMAN: We can't do it this time? We can't correct it, get any relief this year?

MR. CONINE: We'll discuss it.

MR. SHERMAN: Would you?

MR. CONINE: We'll discuss it.

MR. SHERMAN: If it was to be discussed, should I wait today? Would it be discussed today?

MR. CONINE: I don't know whether the staff is prepared to comment on your comments today. If not --

MR. SALINAS: I think we are done with the public hearing.

MR. CONINE: Yes.

MS. CEDILLO: The QAP has already been approved by the governor.

MR. SHERMAN: Right. Oh, I realize that, but apparently there was precedent set that if there is an error in the QAP, it can be corrected. And I believe this was an error. That's the way I'm presenting it, and as I'm saying, I'm just as guilty as the next guy.

MR. CONINE: We'll get some staff comments here shortly.

MR. SHERMAN: Thanks very much. I really appreciate it.

MR. CONINE: Thank you, Bob. Next I have Frank
Fonseca, if I pronounced that correctly.

MR. FONSECA: I think I was on specifically to
the item, but --

MR. CONINE: You want to wait till Item 3?
It's up to you.

MR. FONSECA: I'll wait till Item 3.

MR. CONINE: Okay. Mike Fields?

MR. FIELDS: I'll wait till the Item comes up.

MR. CONINE: 3(b)? Okay.

Barry Halla?

MR. HALLA: Good morning.

MR. CONINE: Good morning.

MR. HALLA: Mr. Vice Chair, members of the
Board, thank you for this opportunity just to make a few
brief comments regarding Agenda Item 3(a). I'm
specifically here -- my name is Barry Halla, by the way.
I'm sorry. I'm with Life Rebuilders, and I'm here just to
make a few brief comments on TDHCA number 01036, Ennis
Senior Estates.

We responded last month to the request from
staff regarding a couple items. I just wanted to state
that because Life Rebuilders owns this land, we are able
to downsize the development quickly, that we can convey to
the partnership just that land that would be needed to
accept the return credits.
We are also able to -- we've got a new payment loan and a new construction loan and a new equity commitment that, if awarded these return credits of $286,413, we would be able to finalize that -- those documents this week. And I should have, back at my hotel room, a faxed letter stating that the syndicator will, in fact, help us make carryover. So I just wanted to make sure that the Board was aware that this project can be carried over and that it can be easily downsized.

This development, as I've mentioned in the past, is part of an affordable planned unit development. One of the lenders for the land acquisition was Housing Assistance Council. Earlier this morning -- there was some talk in the Programs Committee meeting about needing assistance for additional rural housing. I just want to state for the record that Housing Assistance Council is a nonprofit lender out of Washington, D.C., that very much wants to get involved with Texas and providing additional rural housing for its citizens.

They will make loans, not just to nonprofit corporations, but they are able to make loans to for-profit corporations also. And they can do some unusual things, such as very low interest rate loans. They can subordinate to other financing, and I just -- they are part of this development and I'm hoping that we can show
them that we want to use them.

The last thing -- one of the last things I would like to point out is Ennis Senior Estates is providing housing for seniors, so it would help in the elderly set-aside. It also can help in the rural set-aside, as Ennis, Texas, would be considered to be rural.

And that's all I wanted to state. If anyone has any questions, I'll be happy to answer them.

MR. CONINE: Any questions?

MR. SALINAS: What's the population of Ennis?

MR. HALLA: It's right at about 17,000 people in the city itself.

MR. SALINAS: Is that considered rural, or --

MR. HALLA: Anything under 20,000 is considered rural. Yes, sir. And as long as its border does not touch the MSA.

MR. CONINE: Any other questions?

(No response.)

MR. CONINE: Thank you, Mr. Halla. Appreciate it.

MR. HALLA: Thank you.

MR. CONINE: The next one I have is Granger MacDonald.

MR. MACDONALD: Thank you, Mr. Chairman, Board members. My presentation today is on Boerne Park Meadows.
It is an application in Region 8A that was on the wait list. We have also downsized our project in order to accommodate the current amount of credits that are available. It is a rural project. It is an elderly project. I might also add that Region 8A was awarded no rural projects this year. There was no rural set-aside awarded in 8A at all. We own our real estate, and we are ready to make carryover just in a matter of you all telling us to go. We can easily accomplish that.

We've got every other condition met. All of our financing is in place. Tax credits are in place. And we're ready to go pending you all's decision. Thank you.

MR. CONINE: Thank you.

MR. SALINAS: Which one was that?

MR. CONINE: That was -- he was speaking on 01039, I believe.

MR. MACDONALD: Right there in the middle.

MR. SALINAS: What's the process here? Let me ask you, for all this -- the ones that are being recommended by staff.

MR. CONINE: This is the total list. I think we'll get into that -- we're going to make a decision a little later on.

MR. SALINAS: I understand that. But why would somebody want to speak on their behalf if the
recommendation from staff is for approval?

MR. CONINE: I don't think that's what this is. This is -- we're going to pick one out of this list.

MR. SALINAS: Yes, but the rest -- everybody make their case already, the staff has looked at it?

MR. CONINE: Yes, I'm sure they have.

MR. SALINAS: Okay. Well, I'm just saying that their -- what is the staff recommendation? Well --

MR. CONINE: Let's wait till you finish the public comment. The next one I have is Tim Merriweather.

MR. MERRIWEATHER: I'll wait for the item.

MR. CONINE: 3-C? Okay. Thank you. That's all the public comments that I have for witness information forms that I have. There's another group that I didn't mention. Patrick Law and so forth. I assume -- where's Pat? You want to wait till 3-A?

MR. LAW: Yes, sir.

MR. CONINE: Okay. And all those that are in this particular group, the same way? I assume that's the case. Joe Newman, Ronnie McDonald -- all you guys want to wait till 3-A? Robby Cook and Leslie Appelt. Okay. All right.

Seeing we're finished with public comment, we'll close public comment; move onto Item 1, Possible Approval of the Board Minutes.
MR. SALINAS: So moved.

MR. CONINE: There's a motion on the floor. Is there a second?

MR. BOGANY: Second.

MR. CONINE: The motion was made by the mayor, seconded by Shad. Any discussion?

(No response.)

MR. CONINE: All those in favor, say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The item is approved.

Item 2, Possible Approval of Public Comment Process. We pulled that from this agenda. Okay.

Item 3(a). I probably ought to let the staff make their presentation and then go back to some of the public comments, I would think. Why don't we do that?

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

MR. BURRELL: Good morning Mr. Chairman, members of the Board, Ms. Cedillo. I'm David Burrell, director of the Housing Program.

Back in the summer of July 31, you all approved the allocation of the 2001 tax credit, and at that time you also approved our 2001 waiting list. Then at the
meeting that we had last month in November, you all awarded the available credits that we had at the time. And since that time, we have gotten in $286,413 in additional tax credits, which we are going to need to get allocated before December 31. And what we are going to be doing is recommending that you allow us to go through the list that we show there on page 2, in that order, to try to allocate these credits for this.

MR. SALINAS: What page?

MR. CONINE: Tab 3, page 2.

MR. BURRELL: We have a list in descending order, and that's the order that we would go through and have our underwriting division rewrite, or re-underwrite these projects to see which one or more could receive these credits. So that'll give you an idea there.

But before we go to that part of it, when we were putting together the list, we went in the order of the regional allocation formula to development set-asides to development scores, and then our underwriting recommendations.

Back at the meeting in November, we allocated what we had available, and at the time, we allocated $174,895 to the Mission Oaks Development in Refugio, although we had the recommendation for our underwriting division to allocate 179,350 in credits if we had them.
available.

And since we do have additional credits available now, we're going to be recommending that you all allow us to allocate 4,455 additional credits to Mission Oaks and then, with the balance of 281,958, plus any other credits that we would get in between now and December 31, that we be able to go through and allocate those to the list that we were just looking there on page 2.

MR. SALINAS: When you read the list, are you recommending it? Is this the list here?

MR. BURRELL: On page 2, Laredo Viejo Apartments in Laredo, 770,000. That's the recommended amount, although we don't have that many credits available now, and underwriting would actually go back and re-underwrite it to make sure that the development would still be feasible.


And then we have two projects, Burgundy Palms Apartments in El Paso, and Ennis Senior Estates in Ennis, in which we're not making a recommendation on for any recommended amount. And we have the reasons listed
further in the report.

MR. SALINAS: How would you deal with this 770 and then you only have 281?

MR. BURRELL: What we would do is go through and re-underwrite at the reduced credit amounts. It's very possible that the developer could cut down on the size of the project that he's going to be constructing, and just end up with fewer units, is what we'd end up doing. It's possible that they would maybe want to come back at a later date and do a second or third phase.

MR. CONINE: Doesn't the chopping up of 108 units in that particular specific example down to whatever it needs to be to hit the credits -- isn't that going to affect the cost underwriting and the ultimate score of the project? We're looking at a score on this one -- it looks like 80. What happens when the score -- when you go back through and chop it up and the score comes down to 60 or something at that point, how does that affect your decision making once we leave here and --

MR. BURRELL: Well, we would consider all those things, and if for some reason this project would not work, for some given reason, they would move on down to the next -- till we found one that would make sense and would be good practical entities.

MR. CONINE: Okay. So if in the priority
here -- I'm just trying to understand the mechanics of how staff thinks this is going to work -- in the resubmission and underwriting process, the score gets below what you deem to be an acceptable level, and you just move to the next one, and the same process would occur.

MR. BURRELL: Yes.

MR. CONINE: And since you only got 15 days or so to get this done, you're going to have to do the top two or three just to make sure that somebody's waiting there in a reconfigured basis.

MR. BURRELL: Yes.

MR. CONINE: So that if you make a decision not to do that one, then you can go to the next one. Is that what you plan on doing?

MR. BURRELL: Yes. Like I said, and we will be working with our underwriting division to get one selected as quickly as possible.

MR. CONINE: Are there any other questions of staff before we go back to some of the public comments on this category?

MS. CEDILLO: Mr. Conine, I would also like to point out that before a final decision would be made on that, that we would run it by our Executive Review Committee within the department.

MR. CONINE: Which would -- on a consensus
basis --

MS. CEDILLO: Consider those items.

MR. CONINE: Okay. All right.

Any other questions of Mr. Burrell?

MR. SALINAS: Yes, I don't understand. You only have 281,000 left.

MR. BURRELL: Yes, sir.

MR. SALINAS: And you have all these other people that are needing tax credits, and you need to spend your 281- by December 31.

None of the other projects were downsized at 281-, were they?

MR. BURRELL: It's possible, but we won't know until our underwriting division goes through and actually re-underwrites completely.

MR. CONINE: Have you not already contacted all these people, and they've said they can get to that number?

MR. BURRELL: We have contacted them in writing.

MR. CONINE: They've already said they can do it somehow, some way.

MR. SALINAS: But your first recommendation would be the Laredo Viejo Apartments, right?

MR. BURRELL: Right.
MR. SALINAS: So if we take your recommendations, that would run out of tax credits, right?

MR. BURRELL: Yes. If they were able to make the project work, it would use up the entire 281,000 that's left --

MR. SALINAS: Is anybody --

MR. BURRELL: -- and possibly any other credits that might come in between now and December 31.

MR. SALINAS: You think you might have some coming back? Because we need to know.

MR. BURRELL: It's possible.

MR. SALINAS: It's possible?

MR. BURRELL: It wouldn't -- probably wouldn't be a large amount, but if we get a few dollars here and there, it could add up.

MR. CONINE: But you have no knowledge right now of any of them coming back, other than the 281- in specific knowledge?

MR. SALINAS: And some of these people are not going to get chosen today -- are they still going to be on the waiting list for the future?

MR. BURRELL: As of December 31, the waiting list goes away.

MR. SALINAS? Goes away? So they lose everything. So how about 2002? Or this is 2002?
MR. CONINE: They'd have to reapply.

MR. SALINAS? They'd have to reapply?

MR. CONINE: Uh-huh.

MR. SALINAS: They're going to make their case today with so many dollars here, and we only have 281, so I don't think it's fair for them that after the 31st they go away and have to reapply. They're going to talk to us here. They're going to make their presentation, but it's --

MR. CONINE: It's unfortunate.

MR. SALINAS: It's a bad situation that we don't have -- that we make them go away December 31 and they go ahead and compete all over again.

MS. CEDILLO: Mr. Salinas, that is based on the QAP; however, we're about to start looking at the 2003 QAP and see if there's a possibility that there might he some changes to allow more time to meet carryover.

MR. SALINAS: Okay.

MR. CONINE: Yes, Mr. Burrell?

MR. BURRELL: I do just want to make sure that you all also approve that we use methods where we use 2001 for our commitments along with the 2001 allocations when we're figuring up what our regional allocations are. We use it -- that method when we came up with the chart that you see here, the second chart on the page. And we just
want to make sure that you all are in agreement.

MR. CONINE: Well, I don't know that I -- I'm not, because those guys were operating under the 2000 QAP but got 2001 for commitments. Different set of rules than the 2001. I remember we talked at the last Board meeting about having the 2002 forwards being included in the regional allocation computation because they're under the 2001 QAP, rather than going backwards. And I think we even had testimony to that effect from some of the developers.

MR. BURRELL: Well, we want to use the 2001 prior commitments or the 2001 allocations because they're actually all coming out of one fund, and for IRS-reporting purposes, we put those two together to determine what our allocations are total, and we'd like to just be consistent across the board in keeping those funds together, or those credits together.

MR. CONINE: I'm having a hard time with that.

MS. CEDILLO: Let me try to explain. What we were trying to do is use 2001 forward commitments, because they were -- those would be coming out of the 2001 regional allocations, so you identified the funding that's coming out of 2001 altogether in the regional allocation.

MR. CONINE: I understand that. But if the 2001 forward commitments were measured by the 2001 QAP,
their score might have been different and they might not have gotten awarded that forward commitment. It's at least more important in my mind to have them all grouped under the same rules of the game versus the same year the credits came out.

Now, I know that may present an IRS problem or it may present other issues I'm not aware of, but I like for everybody to be playing by the same rules that we consider this regional allocation mixed.

MR. CEDILLO: And actually, as far as the rules, they would have to follow the rules from whichever QAP applied to it; however, the regional allocation would be different. We're looking at the funding that was available out of the 2001 allocation, not specifically the rules that applied.

MR. CONINE: I understand. I hear what you're saying, I'm just coming from a different angle.

MR. BURRELL: We understand your point of view, and we've discussed it a great deal among staff and general counsel. We looked at all sides of it. But as a group, we ended up recommending that we stick with the 2001 for our commitments going with the 2001 allocations.

MR. CONINE: And the other issue that I personally have is, are the regional set-asides more important than the other set-asides that we've had
historically for years? Elderly, rural, nonprofit, and
the like. And how do you blend those two together to make
sure we're getting as much of both as we go along?

You know, I'm seeing a skewing in my mind
toward the regional set-aside, and I think I brought it up
at the last meeting, that we had elderly and rural
shortfalls in our set-asides we've had for a long time.
And I'm curious how staff is reconciling those issues.

MR. BURRELL: As far as the regional
allocation, that one is legislated.

MR. CONINE: I understand.

MR. BURRELL: And -- but the other one is not.

So we have to give priority to the regional allocation.

MR. CONINE: Well, one of them is mandated by
Congress. The nonprofit set-aside, I believe, is mandated
by Congress. So I tend to perk up when either one of them
tell me to do something.

And I'm just curious -- maybe we're in a no
man's land here relative to this particular cycle, but I
would highly recommend that we work through those issues
in the next QAP and come up with a little more -- a better
understanding between the Board and the staff relative to
how we're going to compute these set-asides, whether they
be regional or whether they be category. I would like to
dialogue that, and it's probably my fault that we didn't
do that going into last year's QAP.

MR. BURRELL: Well, we'd like to get with you between now and next year and work out any of those.

MR. CONINE: Okay. Any other questions of staff before we go back to the public comment?

(No response.)

MR. CONINE: All right. Frank Fonseca, is yours 3A, B, C?

MR. FONSECA: Yes.

MR. CONINE: 3A? Okay. Come on up.

MR. FONSECA: Thank you very much Vice Chair Conine and Board. First of all, let me speak to the issue that Mr. Burrell just raised. I agree wholeheartedly with you, Vice Chairman Conine. This is exactly what is giving the TDHCA program such a bad name. Its rules seem to change constantly. The 2002 QAP did not have a regional allocation formula to it. The 2001 QAP did.

Staff is now recommending that forward commitments in 2000 be considered in the 2001 formula, regional allocation methodology. That impacts our deal.

If you look at Region 8B, Region 8B has historically been underserved and overlooked by the TDHCA.

MR. CONINE: Which one is your deal, if you don't mind me --

MR. FONSECA: It's in Region 8B. It's Laredo
Viejo Apartments. And there's a reason that there are two
Laredo deals on the wait list right behind each other.
It's not a surprise. It's the biggest, most underserved
area and city in the program. So I want to make that
point, to get on the record on that point.

The other problems that occur is, if you look
at the scoring -- Mr. Burrell just mentioned the
methodology or priority is regional allocation, there is
some set-aside priority, and then there is scoring.

In 2001, this past round, 19 family projects in
the general set-aside scored less than our project and
received allocation. Nineteen. Of the ten projects
receiving allocation in Region 8B, eight scored less than
our deal. Of the two general family projects receiving
allocations, one less scored less than our project. I
guess scoring doesn't matter.

During the 2000 round, nine family projects in
the general pool received allocations and scored fewer
points. And of the three projects that received
allocations in 2000 in Region 8B, two scored fewer than
our project in Laredo, and that was after Laredo had gone
two years without an allocation.

Now we have the regional allocation
methodology, and we're underfunding Region 8B by several
hundred thousand dollars, and all of a sudden we're moved
to the wait list, at the top of the wait list. Seems to me that a city like Laredo -- the fastest growing city in the state, second largest growing city in the country over the course of the last ten years -- doesn't suddenly need affordable housing. They've needed it for 20 years.

Laredo Viejo Apartment Homes should have been funded in 2000 under the rules of the QAP, and it certainly should have been funded in 2001 under the rules of the QAP. And we're sitting here before you today with $281,000 in returned credits, 300,000 of which were -- or it was 500-, and 300,000-and-change were used to settle a case because a gentleman didn't receive a credit allocation in the past and the Board settled that case.

And our deal is suffering as well as the balance of the deals on the wait list. Doesn't seem fair. So here we are, Mr. Burrell says that it's likely that additional credits might be returned, and he said "a few."

Well, it doesn't work like that. If a deal doesn't make, all of the credits associated with that deal are returned.

So what do we do? Yes, we've contacted the seller. Yes, we're rejiggering, or reworking our deal to try to restructure it and make it work. Can we make carryover? Not a problem. But the truth of the matter is, this is 108-unit family deal, as Mr. Salinas suggested, that had a near $8 million credit allocation
underwritten by the TDHCA, and that's what it's going to
take to get this 108 unit family deal done.

Now, we can downsize it some. But you're
looking at the lowest median income in the state, or
certainly one of the lowest median incomes in the states,
with one of the highest land costs in the state. Our land
costs alone on our project is nearly $600,000. We've been
in Laredo three years now.

You've received, or made allocations to Laredo
three or four deals since the beginning of the program.
And the frustration of the program that we're
experiencing, as well as probably a number of other
applicants that are sitting on this wait list, is the one
that I just laid out before you.

So I just want to make those comments and put
that on the record regarding Mr. Burrell's comment on the
allocation methodology and specific to the point-scoring
system, both of which are priority items, and yet we're on
a wait list two weeks before the end of the year and the
expiration of our application.

MR. CONINE: Any questions?

MR. SALINAS: Is credit supposed to be 770?–
770,000? And we only have 281–.

MR. FONSECA: That's correct, as of today.

MR. SALINAS: And staff is recommending your
project, so what are you going through there?

MR. FONSECA: I'm sorry?

MR. SALINAS: I mean, I don't know this guy at all. I mean, he talked about what we did the last time about the case, but what do we do now? He needs 770-. We only have 281-, and we got I don't know how many other people that want to talk to us about their projects.

MR. FONSECA: Mr. Salinas, you mentioned that what happens at the end of the year. Your --

MR. SALINAS: No, I mean, if you don't take the 281-, I guess you need to reapply, right?

MR. FONSECA: Well, here's the interesting dilemma that we're faced with. Mr. Burrell says that there may be other credits and probably would be other credits returned. But we don't know when or how many those will be between now and the end of the year.

MR. SALINAS: That's an agony here for this guy. I mean --

MR. CONINE: Nobody knows.

MS. CEDILLO: We don't know.

MR. CONINE: We got to make a decision today because the Board meeting today because --

MR. FONSECA: And we do know that there are a number of developers out there probably saw that, but we won't know. Certainly they're doing their best to meet
carryover and do whatever they need to do between now and
the end of the year. So we're in this dilemma. We're
working to restructure our deal to make it work at
$281,000, but it may be $500,000.

MS. BOSTON: To clarify, you had said you
thought the credits --

MS. CEDILLO: Excuse me.

MR. CONINE: Introduce yourself.

MS. BOSTON: I'm sorry. My name is Brooke
Boston. I'm with the Tax Credit program. And to clarify,
you had said that it would be all or nothing, and in
actuality, we sometimes get credits back in very small
amounts, like 1,000 here, 2,000 there, which is what
sometimes when people go through carryover, their cuts get
reduced a little bit, even sometimes at cost -- so it
wouldn't always be a huge chunk.

MR. FONSECA: I understand. But typically, is
it fair to say that deals that have gone through the
process that can't meet carryover -- the entire allocation
would be returned.

MR. BURRELL: Not necessarily. There could be
a reduction in number of units.

MR. FONSECA: No, my question was, Mr. Burrell,
if a project doesn't meet carryover, would the entire
credits be returned?
MR. BURRELL: If they --

MS. BOSTON: That's not where they generally come from.

MR. BURRELL: We generally have a reduction in units and they would have to re-underwrite some regions to have a small reduction.

MR. FONSECA: Okay. Do we have a sense, for those of us who are on this wait list trying to make our projects work at reduced credit amounts, does the staff have a sense of how many credits might be returned?

MR. BURRELL: No.

MR. CONINE: We're dealing -- this is the facts as of today, and we have to deal with the facts as of today. What we're hearing you say, or what I thought I heard you say, is that you are willing to adjust your project -- that you wanted 700,000 down to the 281- to get there.

MR. FONSECA: Right.

MR. CONINE: And I think that's what we needed to hear. And if it becomes an issue later on of a Phase 2, or next year's allocation, we understand that. But we all sense your frustration, and we all feel a little bit the same way. I mean, you know, sometimes you have two fish and five loaves to feed 5,000 people, and that's where we're at right now, and that's all we got. So we're
trying to do the best with what we have.

MR. FONSECA: I appreciate the Board's time.

MR. SALINAS: It would be how much per unit?

Tax credits per unit, if he takes 281-?

MS. BOSTON: It depends on how many units they reduced it to.

MR. CONINE: He hasn't reworked his deal yet.

MR. SALINAS: My biggest complaint about this whole thing is that South Texas gets on some credits 6,000 per unit, or maybe 5,000, or $4,000 per unit. And you go to Dallas or Houston and you get 11,000 per unit. And I still haven't been able to understand that -- why it would cost more to build in Houston or Fort Worth than South Texas or Laredo or --

There's a project in Harlingen I think they're getting something like 5,000 per unit.

MR. CONINE: It depends on a lot of different factors.

MR. FONSECA: Let me leave you with one thought. There is a reason that projects score higher, and that's driven by the QAP and the fact that there are high-cost burden areas and poverty areas. And as a result the QAP allocates or provides for more points.

Our frustration is that that's exactly what we've done. We've matched up to the QAP in an area that
meets those requirements for points, and yet we don't seem
to get the benefit of the high score even though we meet
all of the other tests. And that's all I want to leave
you with.

MR. CONINE: Thank you for your comments.

Patrick Law, et al? Do you know if the rest of
your group wants to speak, or are you going to take up --

MR. LAW: I'm going to take very little time.

MR. CONINE: Okay.

MR. LAW: I'm going to address two issues.

My name is Patrick Law. I'm with Windover
Housing Partners [phonetic]. Our entity, Winchester Lake,
will be the applicant for a 72-unit development in
Bastrop. Originally we applied for 120 units. We have
re-sized the property, and the project is 72 units and it
is feasible at that level.

281,000 would work out to about $3,900 a unit.

Originally we had, I think it was 415,000, which is
approximately $3,600 a unit. The differential is
primarily some increased proportional costs, because the
clubhouse and so on is not being reduced. However, we
have removed the portion of the land which would have been
used for the balance of the development, to make 120
units, so we don't have a land burden in order to proceed.

I want to introduce primarily for the purpose
of speaking -- I think one of the important things in this business is having these developments go into communities that want them and are not opposed, where it's possible. This particular community has been very, very supportive, and I'd like to introduce a few people to speak for it, and then I'm available to answer any questions with regard to the -- any technical questions about tax credits.

Mr. Joe Newman is the president of the Bastrop Economic Development Corporation. He's speaking on behalf of Mayor Tom Scott, who could not be here today for the city. Honorable Judge Ronnie McDonald, County Judge, will speak for the community. Honorable Robby Cook, state representative for District 28, will speak for the area. Mr. Leslie Appelt is the property owner and prominent citizen out there, and he can speak to the issue that we've reduced the size of the land and any other questions you might have. Thank you.

MR. NEWMAN: Mr. Vice Chairman, members, I'm Joe Newman. I'm representing the city. Mayor Scott, as he mentioned, couldn't be here today. He's also the vice chancellor of the University of Texas, and they have a meeting that he couldn't get away from.

Basically what I thought you might want to know is that there is a tremendous need for apartments in our area. For instance, our school teachers have housing
needs. We pay the highest salaries of any independent
school district in the Austin area. I mean, we pay more
than anyone, but we still can't retain some teachers
because of housing.

The other thing is police officers. We have to
import our police officers from Austin or other places,
and housing is a major issue. Bastrop County is the
tenth-fastest growing county in the state. Out of 254
counties, this last census showed us as the tenth-fastest
growing.

There's a lot of economic factors involved, as
you know, with having housing available. Right now we're
having to import people to work because there's no places
for them to live. They spend their money elsewhere
instead of buying locally, and that's a very big thing as
far as the Economic Development Corporation is concerned.

We respectfully request that favorable vote on
our project, and if you have any questions, I'll try to
answer them later or I'll let Judge McDonald also.

MR. MCDONALD: Yes, I'm Judge McDonald, Bastrop
County Judge. I was born and raised in the Bastrop area,
and one of the most important things we have is the
quality of life. As Mr. Newman was talking about, we have
teachers, we have law enforcement, and all these
individuals are role models in our community. And the
development of this type would allow those individuals to be able to stay in our community, and also to be involved in different aspects of our community, adding to our quality of life, and also letting our youth be able to see these types of role models in their day-to-day lives.

So I think this project will be very important to Bastrop County, because one of the things that we're trying to do is transition from a rural to moving towards an urban society, and we want to make sure that we keep these important aspects as far as quality of life. And I'm going to transition to our great state representative, role model Robby Cook.

MR. COOK: Thank you, Judge McDonald.

Mr. Chairman, Board members, thank you very much for the opportunity to speak to you. The main reason I'm here today, and involved in this at this point, is because of the community support that you see. And a lot of times in projects that seem to come before you, there's not that much community support. There's a lot of dissension.

In this particular case, with Judge McDonald here, the mayor of Bastrop, Tom Scott, who was called away on business, when they picked up the phone and asked me to come up or at least look at the project, I was quite impressed.
But also, Bastrop County -- I'm very familiar with Bastrop County because we've just gone through a very enlightening redistricting process, so I'm well aware of the growth that we see in Bastrop County. And a couple of things stood out on this project -- in my mind, anyway, and I would hope it also would in yours.

If you look at the growth in Bastrop County and the commute that a lot of the folks -- commuting goes both ways, and a long commute, in my mind, has a lot to do with the development of the community. Whereas a lot of the commuters seem to go from Round Rock to Georgetown into Austin, whereas in this particular case, we're starting to see a reversal of that. Bastrop County and the leaders have been somewhat successful in their development and job growth and industrial development.

An important part of that is what you folks do to develop the community, is housing. And as was mentioned earlier, when you talk about schools and the teachers, also see an important part of the community development as the fact that, if you're away from your home, you can't make the PTO meetings, you can't make the civic organization meetings -- Lion's Club, Rotary Club, Kiwanas Club. All that's a part of developing a great community, because you're just away from home too much.

One of the aspects of this -- I guess getting
into some more specifics of this project -- surprised me that there has not been an affordable housing project since 1989 in Bastrop County, and that, my understanding was, a 48 unit-rehab project.

Also because of the growth we've seen in Bastrop, the occupancy rate is over 97 percent. And if we don't do something pretty quick, that's only going to continue to get worse.

The location of this project -- if you're familiar with Bastrop County and you drive through Highway 71, it's a very beautiful area. And this project is going to be located in a very pristine area where you have a lot of trees. It's going to be very pleasant to look at. The quality of life -- it's going to be a wonderful place to live. It's not going to be located in an industrial area or place where the land values are such that it just makes the project work.

But first and foremost has been the community involvement, the community that's been behind this project, because otherwise I wouldn't be here. So I would certainly hope that you would give this a favorable report. It's my understanding that because they -- we're down to 72 units now -- is that it does work within the tax credits.

You folks have the same kind of job we do when
we go through the appropriations process. Everybody has their hands out, and there's a lot more hands than there are loaves of bread, Mr. Chairman, to put in them, so I can certainly understand, can certainly relate.

And Mayor, you asked a very good question about why the difference in the cost of some of these units. That is very valid.

MR. SALINAS: It was a good presentation, but we don't have any tax credits to give them. And my point is, why waste your time?

MR. COOK: Well, we're hoping that this project will --

MR. SALINAS: You're out of the program December 31. We only have 281 tax credits. The staff is recommending Laredo Viejo, so what do we do here?

MR. COOK: We're hoping we can kind of move our project up a few notches. Since it's within 72 units, it may fit. And they're ready to go.

MR. SALINAS: No, I mean, we can continue the process, but the QAP would not allow us to do that. You would just have to reapply, you know?

MR. CONINE: Thanks for your presentation.

MR. SALINAS: That's my --

MR. COOK: Yes, sir. Very valid questions.

MR. SALINAS: If we had a million, $2 million
to deal with, then there would be --

MR. CONINE: Is there any other -- I have one more witness affirmation form with your group.

MR. LAW: Only if there was a question of the landowner.

MR. CONINE: Okay.

MR. LAW: Thank you, Chairman.

MR. CONINE: Thank you very much. Appreciate that.

MR. CONINE: I think that's all the witness affirmation forms I had for Item 3(a). We can go back and make a decision, Board, on what we need to do here.

MR. SALINAS: Well, we have the recommendation from the staff.

MR. CONINE: Yes. Let's bifurcate this. I think staff's recommending two requests -- two specific -- the first one should be --

MR. SALINAS: The 4,000 --

MR. CONINE: Yes, fairly easy to do. Let's go ahead and get that one done and get that one behind us. Is there a motion?

MR. SALINAS: I move.

MR. BOGANY: Second.

MR. CONINE: Motion to approve the $4,455 to Mission Oaks Development so that they can meet their
complement. And the mayor motioned, and I think Shad seconded. Any other discussion on that motion? If not, all those in favor say aye.

   (A chorus of ayes.)

   MR. CONINE: All opposed? So ordered. And then on the balance of -- what we do with the balance of the credits, any discussion amongst the Board?

   MR. SALINAS: I would say we would take the recommendation for Laredo Viego. And it's 281-, and whatever else comes in by the 31st. Then you work with the Laredo group, or what?

   MR. BURRELL: But we would like you to actually get you to approve us going down through the list so that if, take for instance --

   MR. SALINAS: If you cannot work --

   MR. CONINE: Okay. One through six has --

   MR. SALINAS: Okay. One through six, and I think we just go ahead and --

   MR. CONINE: Is there more than that? How many of them is there? Are there actually six?

   MR. BURRELL: Actually six.

   MR. SALINAS: Yes, but there's only enough credits for one, right?

   MR. BURRELL: Correct.

   MR. CONINE: Right.
MR. SALINAS: And what you're saying is, if you all can't work it out with the first one, you go on to the second.

MR. BURRELL: Then we move to the second, and if that doesn't work --

MR. SALINAS: I move that we go ahead and do exactly what the recommendation for this stuff is.

MR. BOGANY: Second.

MR. CONINE: There's a motion by Mayor Salinas, seconded by Shad, that we accept the staff recommendation list for the waiting list from priority. Any other discussions?

MR. SALINAS: What is it?

MR. BURRELL: We'd also like to see if you could make it part of your motion that if any more credits come in, that we be allowed to go ahead and reallocate those using the same formula.

MR. CONINE: I think the QAP says that, but we'll be glad to add that. Will the maker of the motion accept the adding of --

MR. SALINAS: I do accept.

MR. CONINE: If any future credits come in, we can proceed down the waiting list in this order. Do you second or accept that amendment?

Any other discussion on the motion? All those
in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Item 3(b), Approval of the Request for Extension of Commencement of Substantial Construction.

Mr. Burrell, you got this one?

MR. BURRELL: Yes, sir. The next item is for an extension to place a project in service for Evergreen Townhomes in New Braunfels. Back in October, the Board granted an extension which would have been through January 15 of 2002. However, since that time, the developer had planned on selling this project to someone else, but they were not able to. So now they've gone back and they've found a syndicator that has said they could probably work with them but they need a little bit more time, and they need an extension through April 1, 2002.

MR. SALINAS: Is this the first extension?

MR. BURRELL: Second.

MR. SALINAS: This is the second?

MR. BURRELL: Second extension.

MR. SALINAS: I don't know about that.

MR. CONINE: What's your thoughts?

MR. SALINAS: How many credits is that?

(Laughter)
MR. SALINAS: You know, you have to be fair with everybody.

MR. BURRELL: Part of their problems stem from the fact that their initial investor, which was Southern California Edison, had problems last summer because of the energy crisis. It got them set back. They lost their investor, so they had to go back and try to find some additional investors. It took time. They were having trouble, so they tried to find someone that would actually just buy them out. They thought they had someone that could do it, but then that buyer changed his mind.

MR. SALINAS: How many credits is that?

MR. BURRELL: 340,000.

MR. SALINAS: Okay, I'm not going to expect that. I mean, if they guy's tried to buy a buyer for his project and we have a bunch of other people here that need tax credits -- I mean, this is his second extension? I don't think so.

MR. CONINE: Has he met carryover, or had to have carryover? Will he meet carryover?

MR. BURRELL: Let me double-check and see. He has met carryover.

MR. CONINE: Okay. So he got real money in the deal at this point.

MR. BOGANY: What is your recommendation?
MR. BURRELL: We're recommending that we grant them the extension. If for some reason they don't -- they're not able to move forward sometime in the future, we will get those credits back. We just wouldn't get them back now.

MR. CONINE: We have a public comment on this particular project. Why don't we call public comment up and let's hear from them.

Mike Fields? If you could use the mike, please, and introduce yourself.

MR. FIELDS: My name is Mike Fields. I represent Amstada [phonetic] Affordable Housing. I hadn't planned to make any comments, but I'm getting a little bit nervous after I heard the mayor.

MR. SALINAS: Yes, well, we get nervous. The problem is that we got to follow the rules. You want to get a project done, you get a first extension, now you're asking for a second one, and I don't think it's fair for everybody else here that are serious about -- it's like the one here we just saw a few minutes ago in Bastrop. Even have the county judge here.

And those are the projects that I like to see. I mean, they want to get it done. And then we have here your company that says, Well, we need another extension because we're trying to find a buyer for the project.
It's just not a good style of doing business.

MR. FIELDS: I'd like to respond to that.

MR. SALINAS: Okay.

MR. FIELDS: The credits that -- basically, our heart is in South Texas. We're natives of New Braunfels. Our other project is in Rio Grande City, and the $286,000 of credits that were given back were from Hebronville. And the reason they were given back is because we received approval but we didn't receive enough credits to get the project done.

We have followed the rules. Between ourselves and the investor there's over approximately $800,000 of our money and the investor's money. There's no way that we can pay that back if the Evergreen Townhomes project doesn't go through. You know, who could have foreseen a company like Edison Capital would not be able to fulfill their investment commitments? And that has started a chain of events that has made it very difficult for us to syndicate the Evergreen Townhomes project.

We are -- and we're willing to do anything to make this project work, and we have tried just about everything. We've had syndication agreements with other syndicators. We've negotiated with scores of syndicators and lenders. It's a good project. It will work. After the sale was abandoned by the potential buyer, we
immediately got on board with a new syndicator. We're talking to a lender who's willing to do the construction and the permanent -- you know, things are progressing.

But we did not create this situation. We reacted to, I think, very rapidly and very -- with an attitude that whatever it takes to get the job done. And it is possible. I think the new syndicator would tell you that, the new lender would tell you that. We just need more time.

MR. CONINE: What happened to the Bozrah International Ministries? Why did they abandon purchase? I can understand why Southern California Edison's not here, but I don't understand why they're not here.

MR. FIELDS: Between the time that we signed the sales agreement with them and within -- that happened in September. We signed the sales agreement with them in September. On October 17 at that board meeting, the Board granted us a January 15 extension for slabs in place. That was based on the sale of that project to Bozrah, and Bozrah's closing -- you know, their syndicator and their lender were on board. Everybody agreed that January 15 was a realistic date for slabs in place at that time. Therefore, we came to the Board and asked you for an extension until January 15, and you granted it.

About ten days after that October 17 meeting,
Bozrah could not meet -- could not proceed with the project, and the reason that they stated was that they couldn't handle the construction capacity -- that they had received some other projects, some other construction projects that had come up, and they could not fulfill their sale, or their purchase commitment.

We talked to other potential buyers that they put us in contact with, and for those people -- nobody could meet that January 15 --

MR. CONINE: Let me stop you there. October 17 they could; ten days later, they can't. That's not quite making sense to me. Can you help clarify, or can I get staff to help clarify what the issue is?

MR. FIELDS: That is what happened. On October 17, we asked you for the January 15 extension. On about November 1, Bozrah said they couldn't --

MR. CONINE: Staff, you have any comments unto your knowledge? Tell me what state this project's in. You got a piece of land bought. Have you got plans done?

MR. FIELDS: Yes. We're ready to issue building permits -- pay the building permit fee.

MR. SALINAS: You don't have any comments --

MR. CONINE: And why --

MR. FIELDS: We've got about $800,000 in the
MR. CONINE: Okay, but at some point, you said that we're going to sell it to Bozrah. And now, because they've gone away, you're stepping back in.

MR. FIELDS: Right.

MR. CONINE: So you had some motivation to sell it to Bozrah to begin with.

MR. FIELDS: The reason for selling --

MR. CONINE: Refresh my memory.

MR. FIELDS: The reason for selling it to Bozrah was that their ability to do the construction in a speedy -- you know, it was a sure deal. It seemed like to us a sure deal that that would be in the best interest of everyone, to get the project done in the most timely manner.

MR. CONINE: I never seen anyone turn down construction work before. That doesn't -- that's just not making much sense.

MR. FIELDS: It didn't make sense to us either, but it was obvious that the sales agreement was not going to go the way it --

MR. CONINE: Staff, you're recommending we grant the extension?

MR. BURRELL: Yes, sir.

MR. CONINE: Any other -- you have anything
else, Mr. Field?

MR. FIELD: No.

MR. CONINE: All right. We'll close the public comment for him. Any other discussion amongst the Board? Do I hear a motion?

MR. BOGANY: I move that we grant them this extension.

MR. CONINE: There's a motion made by Mr. Bogany. Is there a second? I'll second the motion. Discussion?

MR. SALINAS: You know, why should we be responsible now to hold those tax credits, and then in April you have nobody. In April we're just losing time ourselves here. And you put us in that position here, that now we have to kind of fund it or else you lose $800,000. And you want us to kind of feel bad about that project.

And we're here to make decisions and who's going to do the best project for the state and for us. And here, you know, you want an extension, a second extension for April. I get funny feelings that you're not going to be able to get that project through in April.

MR. CONINE: Well, let's ask the question to again refresh my memory. If they made the carryover requirements -- staff?
UNIDENTIFIED: Yes?

MR. CONINE: If they made the carryover requirements, failed to get the thing done and closed, we get the credits back at some point. What point would that be? Would that be April?

MR. BURRELL: That'll be in January. If you all approve it today, then they still have until January 15.

MR. CONINE: No, assuming that we grant the extension -- let's just make that assumption just for a minute -- the deadline becomes 4-1-02. Then the credits come back, we go back to the waiting list at that point?

MR. BURRELL: No, next year.

MR. CONINE: But we don't "lose" the credits? Okay, so we won't lose the credits, it just gets to the next deal. So --

MR. SALINAS: I'll support it if you don't come back in April for another extension. You know, if you don't get that done, don't come back. And we'll keep our credits and then later on -- I think it's a fair deal for us to work out here. I mean, a third extension would be -- I mean, wouldn't be a good thing for us to do. If you're saying that by April you don't have anything done, you won't come back and ask us for a third extension. Would that work?
MR. FIELDS: That's fair.

MR. SALINAS: That's fair. Okay.

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion passes. Thank you.

Item 3(c) -- Mr. Burrell, are you going to do these?

MR. BURRELL: Yes, sir. Item 3(c), the first that we have is Westchester Woods Apartments. Westchester Woods is a tax-exempt bond project. The bond issue will be [indiscernible] Housing Finance Corp. The applicant has requested 662,124. We're recommending that there be an allocation of 663,155. Of course, that recommendation comes from our underwriting division tax credit staff, and from the Executive Award and Review Committee.

The reason that we're recommending a little bit more than they had requested is because there was an adjustment in their applicable rate from the time that they submitted up through the time that it was underwritten.

This will be a 250-unit apartment complex, of which 248 units will actually be occupied by low-income
housing. Tenants on this one -- it will be located in Pflugerville, and the interim construction financing will be provided by ARCS Commercial Mortgage Corp. There will be 15 million in tax-exempt bonds issued, and one million in taxable. And the proposed syndicator is First Union Affordable Housing, where they are offering a net syndication rate of 83 cents.

MR. CONINE: Do I hear a motion for approval?

MR. BOGANY: I move.

MR. GONZALEZ: Second.

MR. CONINE: There's a motion by Shad and a second by Vidal on 011451 Westchester Woods. Any other discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Passes. Next?

MR. BURRELL: Next will be Fallbrook Apartments. This is a proposed complex in Houston. A Mr. Onion with our Multifamily program made a proposal earlier this morning.

MR. CONINE: Do I hear a motion for approval?

MR. BOGANY: So moved.

MR. CONINE: Mr. Bogany made a motion.

MR. SALINAS: Second.
MR. CONINE: Mr. Salinas seconded the motion for 01452, Fallbrook Apartments. Any discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Next?

MR. BURRELL: Next will be the Oaks at Barton Creek. That's here in Austin on South Congress in the 7400 block. This would be a 150-unit complex. The bond issuer on this deal is Austin Housing Finance Corp. On this one, the interim to permanent financing will be provided by Sun America. That will be 6.5 million in one series of tax-exempt bonds, 900,000 in a taxable series, and then a 1,860,000 in another taxable series.

MR. CONINE: Do I hear a motion for approval?

MR. BOGANY: I move that --

MR. CONINE: Second?

MR. GONZALEZ: Second.

MR. CONINE: There's a motion for approval by Mr. Bogany, second by Mr. Gonzalez that we do an 01453 Oaks at Barton Creek. Any discussion? All in favor say aye.

(A chorus of ayes)

MR. CONINE: All opposed?
(No response.)

MR. CONINE: Passes. Next?

MR. BURRELL: Next is Circle S Apartments, which will also be in south Austin. The address would be 7201 through 7401 South Congress. The bond issuer is Travis County Housing Finance Corp. It's a 200-unit complex. On this one, the interim to permanent financing will be provided by Charter Mac. There will be 9.3 million in tax-exempt bonds, and 2.2 million in taxable that's proposed. And the syndicator is First Union, and they are providing a net syndication rate of 79 1/2 cents.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

MR. CONINE: Okay. There's a motion and a second. Motion by Mr. Bogany, second by Vidal. I inadvertently forget that we had a couple of public comments on a couple of items on 3(c), one of them Nicole Flores.

Would you like to make a public comment here?

MS. FLORES: Good morning, Mr. Chairman, members of the Board. My name is Nicole Flores with Madhouse [phonetic] Development Services, and I'm here this morning representing One SDI Limited, the applicant for TDHCA project number 01458, the Circle S Apartments located in Austin, Texas.
I'd like to start by thanking the Board for the opportunity to speak on this project this morning. I'd like to thank the tax credit program staff and the underwriting staff for their timely and careful consideration of this transaction that got us to this Board meeting so quickly.

Fortunately, we have been recommended for a credit allocation this morning. I would like to point out that this is a tax-exempt finance action, which comes with 4 percent tax credits that do not affect the credits that are available under the 9 percent volume cap. This deal is 200 units of housing that is critically needed here in the city of Austin.

Unfortunately, the credit amount that is recommended by staff of 321,000 is a significant reduction from the original requested amount of 484,000. It resulted in a net decrease of $160,000 per year, and a $1.6 million [indiscernible] overall to the transaction. This credit amount as recommended effectively terminates this deal. It will not be financially feasible. Fortunately, we have a basic agreement on the numbers between the underwriting department and the development team. The primary issue that affected the adjustment of the tax credits was its termination of the land value itself.
The development team is confident that, with additional information submitted to the department, the department could reinstate the original land value of $1.2 million. It's my understanding that Senate Bill 322 precludes staff from considering additional information on this transaction because the underwriting report has been published on the Internet and is available to the public.

So one of the reasons I'm in front of you today is to request that you ask staff to consider additional information. There is an identify of interest that exists between the applicant and the land seller on this transaction. Because of that identity of interest, the development included -- they clearly identified this identify of interest throughout the application, and included the appraisal and other documentation as required.

The appraisal supported a $1.3 million valuation on this land. The applicant has requested a $1.2 million valuation, which is supported by the appraisal in the other documentation. The underwriting staff established the value of the land at $461,000, disregarding the information that was available to them in the appraisal. The staff did not have knowledge of the process that occurred to entitle this land since the time it was acquired, and I'd like to just briefly walk you
through the chronology of what happened with this land from the time it was acquired by the land seller until the time it was sold to the partnership and the applicant.

The land seller originally contracted for this land in May of 2000. At that point, this land was six single family unplotted irregular lots in south central Austin. I know many of you are not from Austin, but if you've heard the stories of how difficult it is to entitle land here, you can understand the value-added process that occurs.

The developer took this land from its previous state of six single family lots, went through a rezoning process, worked with neighborhood groups. After that zoning occurred, went through the site development process, and proceeded to entitle this land, thus rendering the original acquisition price of 435,000 as immaterial to the value today. The purchase price of 435,000 that is the basis for the underwriting department's land value is not a valid value for this property. This property is now entitled. It is now a single multifamily parcel, and has gone through a lengthy process in the years since it was acquired.

Based on this, there has been a dramatic increase in the land value. It has gone from the $435,000 acquisition price as single family lots, through an
entitlement process, through a zoning process, and valued today at $1.3 million.

Because of this, we're respectfully requesting that the Board please redirect staff under the auspices of 322 to reconsider this -- to not recommend the 321,000 in tax credits but instead allow the development team to submit the additional data, which would include the survey of the original lots and their configurations, the new plat, additional supporting documentation from the land appraiser, including comps that show similar land transactions in the area, whereby a single family parcel or an unzoned parcel went through the entitlement process, was purchased pre-entitlement, resold post-entitlement, and supported significant increases in land value.

So we're asking that the Board -- I understand you've taken action on this item, but I'm asking that you reconsider this item and instead redirect staff to re-review it and bring it back to you in January.

MR. CONINE: We haven't taken any action on it, have we? We got a motion on it?

MS. FLORES: Oh, I apologize. I thought the motion had closed.

MR. CONINE: Okay. Any questions of Ms. Flores?

MR. BOGANY: Well, no, I have question of
staff? What's your thoughts on the additional information?

MR. BURRELL: We would welcome obtaining additional information so that we could reevaluate, see if there was a way to substantiate the increased --

MR. SALINAS: Would that allow you? The Senate Bill 322 would allow you to give her --

MR. BURRELL: We could accept some additional information.

MR. SALINAS: But she's saying you're saying that it doesn't allow --

MS. FLORES: I'm saying that because the underwriting report was published on the Internet as a precursor to this Board meeting, Senate Bill 322 precludes staff from taking any action until the Board considers it at a Board meeting. And that's what I understand from staff.

MR. CONINE: So if we redirect staff, you bring it back next month or so, or whenever they get finished, and it won't hurt the deal. The seller is staying still.

MS. FLORES: Yes, sir. We have actually until February 2 to close the tax-exempt financing. We have a tentative closing date of the 25th of January. So we specifically work with staff, and again I want to thank them for their timely consideration to come to this Board
meeting so that we would have plenty of time to get the financing in place.

MR. CONINE: Would the maker of the motion like to withdraw their motion?

MR. BOGANY: I'd like to withdraw that motion.

MR. CONINE: Would you like to make another motion?

MR. BOGANY: I'd like for staff to relook at the additional information and bring it back up at the following Board meeting.

MR. CONINE: That's on 01458, Circle S Apartments, correct?

MR. BOGANY: Uh-huh.

MR. CONINE: Is there a second to that motion?

MR. GONZALEZ: Second.

MR. CONINE: Mr. Bogany and Mr. Gonzalez made a second. Is there any other discussion?

MR. SALINAS: Would this item be dead or tabled?

MR. CONINE: We would just ask staff to go read --

MR. BURRELL: Primarily table it till --

MR. SALINAS: Because we need somebody's motion to also table this item for next month.

MR. CONINE: You wanted staff to go reconsider
the information and bring it back next month.

MR. SALINAS: Table it? Table this item here?

MR. BOGANY: We could table it. I mean, you can't do it either way.

MR. SALINAS: Yes, that and the information. You need to do something with this item. It's a for action item.

MR. BOGANY: All right. Once again, I'd like to withdraw my motion. And what we'd like to do is table this motion for staff to reconsider the additional information, and if it's appropriate, bring it back up at the next Board meeting.

MR. GONZALEZ: Second.

MR. CONINE: Let me finish this one first, please. All right. There's an amended motion now on the floor, and did you agree to the second?

(No audible response.)

MR. CONINE: Okay. Amended. Any other discussion? All in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Thank you.

MS. FLORES: Thank you very much. I appreciate your consideration of this issue.
MR. CONINE: You're welcome. I also inadvertently skipped Tim Merriweather.

Would you like to come up?

MR. MERRIWEATHER: It would be difficult to improve on Ms. Flores' presentation.

MR. CONINE: Okay. All right. Thank you very much.

I think I'm finished with Item 3(c). Item 3(d)'s been pulled from the agenda. Move on to Item 3(e).

MR. BURRELL: Under Item 3(e), the Executive Board and the Review Committee is recommending to the Board that you grant approval to the executive director to execute the 2001 Tax Credit Carryover Allocations before our December 31 carryover deadline.

What's happening is, as we're going through our carryover, there might be a few cases where developers need to make adjustments, and we have to try and get those adjustments made before the end of the year without having to bring it back to the Board. So we need to get the Board to give the authority to the executive director.

MR. CONINE: What kind of adjustments are we talking about? Give me an example.

MR. BURRELL: We might have someone that needs to reduce the number of units for some reason, say for zoning or for some type of city ordinance. They might
have to reduce a few units, so they would come to us with a carryover with that reduction, and we would actually be able to grant reduction if it's practical and feasible. But the executive director would actually make that decision, and then we could re-underwrite and make a reduction in credits, if necessary. That way we can still have them make carryover without killing the entire deal. We can just reduce credits if necessary. In some cases, credits might stay the same, so that all depends on the underwriting.

MR. SALINAS: I move for the approval.

MR. BOGANY: Second.

MR. CONINE: There's a motion for the approval by Mr. Salinas and a second by Mr. Bogany. So the adjustment would be a downsized adjustment, not an upsized adjustment.

MR. BURRELL: It's downsized.

MR. CONINE: Another area that I hope in next year's QAP we can get a little clearer is, we get a lot of moving parts here, and when you vary too far from the original submission and what the score was based upon and what the environment was at the time that we go through in the spring -- we go through all this spring and summer, and then we get to the tail end and the project doesn't look a whole lot like it was originally intended to. I
have a large problem with that.

    So I know this isn't probably the time to do that, but I want staff to note this concern of mine. I know the internal auditor's going to go back and take a look at some of these projects in the past and compare their original submission to their ultimate realization and see how far off they were. So I want to make sure for the record that we understand that the Board has a concern in that area.

    MR. BURRELL: We are looking for ways now to tighten that up so that there's not that much of variance, especially without you all knowing about it beforehand.

    MR. CONINE: Any other comments or discussion on 4(e)? I believe there's a motion on the floor. All those in favor say aye.

    (A chorus of ayes.)

    MR. GONZALES: I missed the motion. I was out.

    MR. CONINE: I'll restate the motion.

    MR. SALINAS: To authorize the executive director to --

    MR. CONINE: The acting executive director on 4(e) to go ahead and do the carryover allocation before December 31, I believe. We'll revote that one more time. All those in favor of the motion say aye.

    (A chorus of ayes.)
MR. CONINE: All opposed?

(No response.)

MR. CONINE: Carry on. Okay, Item 4(a).

Mr. Bogany?

MR. BOGANY: Program Committee met this morning and we have brought up several programs we'd like to recommend for Board approval. Item 4(a), approval of 2001 HOME Program CHDO Set-aside Rental Housing Development Recommendation for Award, 20010149, East Austin Economic Development Corporation, Region 7, Score 212, 20 units, 999,890, and Programs Committee recommended approval.

MR. CONINE: Set in form of a motion?

MR. BOGANY: Yes, sir.

MR. SALINAS: Second.

MR. CONINE: There's a motion and a second by Mr. Bogany, second by Mr. Salinas that we approve Item 4(a). Any discussion?

(No response.)

MR. CONINE: All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Continue on.

MR. BOGANY: Program Committee recommends St. John Colony Neighborhood, Region 7, Score 211, 36 units,
Award, 324,000. We recommend approval to the Board.

MR. SALINAS: Second.

MR. CONINE: There's a motion made by Mr. Bogany, seconded by Mr. Salinas for the St. John Colony Neighborhood. Any other discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. BOGANY: Foundation Communities, Incorporated, Region 7, score was 158. They had 85 units, award of $1,000,000, and Program Committee recommended approval.

MR. SALINAS: Second.

MR. CONINE: Motion by Mr. Bogany, second by Mr. Salinas on the Foundation Communities, Inc. award. Any discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: So ordered.

MR. BOGANY: In 4(b) we had approval of the 2002 State of Texas Low Income Housing Plan and Annual Report. We recommended approval to the Board.

MR. SALINAS: Second.

MR. CONINE: Motion and second to approve Item 4(b), the 2002 State of Texas Low Income Housing Plan and
Annual Report. Any discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. BOGANY: Approval of 2002 State of Texas Consolidated Plan -- One Year Action Plan. Program Committee recommended approval.

MR. SALINAS: Second.

MR. CONINE: Motion by Mr. Bogany, second by Mr. Salinas that we approve the 2002 State of Texas Consolidated One Year Action Plan. Any discussion? I have one that I'd like to bring up if I might, Mr. Bogany.

MR. BOGANY: Yes, sir.

MR. CONINE: And the appropriate staff, I guess, could come forward, Ms. Cedillo.

On page 50 in the Rental Housing Development section, we seem to be targeting this program, which I think to my knowledge has changed from inviting both -- in the Rental Housing Development Program, inviting both nonprofit and for-profit participants in this program, to just CHDOs, and I guess my concern is that we are eliminating some of our for-profit guys out there who have done a good job with this program in the past, and I would like staff to comment on that and see about making an
amendment.

MS. CEDILLO: I'd like to ask Pam Morris.

MS. MORRIS: I'm Pam Morris. We did do a thorough analysis of our activities, our legislation, of the previous subscription of what we've had in demand over the program with the last couple of years. And being that our focus is now nonparticipating jurisdiction, pretty much all of the programs will go into rural areas.

And the fact that we have a 15 percent CHDO set-aside that's a requirement by HUD, we've been concerned because of the undersubscription we continue to have with the CHDO set-aside and even more so now that they will be limited to the nonparticipating jurisdiction areas.

Taking that into account, and taking the oversubscription that we have on owner-occupied, the special needs set-asides, home buyer assistance, TBRA, the other activities that we serve -- it's very hard to find an easy way to achieve all the goals and all the needs from everyone, legislative-wise and department-wise goals.

Preservation is important, and the department is looking as a whole to try to figure out how we can fund that mandate. But we also have a colonia model subdivision that there were limited funds. We pulled some of that in out of CHDO funds to go toward that
legislation. Special needs, we increased because of the demand that we had last year and the fact that we couldn't fund everyone that we had apply in special needs.

And it gets to the point that we have to try to narrow down to the activities that we've got the most demand on, and that is just the fact of it. And CHDO is something we fall short on, and we're trying to get our applicants to direct their activity toward the CHDO and those collaborations to try to keep those monies going so we're not at risk of having to return any funds back to HUD if we don't expend enough of our CHDO set-aside in the rural areas.

MR. CONINE: Well, my concern was that, one, that we again are eliminating a certain sector of the private sector, if you will, that have done a good job in this area, and that potentially we are violating a section of the U.S. Code on the HOME money just in general. Can we not make an amendment to get our for-profit guys back into this program, and then instruct staff to work with the various trade groups out there that deal with the CHDOs to try to get an interest in this particular program so that we can meet our legislative 15 percent goal but still meet the letter of the law and not be subject to some potential liability under the U.S. Code.

MS. MORRIS: This certainly -- the decision of
the Board and Ms. Cedillo as to how we change the
Consolidated Plan and those set-asides. We do have for
profits that apply, and Homebuyer Assistance is primarily
where they would focus on for single family development.

We did fund four demonstration awards last year
out of that demonstration fund set-aside. They were
approximately about 300,000 apiece.

You know, it's when you're oversubscribed in
the other activities so severely, and you get the 30
percent and below for our goal for the agency, of which
HOME was able to pull close to 25 million in the last
cycle because of the activities we had, I think we can
even do a better job by the structure we have. But that's
certainly up to the Board as to how --

MR. CONINE: Mr. Bogany, would you accept an
amendment to your motion that would include for-profit
entities and encourage staff to go solicit the CHDOs out
there to be involved in this program to meet the 15
percent set-aside?

MR. BOGANAY: Yes, I would.

MR. CONINE: But do you second or agree to that
amendment? Who seconded that motion?

MR. SALINAS: I did.

MR. CONINE: Did you agree to that --

MR. SALINAS: Why do you have a problem with
the private sector?

    MS. MORRIS: Oh, it's not that at all.

    MR. SALINAS: You don't have any problem with
the private sector?

    MS. MORRIS: It's not that at all. It's trying
to just narrow down to where we see the highest demand in
what we get in, and trying to achieve, like I said, the 30
percent and below rider owner-occupied --

    MR. SALINAS: It won't misguide you out of the
plan that we've just approved this morning?

    MS. MORRIS: Well, we'll have to remove a
percentage of what's been structured to set-aside for
demonstration. We don't have that in the plan, so it
would --

    MR. SALINAS: You would meet your goals anyway?

    MS. MORRIS: I'm sorry?

    MR. SALINAS: You would still meet the goals
that we talked about this morning?

    MS. MORRIS: We'd have to reanalyze it a bit,
but you would pull a percentage out, and a percentage
would have to be dictated for demonstration fund, as it
was last year, which was 10 percent. So we would pull
that off of the top like we did for the CHDO set-aside and
for the colonia model subdivision we pulled out. Or
actually, that was within the CHDO set-aside. But we had
to determine what percentage you want for that
demonstration fund.

MR. SALINAS: I'll second this amendment. I
don't have any -- I mean, private sector is --

MR. CONINE: There's an amended motion now on
the floor that both the maker and the seconder have agreed
to the amendment. Any further discussion?

(No response.)

MR. CONINE: If not, all those in favor of the
amended motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: Opposed?

(No response.)

MR. CONINE: Thank you, Ms. Morris.

Mr. Bogany? 4(d), I believe.

MR. BOGANY: Approval of 2002 TDHCA Regional
Allocation Formula. Program Committee recommended
approval.

MR. SALINAS: Second.

MR. CONINE: There's a motion on the floor from
Mr. Bogany, second by Mr. Salinas, approval of the 2002
TDHCA Regional Allocation Formula. Any other discussion?

Just out of curiosity, does that include the 2003
carryforward or the 2002 carryforward?

MR. BOGANY: I thought it was 2002.
MR. CONINE: Does that come up in this particular item -- the issue that we talked about earlier?

MS. BOSTON: Brooke Boston again. The calculations of the regional allocation formula by Housing Resource Center looks strictly at the IRS allocation for the year, which is -- so, for instance, for 2002 coming up, it's going to be roughly $39 million.

MR. CONINE: This sets the targets.

MS. BOSTON: Right. And then how it's handled beyond the targets is what was debated earlier.

MR. CONINE: Got you. Motion on the floor.

Any other discussion?

(No response.)

MR. CONINE: If not, all those in favor of the motion please signify by saying aye.

(A chorus ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: So ordered. Thank you, Mr. Bogany. Appreciate your work on that committee.

Item 5, Presentation and Possible Approval from the Finance Committee. 5(a) -- we can walk through this right quick. The Finance Committee heard this morning all the issues in front of you. Item 5(a) is the Approval of the Sale of Collateralized Home Mortgage Revenue Bonds,
Series 1991A, Ginnie Mae Mortgage Certificates and Other Related Matters. The Finance Committee recommends approval, and I'll make that as a motion.

MR. BOGANY: Second.

MR. CONINE: A motion and a second. Any further discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Item 5(b), the Additional Funding for the Single Family Down Payment Assistance Program and Other Related Matters. The Finance Committee recommended approval.

MR. BOGANY: Second.

MR. CONINE: Motion by Mr. Conine, second by Mr. Bogany. Any other discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: 5(c), Approval of the Recommendations Related to the Issuance of Taxable Junior Lien Single Family Mortgage Revenue Bonds, Series 2002A and other Related Matters, Program 58. Do I need to throw away the resolution number on there or not? I don't think
so. Okay. Recommend approval, and I'll make that as a motion.

MR. BOGANAY: Second.

MR. CONINE: There's a second by Mr. Bogany.

Any other discussion? All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Item 5(e), Approval of Amendments to Board, Resolution Number 01-50. Approval of Multifamily Mortgage Revenue Bonds for the Hillside Apartments and Other Related Matters. And I think we need to make this a motion subject to the Vice Chairman being able to sign the bond resolutions later on today since the Chairman is not here.

Thank you, Mr. Onion.

And hopefully the Vice Chairman is capable of pulling that off. I'm not sure.

There's a motion by Mr. Gonzalez.

MR. SALINAS: Second.

MR. CONINE: Second by Mr. Salinas of Item 5(e). Any other discussion?

(No response.)

MR. CONINE: All those in favor say aye.

(A chorus of ayes.)
MR. CONINE: All opposed?

(No response.)

MR. CONINE: Item 5(f), Approval of the Amendments to the Board, Resolution Number 01-51, Approving the Issuance of Multifamily Mortgage Revenue Bonds for Oak Hollow Apartments, again with the signature of the Vice Chairman. Is there a motion?

MR. SALINAS: So moved.

MR. CONINE: There's a motion by Mr. Salinas. Any second?

MR. BOGANY: Second.

MR. CONINE: Second by Mr. Bogany. Any discussion?

(No response.)

MR. CONINE: All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: And that's approved, and Item 5(g) -- we had that pulled from the agenda, so we'll take no action on that particular item.

That moves us to the executive director's report.

Ms. Cedillo.

MS. CEDILLO: Byron Johnson is going to give us
a presentation on the RMRB Series 2001, A through E, Pricing and Closing, and then the Projected Single Family Bond Issuance in 2002.

MR. JOHNSON: I'd like to ask if we may postpone this until January. There was some handouts that I wish to pass out to the Board, but due to the sheer volume of data we have to put on the Internet, we couldn't get those posted. And I just think it would be a much better presentation if we have the handouts next month.

MR. CONINE: Okay with me. Okay with everybody else?

Okay with you, Ms. Cedillo?

MS. CEDILLO: Okay.

MR. CONINE: Okay. Great. See you next month.

MS. RIPPY: Mr. Chairman.

MR. CONINE: Yes?

MS. RIPPY: I think you skipped an agenda item -- (d) -- the Fallbrook transaction.

MR. CONINE: I apologize.

MS. CEDILLO: Sure did.

MR. CONINE: Thank you, Ms. Rippy, for bringing that up. Let me go back to Item 5(d), Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Fallbrook Apartments in Houston, Texas, in the amount of $15,135,000 and Other Related Matters. There's
a motion on the floor, and do we need Vice Chairman
authority on this one as well?

UNIDENTIFIED: Yes.

MR. CONINE: Would you accept that amendment, 
or include that? Thank you very much. Mr. Gonzalez made 
the motion; Mr. Bogany seconded it. Any discussion on the 
Fallbrook Apartments?

(No response.)

MR. CONINE: My apologies for skipping it. All 
those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Anything else, Ms. Cedillo? I
don't believe we need an Executive Session today. Is 
there anything else to come before the Board?

MS. CEDILLO: No, sir. Not at this point. We 
just thank you.

MR. CONINE: Thank you, and thank all the 
members of the Board for being here. We stand adjourned. 
(Whereupon, at 12:15 p.m., the meeting was 
concluded.)
CERTIFICATE

MEETING OF:    TDHCA Board Meeting
LOCATION:      Austin, Texas
DATE:      December 12, 2001

I do hereby certify that the foregoing pages, numbers 1 through 92, 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.

12/27/01
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