TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
PROGRAMS COMMITTEE MEETING

8:50 a.m.
Wednesday,
December 12, 2001

Capitol Extension
Room E1.012
1400 Congress
Austin, Texas

COMMITTEE MEMBERS:

SHADRICK BOGANY, Chairman
NORBERTO SALINAS

STAFF PRESENT:

RUTH CEDILLO, Acting Executive Director
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MR. BOGANY: I will call to order the Programs Committee meeting, Board of Texas Department of Housing and Community Affairs for December 12, 2001, at 8:50.

We're going to have a roll call for certification of quorum. Beth Anderson?

(No response.)

MR. BOGANY: Mayor Salinas?

MR. SALINAS: Here.

MR. BOGANY: Shad Bogany, here.

We have two members present and one member absent. I certify that we do have a quorum, and we are now going to open it up for public comment. If you have a public comment, I would appreciate it if you come up to the table, state your name, who you are and what group you're with, so the court reporter can get this information on tape. Thank you.

MR. HOOVER: My name is Dennis Hoover and I represent the Rural Housing Association of Texas, which is a group of multifamily borrowers that use the old Farmer's HOME Program, now Rural Development.

And I want to comment on the consolidated plan. In years past, some of the members of the organization have been able to use the HOME Program for some rehab
funds. There's a bunch of older rural development properties that are in the neighborhood of 20 years old, some of them older. That is a lot of mom-and-pop operations across the state and in rural areas that have done these things back in the early 80s, that they've gone away. Some of them are no longer in the program. They've gotten old for whatever reason, and they need somebody to come along and to pick the things up.

It's a preservation issue, and Ruth knows about it well, because we make a lot of noise about it. But there's a lot of properties out there that serve the lowest of the low, and they're in rural areas, and it is a preservation issue. And most of them need more money than just tax credits can provide. And addressing those issues with a little bit of HOME money or housing trust fund, or some other source of rehab funds, is a pressing preservation issue.

And in the past, we've been able to use some HOME funds, and that has been restricted to use by nonprofits and CHDOs this year, which is fine. You know, I'm working with about three CHDOs right now, trying to do these rehab deals. But I won't get it done this year.

The group of borrowers out there -- owners -- and it generally is the owner, builder, manager, because
just the nature of the program, that's who started in it 20 years ago. Most of us are all for-profit, and we would like to build capacity for CHDOs, and most of the guys that are still in the program, like myself, are out there trying to do that. But it's just that the capacity right now -- the guys who have been in the program and are left in it that are -- have stuck with it -- are for-profit. And we're the guys that have the capacity and are still interested in the program.

And it's properties that are worth saving, like I say. They serve 30 percent and below, most of them, and -- income, I'm talking about. Income and rents. But we need bits and pieces of rehab money. Most of these are 30-unit properties, some of them 40, some of them larger, some of them smaller. And in the future, some sort of low-interest loan money in the amount of five or $6 million at least, I think, are going to be needed to address this problem.

Because we do have a group of, say, ten developers that are still active in the program and would pick up some of these properties from some of these little mom and pop -- or developers, owners, managers, that have, for whatever reason, have gone away, and their properties are just there in limbo. And most of them are occupied,
but they need a new owner and new management and a shot in
the arm and some rehab money.

And the HOME money that was there in the past
is not there anymore. And there needs to be money there.
The guys -- we have a group of guys that can do it, have
been doing it. The guys that are left in it are
successful at it, are in it for the right reasons because
they've been doing it for 20 years. But they're being
prevented from participating in the program just for the
fact that they have -- by nature, they are and have always
been for-profits instead of nonprofits.

And that's all I have. I'll entertain
questions if anybody has got one.

MR. BOGANY: Well, my question is, so you're
asking us to provide more HOME money so these projects can
continue to be going on?

MR. HOOVER: HOME or housing trust fund or
whatever. It needs to be low-interest money. Sometimes
even it needs to be grant money, depending on where it's
at, and the particular situation.

MR. BOGANY: Okay. Mr. Salinas, you have a
comment?

MR. SALINAS: Who do you apply with? The state
office, or --
MR. HOOVER: We -- the way these deals work, we'll apply for a transfer. If we identify a property, we'll apply to Rural Development for a transfer. Rural Development has typically a million-or-two dollars of their own money that they will spend across the state for rehab, and that's just a pitifully small amount compared to the amount of properties. There's 800 properties out there, and there's probably 100 of them that need to be transferred this year. But 10 or 20 a year -- some of them are going to go by the wayside.

But we apply for tax credits, and tax credits by themselves are typically not going to provide enough money to do, you know -- most of them are going to need $10,000-a-year rehab, at least. Not all of them, but the older ones will need that much. Sometimes 15-. And tax credits won't provide that much equity.

MR. BOGANY: Okay. Thank you.

MR. SALINAS? Do you know what he's talking about? Because I'm completely lost.

MS. CEDILLO: Yes, sir.

MR. SALINAS: Okay. You do work with Farmer's Home, or --

MR. HOOVER: I'm a private developer/owner/manager.
MR. SALINAS: I mean you do -- have you done programs with Farmers Home?

MR. HOOVER: Yes. For about 20 years.

MR. SALINAS: Which one is the Farmer's Home projects in Austin? A get-together, or --

MS. CEDILLO: One of the things that we changed this year on the HOME Program is that we don't have the demonstration program set-aside, and that is the program that they applied for and passed. However, there are other set-asides that we have been advising them that they might apply for. The CHDO set-aside might be a possibility, and also, when funds become available through other sources from the agency -- and you'll see some recommendations later in the day that perhaps if the board approves, maybe putting some funds -- publishing a notice of financial assistance that might be targeted to preservation, then -- and if it's specifically for rural areas, that might be something that could be made available.

MR. BOGANY: So we would have to bring it from the Board's side.

MS. CEDILLO: Yes, sir.

MR. SALINAS: What would you consider rural?

MS. CEDILLO: Because if we put additional
dollars from another source --say, on the multifamily side -- there may be some fees that could be made available, so we would bring it to the Board to publish a notice of financial assistance and then, you know, craft the note to where it would target those rural areas.

MR. SALINAS: It would be small counties?

MS. CEDILLO: Yes, sir. Either strictly the rural areas by the unincorporated areas and the -- depending on the source, also. You have to keep that in mind as to where the funds are coming from, and whatever restrictions those specific funds have -- that that's the way we would have to craft it.

MR. SALINAS: Okay. I understand.

MR. HOOVER: And Rural Development has their own definition of rural, also, that qualifies under TDHCA's definition.

MS. CEDILLO: Is that 25-?

MR. HOOVER: It's generally towns under 10,000 and not in an MSA region.

MR. SALINAS: Would it be under 5,000, or does it have to be under 10,000.

MR. HOOVER: Well, yes, it has to be under 10-.

But anything that was under 10- in the 1990 census will be eligible until the 2000 census. But it's mainly towns...
under 10,000 and not in a metropolitan area.

MR. SALINAS: Yes, that would work. We would target those people. Where would you get the money from?

MS. CEDILLO: Currently there's a possibility of approximately $500,000 from the Multifamily Bond Program, where we could use the fees. And that's from fees that we could possibly use.

MR. SALINAS: You think you could probably do that for about four or five years total, maybe $500,000 a year? I mean, if you get funded one year and you don't get funded for the next one, there's a whole -- it has to be a long-term commitment from these agencies.

MR. HOOVER: It does.

MR. SALINAS: Or the rural development communities is if you go and do one, you might as well do five or six years and commit this agency to do $500,000 every year for five years.

MR. HOOVER: It probably needs to be more like $5 million or $10 million, but --

MR. SALINAS: Yes, I know. She only has $500,000, I guess, if she can get that. But I don't know.

MS. CEDILLO: There may be other funds that are available.

MR. SALINAS: There may be other funds? I'm
only in favor of helping rural communities, you know.
I've always been very supportive. But I don't know. You
might go back to those communities, there might be over
20,000 already.

MR. HOOVER: Well, if it's currently financed
by Rural Development, and they're going to keep -- they'll
keep the loan. That will qualify wherever it was built.
I mean, if it was a rural area 20 years ago, they're going
to keep their loan on it.

MR. SALINAS: Okay. That'll work.

MR. HOOVER: But most of them -- that doesn't
apply to most of them. Most of them are in truly rural
areas -- 90 percent of them, at least. Ninety-five,
probably.

MR. SALINAS: Would Zapata and all those areas
probably qualify? Zapata?

MR. HOOVER: Zapata.

MR. SALINAS: Hebronville?

MR. HOOVER: Uh-huh.

MR. SALINAS: Most communities in the rural.

MR. BOGAN: Mr. Hoover, thank you very much.

MR. HOOVER: Thank you.

MR. BOGAN: Is there any more public comment?

We have Mr. Gilson Westbrook who wants to speak on Agenda
Item number 2.

Mr. Westbrook, I really would like for you to speak now, if you could. What I'd like to do, in trying to do this committee, move it officially through, is get the public comment up front, because we all take notes on what you're saying, so we know what your thoughts are when that item comes up.

MR. WESTBROOK: My name is Gilson Westbrook. I'm with St. John Colony Neighborhood Association. And basically I was just wanting to be available to answer any questions on the staff-recommended project that's before you today.

MR. BOGANY: Okay.

MR. WESTBROOK: And we appreciate working with the staff over three years on this project, and we look forward to continuing the relationship positive.

MR. SALINAS: Is that the --

MR. BOGANY: That's the CHDO Set-Aside Housing Rural Development Recommendation for Awards at East Austin Economic Development Corporation. You were saying John Colony --


MR. BOGANY: St. John Colony Neighborhood, Region 7, Score 211, 36 Units, Award of $340,000. So we
have a question and I will bring you back up.

MR. WESTBROOK: Okay. Thank you, sir.

MR. BOGANY: Thank you.

If there is no other further public comment, we will close public comment and move right to the agenda items.

I would like to -- should we certify the minutes? Can I get approval for the minutes?

MR. SALINAS: I wasn't here the last time, so I don't know if I can make the motion.

MR. BOGANY: We had the same issue last time.

MR. SALINAS: I don't care. I'll make the motion. I'll move to approve the minutes.

MR. BOGANY: Can we do that?

MR. SALINAS: Well, the attorneys are not here, so you can get away with it. Are they here?

MR. BOGANY: I don't think there's anything wrong with it.

MS. CEDILLO: Betty? If we have a member who was not at the meeting last time, can they approve the minutes?

VOICE: Yes, you --

MR. BOGANY: I thought so.

MR. SALINAS: But I wasn't even at that, so
I -- okay, I move to approve the minutes.

MR. BOGANY: I second. All those in favor?
(A chorus of ayes.)

MR. BOGANY: The Program Committee will move right into the Agenda Item 1. We've done the minutes, and approval of the minutes, and we just did that. We'll go to Item 2.

MS. CEDILLO: That's Presentation, Discussion and Possible Approval of 2001 HOME Program CHDO Set-Aside Rental Housing Development Recommendations for Award, and Pam Morris is going to handle that.

MR. BOGANY: Okay.

MS. MORRIS: Good morning. I'm Pam Morris, Director of Housing Finance Program. We gave you today three recommendations that are ready to proceed from our CHDO set-aside, our rental housing set-aside that we had for the cycle this year.

We've got additional applicants that have some clarification that we need to still go through in order to obtain a recommendation. We'll continue to work with them in the next 30 days to get any information that's missing so that we can finish the underwriting analysis.

There were also some disqualified applicants that had been requested to send their audit cert forms in,
as we had talked about back in October. Those have come in and are being rescoring -- you know, underwritten and all that to get current on those that have passed that test. So we'll come back to you with those as well, once those are completed.

But the three today that we have -- and the underwriting reports are included in your packet, if you have any additional questions, and Tom is here as well that can answer any questions on the underwriting.

The first one is Lockhart Senior Housing. The applicant is East Austin Economic Development Corporation. It's located in Lockhart where the project will be. It's 20 units. It's new construction. We're recommending an award amount for $999,890, 1 percent interest rate, 30-year amortizing term with an additional 18-month construction period for zero percent interest.

We will be in the first lien position and there are no other funding sources with this development. And we've outlined for you in the summary the income targets and set-asides that will be put in their deed restriction.

The second one is St. John Colony Park that Mr. Westbrook mentioned earlier. We -- the applicant is St. John Colony Neighborhood Association and the project is located in Dale in Caldwell County. The total number of
units in his project is 36; however, a portion of those were lots only, and they will be leased lots for manufactured housing. So when we put HOME funds into a project, we can only put it into the lots that will actually have affordable housing located on them.

So we've lowered the number of units to ten for the funding, and those will all be restricted to 30 percent-and-below AMFI.

MR. BOGANY: So does he get the other manufactured housing on these lots, you will up it as we --

MS. MORRIS: Correct. Well, the ten lots is what the funding will go into, and the funding amount matches putting manufactured homes on there and covering that cost. I believe Mr. Westbrook may be looking at doing a lease-to-purchase for those, so it will be treated as a rental project.

MR. BOGANY: Okay.

MS. MORRIS: But it's to help get any development finished and to get the actual manufactured homes purchased.

There are a number of conditions we've had to put on this one. It was difficult when it went through underwriting, but we were able to come up with the
information that I think that they can achieve and our conditions that can be met prior to proceeding on this one.

But it's the recommendation of 324,000 at zero percent interest rate to 20 percent fully amortizing loan. We're asking for priority lien position because he does have other funding sources, but we want to make sure we have the priority.

He will receive CHDO operating expense and, like I said, there are conditions listed on the second page that we will have to make sure are met to proceed with the project costs.

The third project is Garden Terrace single-room occupancy. This is an existing structure that's located in Austin and it is going to be converted to single-room occupancy type for homeless and for going through transitional housing, as far as I understand it. Tom could explain that better than I. We are recommending a million-dollar award at a zero percent interest rate. We are recommending a balloon with the opportunity to relook at the cash flows of the project in five years.

The applicant had asked for a grant, but Home on a multifamily project has not, in the past, granted the funds. It has been done in either a cash flow-type
mortgage, where if the property has cash flow, you make the payment. We are recommending the balloon because it gives the project the opportunity to not have to make payments during that time.

It's zero interest, so there's no accrual of interest rate, but then we can relook at it and see if it financially can pay any of the money back at that time, so that's what we would like to build into the note as well. And it has got some conditions as well that will need to be met prior to the close.

MR. BOGANY: Can we get a motion from the floor?

MR. SALINAS: Is this recommended by Ruth? By you, Ruth?

MS. CEDILLO: Pardon me?

MR. SALINAS: Have you gone through this? You recommend it?

MS. CEDILLO: Yes.

MR. SALINAS: I move that we go ahead and award -- approve the recommendation.

MR. BOGANY: Second. All those in favor?

(A chorus of ayes.)

MR. BOGANY: Item 3, Presentation, Discussion and Possible Approval of 2002 State of Texas Low Income
Housing Plan and Annual Report. Ruth?

MS. CEDILLO: Sarah Dale Anderson is going to make the presentation of the State Low Income Housing Plan.

MS. ANDERSON: Good morning. My name is Sarah Anderson and I am the director of the Office of Strategic Planning and the Housing Resource Center, the divisions that are responsible for the planning documents for the agency.

What you have before you, and what we'll be discussing, is the main planning document for the agency. It covers all the 20-plus programs. It outlines agency policies, outlines how the programs intend to expend their funds in the next year, and does an overview of how we spent our funds in the previous year, in a nutshell.

We had actually a very long public comment period for this document. We held five public hearings prior to the development of the plan to ensure that people had sufficient input. Then subsequently, once the draft was developed, we had four additional hearings. The Board held a hearing also in Austin. So, total, there were ten hearings -- nine or ten hearings. Frankly, we received very few comments. I choose to believe that's because we had such inclusion at the beginning that it was built on
I do have one note, and it had to do with the goals and objectives related to the housing portion. While our policies reflected that the agency believes in integrated housing, inadvertently the word "integrated" with the goals and objectives were affordable -- decent, affordable -- we meant to include integrated, but it just was left out of your copy. So just wanted you to know that that's something that we want to include in the final version.

And frankly, other than that, besides general edits, fixing of typos and that sort of thing, there were no substantial changes from the version that you viewed from the draft.

MS. CEDILLO: And it's due --

MS. ANDERSON: This plan has to be submitted to our Board before December 18, and then we have 30 days to get it to the Legislature.

MR. BOGANY: Okay. Mayor Salinas, do you have any questions?

MR. SALINAS: No.

MR. BOGANY: Okay. Can I get a motion?

MR. SALINAS: I move that we go ahead and get the approval.
MR. BOGANY: Second. All those in favor?

(A chorus of ayes.)

MS. ANDERSON: I've actually got the next two items.

MR. BOGANY: Okay. All right. Just continue to sit there, then.

Presentation, Discussion and Possible Approval of 2002 State of Texas Consolidated Plan -- One Year Action Plan.

MS. ANDERSON: Okay. This is another one of our planning documents. It's a little bit different in that it covers four of the HUD formula grants. The four programs are the Emergency Shelter Grants Program and the HOME Program, which our department administers. Then you have the Community Development Block Grant Program, which is now administered out of the new agency ORCA. And then you have Housing Opportunities for Persons with AIDS, which is administered out of the Department of Health.

So really, I'm going to only focus on the portions that our agency had --

MR. SALINAS: Which is the HOME Program.

MS. ANDERSON: Right, which is the HOME Program and the Emergency Shelter Grants Program. This plan went out concurrently with the Low Income Housing Plan, was
made available by public hearings before the drafting of it. Four additional hearings subsequently -- similarly to the Low Income Housing Plan, had very little comments except for, as you heard this morning, Mr. Hoover did attend one of the public hearings. But no real changes except for the inclusion also in this one of the comment related to integrated housing have been recommended.

And really, that's it except for the note that ORCA -- the Office of Rural and Community Affairs -- has approved their portion of the plan also. And this is due to HUD on the 18th, and that's for your approval.

MR. BOGANY: My question, in regards to Mr. Hoover's comments, what were your thoughts on those?

MS. ANDERSON: I understand his feelings about preservation, and I think that the agency takes it very seriously. The HOME Program has been called on to address almost every legislative issue that's come through -- addressing zero to 30, addressing colonias, and frankly, has been picked apart so much by the other programs and has become much more a single family focused program.

We had three programs that did the same thing with multifamily development. The agency felt it was worthwhile to try and focus Home a little bit more on single family. I think the Department is looking at other
ways to develop funding. I just think that the HOME Program, at this point, is not the exact place to get it.

MR. BOGANY: Okay. And so we would take his comments and probably work on maybe trying to come up with some other areas.

MS. ANDERSON: Absolutely.

MR. BOGANY: Okay. Mr. Salinas, you have any comment?

MR. SALINAS: No, just the HOME Program -- do you think it's doing what it's supposed to?

MS. ANDERSON: Absolutely.

MS. CEDILLO: I would just like to point out that for 2002, we expect to get $41,324,000 and for the Emergency Shelter Grant Program, $4,687,000 for 2002.

MR. SALINAS: You want a motion on this?

MR. BOGANY: Yes, sir.

MR. SALINAS: I move that we go ahead and approve the 2002 one-year pact.

MR. BOGANY: Second. All those in favor?

(A chorus of ayes.)

MR. BOGANY: Okay. We're going to go to your next spot, and that's Presentation, Discussion and Possible Approval of 2002 TDHCA Regional Allocation Formula.
MS. ANDERSON: Okay. I'm just going to go through a very brief history on this and explain some of the changes that we've made.

This was originally brought about through the '76 Legislative Session, and the intent was that the agency more strategically fund its housing programs geographically, and ensure that each region was getting its fair share based on the identified needs in those regions.

We went through almost two years of public comments -- it was really a year and a half of public comment on it -- and the formula that was developed for last year took into account three factors.

The first one was severe cost burden, which meant you made less than 50 percent of median income, yet were paying 50 percent of your income on housing. And that was 25 percent of the score.

Another 25 percent of the score had to do with substandard housing or dilapidated housing stock. And the 50 percent of the score was based upon a region's poverty level.

And we combined all of those and came up with a regional allocation based on the eleven uniform state service regions. So more or less what it said for the
three housing programs -- that's trust funds, the tax
credit program, and the HOME Program -- this is where how
much money, or the percentage of money you're going to get
of each of these programs.

I would note that there were two separate
formulas developed because the HOME Program doesn't fund
in the participating jurisdictions. Therefore, we felt
that in determining need, you don't include the
participating jurisdiction populations. So we had a home
formula, and then we had a housing trust fund and tax
credit formula, which was a statewide formula.

This last session there were a couple of
changes in our Sunset Legislation. And primarily what it
said was, in addition to the factors that the agency
developed that indicated need, that we should be taking
into account available funding. In other words, if a
region is getting a lot of money from other sources, we
should take that into account as we are allocating our
funds.

So the changes that we're proposing this year,
one, have to do with an adjustment factor based on
available funding. Two, we also added overcrowding census
information. Through public comment and such we felt that
that was an indication of need.
And we've also modified the weights given to some of those need factors. And more or less the way that it works is that we go through and we identify -- we do a need component, and that would tell you the percentage of need by region. And then we have a redistribution adjustment factor, which looking at the single family bond money, the multifamily bond money, the rural development money, where some of our single family bonds have gone, where some of our HOME funds have gone -- taking that into account, have readjusted where some of the funding is going, and what you have before you are the percentages that we're recommending.

MR. SALINAS: I move that we go ahead and approve the recommendations.

MR. BOGANY: Second. All those in favor?

(A chorus of ayes.)

MR. BOGANY: Thank you.

MS. ANDERSON: Thank you.

MR. BOGANY: Okay. Can I enter a motion to adjourn?

MR. SALINAS: I'll move that we adjourn.

MR. BOGANY: Second. All those in favor?

(A chorus of ayes.)

(Whereupon, at 9:25 a.m., the meeting was

ON THE RECORD REPORTING
(512) 450-0342
adjourned.)
CERTIFICATE

MEETING OF: Programs Committee
LOCATION: Austin, Texas
DATE: December 12, 2001

I do hereby certify that the foregoing pages, numbers 1 through 28, 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
(Transcriber) (Date)

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