TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

10:30 a.m.
Monday,
July 29, 2002

Capitol Extension Auditorium
1400 North Congress
Austin, Texas 78701

PRESENT:

Michael Jones, Chairman
Vidal Gonzalez
C. Kent Conine
Beth Anderson
Norberto Salinas

STAFF:
Brooke Boston
Tom Gouris
Robert Onion
Delores Groneck
Edwina Carrington
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ITEM 4: Presentation, Discussion and Possible Approval of the Staff Recommendations of Projects for FY2002 Low Income Housing Tax Credit Program Allocation Round and Issuance of Forward Commitments for 2003 Allocation Round and Issuance of Waiting List for 2002

Changes in the allocation of low income housing tax credits due to applications withdrawn since the last Board meeting; applications that may be withdrawn at the Board meeting or after the date of this publication; and applications added or removed due to appeals or litigation.

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Executive Directors Report

EXECUTIVE SESSION

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PROCEEDINGS

CHAIRMAN JONES: I call to order the board meeting of the Texas Department of Housing and Community Affairs for July 29, 2002. And our first order of business will be the determination of the quorum. Ms. Anderson?

MS. ANDERSON: Here.

CHAIRMAN JONES: Mr. Bogany is absent. Mr. Conine?

MR. CONINE: Here.

CHAIRMAN JONES: Mr. Gonzalez?

MR. GONZALEZ: Here.

CHAIRMAN JONES: Mayor Salinas?

MR. SALINAS: Here.

CHAIRMAN JONES: And Mr. Jones is here. We do have a quorum. Our next order of business will be to ask for public comment. If you haven't already done so, we would request that you fill out a witness affirmation form and give it to Delores. And she is right in here -- over here on the right side of the stage.

You have, pursuant to our rules, the opportunity to either talk now, if you would care to do so. Or you will have an opportunity to talk at the time the agenda item is presented by the staff members. And can everybody hear? I think they can. Good.
All right. The first person I have is Mr. Tom Utter, representing Mayor Lloyd Neal. Mr. Utter? Thank you.

MR. UTTER: Mr. Chairman, thank you. I am here to present a statement that I believe has been presented to you all from Mayor Lloyd Neal, City of Corpus Christi. And I'll read his statement.

"Chairman Jones, members of the board, Ms. Carrington and other members of the staff, as Ms. Carrington knows, I had every intention of appearing here before you today to personally express both my strong support and the support of the City of Corpus Christi for the Holly Park Apartment project, your department number 02107.

"Unfortunately, I had emergency surgery last week that prevents me from appearing before you today. And I'd ask Mr. Tom Utter to provide my statement to you.

I was extremely pleased to learn that Holly Park Apartment project was being recommended by your staff for the Low Income Housing Tax Credit. The city has strongly supported this project for a number of years.

"The City of Corpus Christi has an extremely aggressive housing program that has resulted in approximately $120,000,000 of housing assistance from all sources over the last five years."
"Our local program, however, can only be truly successful when we maximize all available resources, including the Low Income Housing Tax Credit for which Holly Park Apartments is before you today.

"Corpus Christi has tremendous housing needs for our lower-income citizens, particularly two and three-bedroom apartments. The proposed project consists of 172 units made up entirely of two and three-bedroom units, all of which are for families between 40 and 60 percent of median income.

"Also, very importantly, nine units are reserved for households with handicapped or developmentally disabled individuals, an additional and important need in Corpus Christi.

"The location is in an area the City Council has, by resolution, declared a development and redevelopment area. It is a perfect infill project with all of immediately surrounding land compatibly occupied. It lies on a major bus route, and is only a few blocks from South Padre Island Drive, our major business corridor where both shopping and jobs are available.

"To reiterate, I'm very disappointed I was unable to appear before you today, but please be assured of my strongest support of the project. I deeply appreciate the staff's recommendation and solicit your
concurrence and approval.

"In closing, I want to extend an invitation to the board to hold one of your board meetings in Corpus Christi. I understand the board travels across the state from time to time, holding meetings in various cities. To the best of my knowledge, the board has never visited the Coastal Bend area.

"As mayor, I would look forward to welcoming you to Corpus Christi and assisting you with your meeting. I'd be very happy to provide either our council chamber or one of our large meeting rooms at our convention center for your use. Respectfully submitted, Samuel L. Neal, Mayor, City of Corpus Christi. Thank you.

CHAIRMAN JONES: Thank you so much. And please convey to the mayor our thanks for the message, and also for the invitation. Thank you.

MR. UTTER: Thank you very much. Thanks.

CHAIRMAN JONES: And the next I have is Mr. Isaac Matthews.

MR. MATTHEWS: Good morning.

CHAIRMAN JONES: Good morning.

MR. MATTHEWS: To the board, staff members, my name is Isaac Matthews. My wife, Vera, and I are principals of I.V. Enterprises, Incorporated, which is the sponsor of a tax credit application for the Bay Forest
Ranch project in La Porte, TDHCA Number 02081.

After developing a financially successful business, we decided that we wanted to share this success with our community. The focus of our interest was Acres Homes [phonetic] in the Houston area, which is a depressed, primarily African-American community.

After a discussion with Mr. Ethan Garcia, our consultant, we decided that we would like to develop a quality affordable housing project on a tract of land that we owned in Acres Homes.

Due to our lack of experience in multifamily housing development, Mr. Garcia introduced us to John Heddick [phonetic] and Barry Kahn of Heddick-Kahn Development.

We asked them if they would be willing to come aboard as a part of our development team, bringing with them the expertise and financial strength needed for successful development. Our company, I.V. Enterprises, sponsored a tax credit application for a project called Tidwell Estates in Acres Homes.

After several successful attempts to obtain a tax credit allocation, credits was finally awarded in 1999. As we went through the financing process, our lenders and investors requested the Heddick-Kahn take a more active role in the project, to provide guarantees and
other necessary expertise.

Consequently, Heddick-Kahn became a limited partner, with I.V. Enterprise being the sole general partner and co-developer. This project was successfully completed, and is one of the few tax credit projects with on-site daycare, a community center, with their projects has been recommended to the board as allocated tax credits. And it also has an educational program, such as basic computer, GED, English as a second language, and Spanish as a second language.

These programs are designed to improve the lives and future potential of our residents. With the successful Tidwell Estates experience, our company sponsored another tax credit application in 2001, Fountains at Tidwell.

This project received an allocation of tax credit because it's now under construction. Once again, our lenders and investors asked that Heddick-Kahn been involved with the project as a limited partner, with our company being the sole general partner and developer.

However, this time our company is taking a much greater role, and Heddick-Kahn is taking a lesser role because of their experience we gained in our first transaction. TDHCA's goal of allowing experienced for-profit developers to mentor and provide capacity building
for HUBS like ours, is truly being met.

This year, our company sponsored a tax credit application for the Bay Forest Ranch project in La Porte, my boyhood hometown. Again, my interest was to improve housing opportunities for the lower-income residents in my former community, which has a severe shortage of quality affordable housing, particularly for minority residents.

With the success of our two prior projects, we kept our same development team intact. The involvement of Heddick-Kahn as a limited partner gives our lenders and investors comfort and helps our company to continue to develop its expertise.

We are pleased that this project has been recommended to the board for an allocation of tax credits.

Now, in years past, Heddick-Kahn also sponsored a tax credit application this year. Their project has also been recommended to the board for an allocation of tax credits.

It has been suggested that because of the involvement of Heddick-Kahn in both projects, an allocation of tax credits to each project would violate the QAP rule, that no more than $1.6 million of tax credit can be awarded to any applicant or related party.

This is not true. Heddick-Kahn has a very different role in these two projects. The involvement of Heddick-Kahn in our various projects has evolved over
time, and has not recently been put together to allow
Heddick-Kahn to avoid the $1.6 million cap.

Nonetheless, we understand the difficulty that
the board and staff go through in making tax credit
allocations. We realize the interpretation of the $1.6
million rule cap can be debated and applied as being right
and wrong can take forever. And we certainly do not want
a dark shadow cast on the Heddick-Kahn company because of
their relationship with our company.

And I.V. Enterprise do not want to be a logjam
in a process that we know must move on rapidly and in a
smooth manner. Therefore, respectfully, we would like to,
at this time withdraw application number 02081, and we
hope that you all will consider this much-needed project
at a future time. Thank you.

CHAIRMAN JONES: Thank you, sir. At the board
member's pleasure, we have many requests to speak. And we
have tried to avoid having time limits. But today, in
order to have a -- I think a reasonable meeting, we may
need time limits for speakers. And the Chair would
suggest three minutes.

We do have the discretion to set time limits
when we have to. The Chair would suggest three minutes,
and would impose that three-minute time limit, unless some
board member has an objection to that. And feel free to
object.

Hearing none, we'll try to keep to a three-minute time limit. And again, I apologize to all of you who are here for that. But we just have so many people that want to speak. And I think to get through today, we're going to have to have that requirement. Mr. Barry Kahn?

MR. KAHN: I will pass.

CHAIRMAN JONES: Okay. Now, does this mean you would like to speak when the agenda item comes up? Or you just don't care to speak? Thank you, sir.

Mr. Najera.

MR. NAJERA: Manny Najera.


MR. NAJERA: Good morning.

CHAIRMAN JONES: I'm sorry.

MR. NAJERA: That's all right. It's been called all kinds of things. I did notice that you put the three-minute limitation right before a politician came up. But that's all right. That's been done to me --

CHAIRMAN JONES: I'll say right now. I just think it went up to six.

MR. NAJERA: Do you realize that I'm on the Urban Affairs Committee? Is that it?
CHAIRMAN JONES: Twelve. Is 12 okay? Do you need more than an hour and a half?

MR. NAJERA: I do. Thank you very much for the opportunity to come before you. Good morning, Chairman. Good morning, members.

CHAIRMAN JONES: Good morning.

MR. NAJERA: And I'm here to support the Region 10. I am from El Paso. I represent the people from El Paso. Not all of it.

But I do represent the east side of El Paso. And I'm here to give them my support, even though one time I went to provide my support at one of the TxDOT meetings, and Chairman Johnson -- he told me right after I spoke. He says, Well, you do realize that when state representatives speak on behalf of a project, we kill the project. So I hope you don't do that.

But you know, we need forward money. We need homes -- affordable housing in El Paso right now. This is not something that, you know, in five years -- in ten years. We actually have people that need their first-time homes.

And I'm sure that holds true for everybody. But I'm here representing my constituency. And because of that, I'm asking you that, you know, you -- however you can, you help us out.
And I do want to thank you, though, for what you have done. We have not received everything that we asked for. And I think that's pretty standard. However, what we have received, we do want to thank you for it. But we do -- the good old word, however, you know -- however, we are asking you to take a look at providing us with some more assistance.

We're not here as a handout. We're here to be able to help the people that need our help. And for that, I thank you very much.

CHAIRMAN JONES: Representative, I would say we had an opportunity a few months ago to have a board meeting in El Paso, and met a number of your constituents. And it was really, I think, a fruitful board meeting that we all enjoyed. Mayor Salinas has just gotten back -- oh, excuse me. I'm looking the wrong way. The good mayor has just gotten back from El Paso. He was telling me about spending three days there.

MR. NAJERA: Three days. That's wonderful.

CHAIRMAN JONES: And I think making some progress there. So we certainly are interested.

MR. NAJERA: Thank you.

CHAIRMAN JONES: And we certainly are aware of the needs. And we thank you so much for being here.

MR. NAJERA: Thank you. And you're always
welcome in El Paso.

CHAIRMAN JONES: Thank you, sir.

MR. NAJERA: Thank you all.

CHAIRMAN JONES: The next speaker we have, and I will try not to butcher this name, is Paula Campbell from Representative Gidding's office. Can I say Campbell?

MS. CAMPBELL: Good morning, Mr. Chairman and board members.

CHAIRMAN JONES: Good morning.

MS. CAMPBELL: I'm here to read a statement from Representative Giddings. She is on legislative travel right now, so she asked me to read her letter to you.

"Dear Chairman Jones and members, one of the applicants for the current round of funding is the Sphinx at Murdeaux. This project is located in the district which I have the opportunity to represent in the Texas House of Representatives.

"I am currently on legislative travel. However, this issue was brought to my attention by my staff after a visit from the developers of the project in question. I therefore ask that you shed some light on this matter.

"It appears that the Sphinx project was recommended on the initial recommended list with a score
of 153. However, the latest list of recommendations did not include this project. I am interested in knowing if this is the first time this has happened. If it is not the first time, then how many times in the past has this occurred?

"I do acknowledge and understand that a number score is only one of the measurement elements. The initial recommended list document from the Agency indicated that the Sphinx project did score high enough to warrant recommendation from the staff. But the second list did not.

"Did you not realize this before you placed it on the first list of recommended projects? Additionally, there are other projects on the current list, which was distributed to developers on last week that scored less than Sphinx.

"Secondly, after reviewing the supporting documents for the round of funding, I noted that there is a project in Fort Worth that is being placed on the recommended list in anticipation of a court order.

"Do we place any project on the recommended list if a suit is filed? If not, why in this case have we committed some error or violated some rule of law? If not, why would we expect such action from the Court?

"Unfortunately, I am again this week on
legislative travel and seeking answers from a distance. This is, however, a matter of concern for me. It is very difficult to explain the actions of the agency to someone else if I am unable to understand them.

"Hopefully, this is the time we have not only rules, but practices that are objective and not subjective. Upon my return, I would appreciate -- I would be appreciative for a briefing to discuss the Agency's policies and practices in this area.

"Chairman and members, yours is a difficult task, and I am appreciative to you for your time and service. Sincerely, Helen Giddings."

CHAIRMAN JONES: Thank you, ma'am.

MS. CAMPBELL: You're welcome.

CHAIRMAN JONES: And please thank the representative.

MS. CAMPBELL: All right.


(No response.)

CHAIRMAN JONES: Mr. Robert Burchfield.

MR. BURCHFIELD: I'll stay under an hour and a half for sure. My name is Rob Burchfield. I'm from Houston, Texas. And I'd like to take just a second. I've been involved in this program since 1994, done several
projects, been honored to do that.

And I'd just like to comment very briefly that I think that what has happened in the last two, two-and-a-half years, bringing us out of the valley of the shadow of -- this board and the last board and this particular staff -- bringing professionalism back to housing in the state of Texas is something that I'm proud to say I'm involved with.

And I'd like everyone else who is to thank you with their hands. Thank you for what you've done. Thank you. I think it needed to be said.

I come this morning for disaster relief. It's something that is a situation that's not currently available to staff in terms of how to deal with. You very graciously gave us an award for Las Villas de Merida Apartments. This is to be on the west side of San Antonio.

We have closed our construction loan. We have closed our permanent. We have closed our equity. We are essentially under construction. Four days prior to our closing, our friends at Fannie Mae decided that they could not find anybody to do anything about a four-bedroom unit on the west side of San Antonio.

In fact, nobody in anybody's language seemed to know the word "four-bedroom," except, No aqui. In their
infinite wisdom, they decided that they would then take
that as their masthead, and reduce our loan by an amazing
amount. It put us in a position where, as a developer, we
had to decide between our commitments to the community, to
the state, to ourselves, to our mission in housing, and a
development fee.

And essentially, we made the decision to go
forward. We are proud that we did, without 80 percent of
our development fee, I might add. But in the beginning,
we made a request for $75,000 more tax credits than were
awarded.

So it has occurred to me that in a circumstance
like this, I know the board has entertained situations
where a project says to you, We can't make it because we
have been so damaged in the regular market. And our
market right now is affected by 9-11. It's affected by
stock market, all of those things. You know, those things
happen.

But when you get a situation like this, that is
so devastating, that perhaps maybe disaster relief is in
order. And that's what I'm here to at least bring up as
an issue, as a concept, and ask for.

I've always been known to be very bashful in my
life. So the way to do that, when you see something
happen like this, is to say, We're going forward. We'll
make this happen.

But I've seen surprises in the world of development. I had General Electric call me and say, We're not going to go forward with your project, Mr. Burchfield, until you get the oil well off your property. Well, that turned out to be a stolen water hydrant, and it delayed us for 60 days. But these things happen. Crazy things happen in the world of development.

And so when you take it -- a situation like this and bring it down to this point, there ought to be, perhaps, some way to ask the professional group here to say this disaster is enough for there to be the request of some relief. I'm making that request as a way in which to say, I think there might ought to be a mechanism to analyze these sorts of things.

And I thank you for listening today. And again, thank you, thank you again for the professional way in which you -- the Texas Department of Housing is now handling these applications. We are proud again to be Texans. Thank you.

CHAIRMAN JONES: Thank you, sir. Any questions? I'm sorry. Thank you, sir.

Mr. Robert Voelker.

MR. VOELKER: I'll pass until it's time for my agenda item.
CHAIRMAN JONES: Thank you, sir.

Mr. Michael -- and I'm going to butcher this one. Maida?

MR. MAIDA: Right on the number. So thank you very much.

CHAIRMAN JONES: Okay.

MR. MAIDA: Usually it is, but I'd like to pass until the agenda item comes up.

CHAIRMAN JONES: Thank you, sir.

Mr. Brian Cogburn?

MR. COGBURN: May I pass until the agenda item comes up?

CHAIRMAN JONES: Yes, sir.

Ms. Antoinette Jackson.

MS. JACKSON: I'd like to pass until the agenda item comes up.

CHAIRMAN JONES: Ms. Sheila McNeil.

MS. MCNEIL: Thank you, and Good morning, Chairman Jones --

CHAIRMAN JONES: Good morning.

MS. MCNEIL: -- members of the board, and staff. My name is Sheila McNeil, and I am the council aide for Councilman John Sanders, City of San Antonio, District 2. And he regrets that he is unable to be here today.
But I am here on his behalf, respectfully requesting that you reconsider the Vista at Casa Verde project, project number 02041.

This project is very important to the City of San Antonio, in that it is in an area -- it would be located in an area that has historically been neglected. And it has the full support of the City of San Antonio, in that it has been -- that they have committed $1 million to this project.

We are grateful that you have given us this opportunity to come. We thank you for -- if you will reconsider this project. And on behalf of the Councilman Sanders, if he could be here, he would be grateful to you for this opportunity to speak to you. So we just request that you reconsider this project. Thank you again.

CHAIRMAN JONES: Thank you so much. And thank him for the message.

Mr. Tim Johnson.

MR. JOHNSON: That's an easy one there to remember.

CHAIRMAN JONES: Thank you. I appreciate it. I need all the help I can get.

MR. JOHNSON: Hi. I am here today to speak on behalf of really three or four projects. I am representing Tierra del Sol Housing Corporation and the
Marvelous Light Corporation, which are two nonprofits developing in low-income housing in Region 10.

We've appeared before the June meeting to discuss or request consideration for possible forward commitments for these nonprofit projects. Currently, the two nonprofits I represent have submitted four separate projects. They are small projects in the El Paso area.

And when the new list came out, and we thank the staff for this, we had one of the projects involved, the Geronimo Trails, which was a small project, was on the recommended list, and we appreciate that.

So I am really here to advocate for the possibility of forward commitments for the other three projects, or some of the other three projects, two of which are -- one of which, the Mountainside Townhomes, which is located in the City of El Paso, but is in a blighted area. And then two of the others, Mission Del Valle and Rancho Del Valle, which are located in the town of Socorro outside of El Paso.

And what we discussed in your last meeting was the critical need to try to provide -- bring housing to the colonias developments, or close to the colonias developments as you had talked about in your earlier meeting in El Paso, Texas.

At this point, just what I'd like to go through...
is that we're -- these projects, particularly Mission Del Valle and Rancho Del Valle, are small projects located -- that would meet the goal of bringing housing closer to the colonias projects in the town of Socorro.

Right now, there is -- just rough numbers, there is $5,700,000 available in forward commitments, none of which seem to be even remotely allocated to these colonias project, or trying to serve the colonias projects. They all seem to be concentrated in large projects in the city.

We don't -- we understand that these people need housing, too. And what we would just ask is to -- your consideration for allocating some of this forward commitment money to the small projects. That would allow you to still serve the larger city projects and needs.

We have a 16-unit project and a 32-unit project that would serve the immediate housing needs of these colonias, which is badly -- this is badly needed. And anyways, we would just ask for your consideration in reviewing your forward commitments, that maybe these projects could be funded this year, and again, still meet your goals of serving the cities as well. Thank you very much.

CHAIRMAN JONES: Thank you, sir.

MR. SALINAS: Didn't we make a motion to
approve some of them the last meeting, some forward commitments for two small projects, before we left the meeting the last time?

CHAIRMAN JONES: Edwina, do you want to address that?

MS. CARRINGTON: Mayor, what you instructed us to do at the last board meeting was to underwrite those transactions. They had not been underwritten, and they were not on either the recommended list or the forward commitment list, which you will remember, the board took no action on the forward commitment list.

And so staff has done as board requested, and we have underwritten those transactions. However, it did not change the scores, or it did not change the status of the transactions.

MR. SALINAS: Okay.

MR. JOHNSON: I think -- and Ms. Carrington, just correct me if I'm wrong. I think staff was under the impression that they don't have the discretion to -- that the discretion to actually move these projects into the forward list rests with the board and not with the staff itself.

And so now that they are underwritten, they can -- we can hopefully get the board's recommendation to move those over to the forward commitment round as -- and
thank you very much.

CHAIRMAN JONES: Do you want to comment any further?

MS. CARRINGTON: No.

CHAIRMAN JONES: Mr. Sam Brewster.

MR. BREWSTER: Good morning, and thank you for giving me the opportunity to address you.

CHAIRMAN JONES: Thank you, sir.

MR. BREWSTER: My name is Sam Brewster, and I'm a city representative and resident of the City of Socorro, Texas, which is in El Paso County.

I am here on behalf of the people of Socorro to support Development 02063, which is Rancho Del Valle Townhomes, Ltd., which consists of 32 units of two, three and four-bedroom units, and 02064, Mission Del Valle Townhomes, Ltd., which consists of 16 four-bedroom units. And all of these units are located in the City of Socorro, Texas.

The City of Socorro consists of many low and very low-income families who are in need of affordable housing. They have asked me to ask you for your help, to see that they can get the housing that they desperately need. Each of these developments has handicapped and visually impaired units. These units are located near the colonias and will probably help to eliminate the spread of
more colonias.

I thank you for your time, and the hope that you will take into consideration the appeal by the citizens of Socorro. Thank you.

CHAIRMAN JONES: Thank you, sir.

Mr. Ike Monty.

MR. MONTY: Good morning, board. My name is Ike Monty. I'm here just to echo what the constituents have already said. We have several small deals in Region 10 that have been underwritten. Historically, we have developed small deals in El Paso County.

What we're requesting is that El Paso be considered in the forward commitment decision, if you will, and point out that there is approximately a little over 1,000 units of tax credit units in El Paso.

Historically, until the geographic distribution, we have been a little underrepresented. So we would just respectfully request that you consider us for possibility of the forward pool. Thank you very much.

CHAIRMAN JONES: Thank you, sir.

Mr. Terry Irion.

MR. IRION: Mr. Chairman, members of the board, my name is Terry Irion. I'm representing several property owners adjacent to the Pleasant Valley Courtyards project.

We are asking that the board deem this to be
inappropriate at this time. The site plan for this project proposes an incompatible land use under local zoning ordinances.

The property -- and you're getting a map distributed to you right now. The area highlighted in yellow is the approximate 12.2-acre tract. The tract is divided through the middle, through that narrow point, by a creek. The creek is considered under local ordinances of the City of Austin as a critical environmental feature, or a critical water-quality zone.

The project, as it's laid out, does not take into consideration the appropriate setbacks from this critical water-quality zone. The north tract, which is the piece up at the top of the page, where the designation LO is located -- that's zoned Local Office. You cannot put an apartment project in an office zoning district.

It is highly unlikely that that property will ever get rezoned for multifamily use for three reasons. One, there is opposition from the neighborhood association. Number two, the neighborhood associations are in the process of developing a neighborhood plan, which is due to roll out this fall, which is going to recommend that it be down-zoned to single-family residential.

Immediately south of that north tract, you'll
see a piece of property that's zoned SF-2. That property
was zoned for multifamily development until earlier this
year, when the planning commission urged it to be down-
zoned to single-family.

So this project is going against the trend, which is to reduce the amount of multifamily in this area, and encourage the development of single-family development.

The project is too dense. The project also proposes a bridge crossing between the north tract and the south tract, which is not permitted under local development ordinances. So there are a lot of practical problems with the plan that is submitted, and it is highly unlikely that all of the regulatory constraints can ever be overcome to develop this project. I'll be happy to answer any questions you might have.

CHAIRMAN JONES: Any questions?

MR. SALINAS: What's the name of the project?

MR. IRION: Pleasant Valley Courtyards.

MR. SALINAS: And has it been approved by the City of Austin?

MR. IRION: It has not. And it will require zoning and it will require a lot of other approvals.

MR. SALINAS: Yes, that -- it wouldn't happen if it doesn't get approved by them.
MR. IRION: I'm sorry?

MR. SALINAS: It will not happen if it doesn't get approved by them.

MR. IRION: That is correct.

MR. SALINAS: So I think the buck stops there at City Hall.

MR. IRION: Okay.

CHAIRMAN JONES: Thank you, sir. Any further questions? Thank you.

Mr. Stephen Brandt.

MR. BRANDT: Mr. Chairman, at this time I'll pass for the agenda items.

CHAIRMAN JONES: Mr. Bill Fisher.

MR. FISHER: Same thing. We'll wait for the agenda item.

CHAIRMAN JONES: Mr. John Delgado.

MR. DELGADO: I'll pass as well.

CHAIRMAN JONES: Dr. Mickey Ukoha.

MR. OKOHA: Mr. Chairman, I'll pass.

CHAIRMAN JONES: Mr. Joe Agumadu?

MR. AGUMADU: I'll wait for later.

CHAIRMAN JONES: Thank you.

Mr. Oji?

MR. OJI: Oji.

CHAIRMAN JONES: Oji. Excuse me.
MR. OJI: Mr. Chairman, I'll wait for the agenda item.

CHAIRMAN JONES: Thank you.

Ms. Diana Kinlaw?

MS. KINLAW: I'll wait until the agenda item.

CHAIRMAN JONES: Mr. Jesse Alcala?

MR. ALCALA: I'll wait until the agenda item, sir.

CHAIRMAN JONES: Mr. Manuel Macias.

MR. MACIAS: Macias. I'll wait until the agenda item.

CHAIRMAN JONES: Thank you, sir.

Mr. Manuel Garza.

MR. GARZA: I'll wait for the agenda item.

CHAIRMAN JONES: Mr. Kelly White? Mr. White?

MS. WHITE: I'll wait for the agenda item.

CHAIRMAN JONES: Oh, I'm sorry. Ms. Cynthia Bast?

MS. BAST: I'll be speaking on it when we get to the agenda item.

CHAIRMAN JONES: Thank you. Mr. Bill Skeen.

MR. SKEEN: I'll wait for the agenda item.

CHAIRMAN JONES: Mr. William Lee.

MR. LEE: I'll wait for the agenda item, Mr. Chairman.
CHAIRMAN JONES: Mr. Alfred Moran?

MR. MORAN: Mr. Chairman.

CHAIRMAN JONES: Thank you.

MR. MORAN: I'll speak. Thank you.

CHAIRMAN JONES: Good morning, sir. We appreciate it.

MR. MORAN: Okay. Good morning, Mr. Chairman, members of the board. My name is Alfred C. Moran. I'm an attorney representing Pampa Gardens, Limited, the sponsor of Pampa Gardens Apartments, TDHCA Number 02115.

This matter comes before you on an appeal from a staff decision removing the application from further consideration. While the project would have provided much needed affordable housing in rural Texas, upon further consideration, we have decided to withdraw our appeal at this time. And we want to thank you and your staff for your courtesy and professionalism. Thank you.

CHAIRMAN JONES: Thank you, sir.

Ms. Laura Van Dyck.

MS. VAN DYCK: I pass till the agenda item.

CHAIRMAN JONES: Thank you.

Mr. Michael Landford.

MR. LANDFORD: The same.

CHAIRMAN JONES: Mr. Jay Stewart.

MR. STEWART: I'll wait for the agenda item.
CHAIRMAN JONES: Yes, there's -- yes, there's a development in Killeen. And somebody from the JDP Group would like to speak. And I'm sorry. We can't read your name.

VOICE: Jimmy Irwin.

CHAIRMAN JONES: Okay. So he does not wish to speak?

CHAIRMAN JONES: Okay. He would like to speak at the -- possibly. Maybe, maybe not. Who knows?

VOICE: If he shows up.

CHAIRMAN JONES: If he comes, he might like to speak. Maybe not. It just all depends. Yes, I guess. I understand.

Mr. Ignacio Grillo.

MR. GRILLO: Yes. I'll speak.

CHAIRMAN JONES: Oh, thank you. We're starting to feel lonely up here.

MR. GRILLO: Good morning to the board. Mr. Chairman, I want to thank you very much for the opportunity to speak before you today. I'd like to begin by thanking Ms. Carrington and the department staff for all of their diligent efforts. It's a difficult, difficult prospect. And we appreciate everything that they do.

I'd like to thank the board for the decision
that you took at the last meeting in requesting that our
project, which is project number 02123 in Region 6, be
sent to Underwriting. Our project did underwrite at the
same score that we had requested.

And in light of today's development of Mr. Matthews withdrawing his application 02081 from Region 6, and in consideration of the dollar amount available in Region 6, we respectfully request consideration for an allocation or for forward commitment. Thank you very much.

CHAIRMAN JONES: Thank you, sir.

Mayor Bob Young. Mayor Young.

MR. YOUNG: Good morning.

CHAIRMAN JONES: Good morning.

MR. YOUNG: I'm the mayor of the City of Cedar Park, Bob Young. And I come before you today to again voice my strong support for your project 02128, the Cedar Point Retirement Apartments.

This need for our senior citizens in our city has not been addressed, and has been a very difficult issue, and has always been a priority among those involved in the city, the city council, and our citizens.

It has remained a number-one priority, and I expect it will for some time to come. We need these projects in our city, as opposed to other surrounding
metropolitan areas like Austin or Georgetown or Round Rock. We need those in Cedar Park so that our seniors can stay home and be provided a place to live.

We are asking, as an appeal, for TDHCA to consider a forward commitment for our project so that we can move forward and provide this much-needed project in our city.

I would appreciate your consideration for project 2128, and I'll keep my remarks very brief, and conclude with thank you.

CHAIRMAN JONES: Thank you, sir. Thank you, Mayor Young.

Mayor Duprey.

MR. DUPREY: That's -- I'm mayor pro tem of Cedar Park. I'm here with our mayor today. And thank you ladies and gentlemen for your time and your service. I'm not jealous of the decisions you have to make. There isn't an undeserving project in the bunch.

But there is no place like Cedar Park, no place like Cedar Park that's grown so much so fast. It's the fastest-growing city in the fastest-growing county. And the number of senior citizens has grown along with that growth.

We've had a 600 percent growth or so in the '90s. And the senior citizens have the Cedar Point
Retirement Apartments, number 02128, to look forward to in their future, I hope. There is nothing like it in Cedar Park. The citizens -- I'm looking to be a senior citizen myself. I'm looking forward to a place like this myself.

It will be a first for our town. Now they'd have to go into Austin to get a similar facility. And the mayor and I like this thing so much, that we -- although we're uncompensated council folks, we're here for free on our own time coming to ask for your support for this project. Thank you for your time.

CHAIRMAN JONES: Thank you for being here. We appreciate the effort.

Mr. Darrell Jack.

MR. JACK: If I could save the time for the agenda item?

CHAIRMAN JONES: Certainly. Mr. Fred Odanga.

MR. ODANGA: Good morning, Chairman, board members. Thank you for giving the opportunity to address you this morning. My name is Fred Odanga, one of the general partners of project number 2133, Ryans Crossing Townhomes and Villas in Selma, Texas.

We filed an appeal to the department early on this month, which was denied. We then filed an appeal to the board, which I believe you should have a copy of it. We felt that the department gave us guidelines in putting
our petition together, which we followed.

   And during the course of the preparation of our
application, it became apparent that they had changed the
rules of the game, which was not conveyed to us. So we
felt that we're being punished for a rule that was changed
and was not communicated to us.

   For this, I would like to call up my
consultant, Mr. Darrell Jack, who can elaborate on some of
our complaints.

   Darrell?

CHAIRMAN JONES: This is Mr. Jack. Mr. Jack?

MR. JACK: Thank you. Board members, my name
is Darrell Jack. And my firm is Apartment Market Data.

   We do a great deal of research and data gathering around
the state of Texas, and we were brought in at the last
moment on this particular project to evaluate the state's
underwriting of the operating expenses of the project.

   If I might, I do have a letter that shows you
our analysis. Basically, as I went through the state's
underwriting, we saw that this project was underwritten
with operating expenses of $3,900 a unit. Being that over
13 years I've operated apartment projects throughout the
state of Texas, and San Antonio being in my backyard, we
have a particular finger on the pulse of San Antonio.

   We went through several particular comps and
supplied the additional data to the state. What we found is that the operating expenses pro formaed by the developer were adequate for the San Antonio apartment market.

In fact, the $3,900 a unit that the state used to underwrite was well in excess of what IREM [phonetic] reports for any major city within the state of Texas. That's Houston, Dallas, Austin, San Antonio. Also, looking at a second source, the Urban Land Institute, we're still well below the $3,900 a unit.

Respectfully, I submit that the operating costs in San Antonio are much closer to 3,000 to $3,100 a unit, and we have comp information that does support that information.

As such, I think that a review of this project would probably adjust the points allocated to this particular project, and raise it back up to one of the top positions within Region 8-A. You know, the -- this is not only the -- it's not the only project throughout the state that I'll be commenting about operating expenses to today.

Particular concern is that it appears that the underwriting department uses price per square foot, rather than a per-unit expense. And it's debatable as to what methodology is correct.

But what I will tell you is that in these
particular units, tax credit units typically tend to be much larger, because you're dealing with a -- sometimes three and four-bedroom units that aren't seen in the market.

Applying a price per square foot really doesn't give you a reasonable test of accuracy of what it costs to operate. You still have the same number of refrigerators, the same number of toilets, typically. It doesn't cost any more to market a 180-unit project of smaller units than it costs to market a project of 180 larger units.

You know, typically, you see differences in utility expense, garbage removal, things like that. We have accounted for that in the analysis that we did. And I think that while I don't agree with the line item totals that the developer pro formaed, the overall price per unit of the project does fall within acceptable guidelines for the San Antonio area.

And I would suggest that the developer come back, realign the pro forma budget, but that it is adequate for the needs of this particular project. And if I could leave you with our analysis.

CHAIRMAN JONES: Thank you, sir. Thank you, Mr. Jack.

MR. JACK: Thank you.

CHAIRMAN JONES: I notice that Senator
Barrientos came in.

Senator Barrientos, we're taking public comment. Would you like to speak to us?

MR. BARRIENTOS: May it please the board, Mr. Chairman.

CHAIRMAN JONES: Thank you, sir.

MR. BARRIENTOS: Thank you for this opportunity. I know you have a long and important agenda, so I'm going to be brief. During the application process, I wrote several letters of support for projects I thought had outstanding merits, such as those which provided specially affordable rents, housing targeting the elderly, or transitional housing for victims of domestic violence.

So in general, I try to focus my efforts on helping those who I believe need it the most. I'm here today to urge your consideration, among others, of the Pleasant Valley Courtyards, located in Southeast Austin.

I have provided a letter to your staff that echoes my comments. I have also included in your materials -- there should be two letters of support for projects located in the district which I represent that were sent to you last week.

Members, I appreciate your consideration you give to all of the projects in the state and those, of course, in the district which I represent throughout the
greater Austin area. Despite the downturn in the economy and real estate market, Austin continues to have a defined need for especially affordable rental units. And this program helps provide them.

I thank you for the service to our state of Texas, ladies and gentlemen. Thank you very much.

CHAIRMAN JONES: Thank you, sir. Thank you for your help. I also noticed that Representative Carter is here.

Representative Carter, we want to thank you for the use of the room. It's my understanding we wouldn't have it but for you. So thank you so much. And we are taking public comment. Do you have any words of wisdom for us?

MR. CARTER: Well, probably not any wisdom, so I'll just do it from here.

CHAIRMAN JONES: You sure may.

MR. CARTER: The -- I'm very pleased with the progress that we're making in the affordable housing process in Texas.

And I think it's very important that the national mayors -- we've got a National Association of Mayors has declared that affordable housing is a number-one priority in cities across the country, and certainly that's true in Texas.
And so hopefully, the cities will start doing more planning in order to make affordable housing available to the citizens in their communities. And if they -- and we have set in motion to the legislation we passed last session and whatnot, that -- and more money in the pot, that cities can do this now.

So we're in the process now of trying to get these regional coordinators put together so they can work closer with the cities so that we will be able to start this process at the city level. And then it will come through the channels.

And then maybe we can help them on some very worthy projects through the Governor's office. So you all do a great job. And keep up the good work.

CHAIRMAN JONES: Thank you, sir. Appreciate your help.

Our next forum is from Mr. Kurt Kehoe.

MR. KEHOE: Mr. Chairman, I'll delay for the agenda.

CHAIRMAN JONES: Okay. And those are all the witness affirmation forms I have. If I haven't called your name, then I don't have a form from you. So I assume I've gotten everybody. I see no objections. And so with the exceptions of those who are going to speak at the time of the agenda item, I will close our time period for
public comment.

I would like to, at this point in time, take an opportunity to introduce some of the people we have with us.

Mr. Morales from the Speaker's office, it's always good to have you. Thank you for being here and helping us.

We have Julie Street from the Urban Affairs Committee. Ms. Street. Okay. All right. Thank you for being here.

We have Ms. Stacey Gunkel from the Lieutenant Governor's office. Excuse me. Oh, there, there. I see. All right.

Mr. Bobby Gerash from the Speaker's office. Gerash? And we have Marcelo -- help me with this one. Guevarra with the Sunset Commission.

MR. GUEVARRA: Guevarra.

CHAIRMAN JONES: Guevarra. She said it, I didn't. Yes. She's getting me in all kinds of trouble already with the Sunset Commission because she's telling me the wrong name in my ear. Golly. They even have written it out for us, and we still can't get it right.

I tell you what, I can't say a name for the life of me.

VOICE: Where'd you go to school? Baylor?
CHAIRMAN JONES: Yes. That's what they say.
Well, with that, we'll close our time for public comment
and turn our attention to the first item on the agenda.
    And I do want to say this, Mr. Conine.
    I've heard from everyone what a wonderful
meeting we had last time when I was gone, and you were
the chair of the meeting. I'm sure everybody says that to
me quite pointedly, wanting me to get the message. But I
will say this.
    The message means nothing, because everybody
knows you run every meeting whether I'm here or not, Mr.
Conine. So it makes no difference.
    MR. CONINE: Thank you.
    CHAIRMAN JONES: With that, I will turn the
board's attention to Item 1 of the agenda.
    MR. CONINE: Move for approval of the minutes
for June 13 and June 24.
    MR. SALINAS: Second.
    CHAIRMAN JONES: And we have a motion made and
seconded. Any discussion, questions, or comments?
Hearing none, I assume we're ready to vote. All in favor
of the motion, please say aye.
    (A chorus of ayes.)
    CHAIRMAN JONES: All opposed to the motion, say
nay.
(No response.)

CHAIRMAN JONES: The motion carries. And at this time, I would like to turn our attention, with the board's permission, to Item 2 of the agenda, and that would come under Mr. Conine's direction.

Mr. Conine.

MR. CONINE: Mr. Chairman, Item 2(a) will be a report from Bill Dally, I presume, to give our third-quarter investment report.

MR. DALLY: Good morning, Mr. Chairman, board members, Ms. Carrington.

CHAIRMAN JONES: Good morning.

MR. DALLY: Today I'm requesting your acceptance of the third-quarter investment report. I'm going to go -- just touch on the highlights. Overall -- this is under Tab 2(a) in your book.

Overall, the portfolio decreased by about $51 million this last quarter. That's due, in large measure, to the maturities in the single-family mortgage side, those things paying off and stuff. And also, we had some paydowns in the multifamily portfolio, some partial paydowns.

The portfolio as a whole is made up of 62 percent mortgage-backed securities, 29 percent are either guaranteed investment contracts or investment agreements.
Four percent are repurchase agreements. And 5 percent others. Those are Treasuries and T-bills and stuff.

We had purchases in this last quarter of $30 million in mortgage-backed securities. So those were the loans that were made over this last quarter and turned into securities. Those had rates ranging from 4.95 to 6.45 as the pass-through rate.

The market value of the portfolio as a whole did decrease by about $2.6 million. That is in large measure due to just the overall shrinkage of the portfolio. However, I would point out that the market value as of May 31 is still $4 million more than the PAR or carrying value.

Mortgage rates this quarter versus last quarter are roughly the same, at about 6.8 percent. The last thing I want to bring to your attention is despite the fluctuations in the market, the key thing about this portfolio is that these sets of mortgages and investments are there and in place, and will make the debt service, and eventually pay off the debt that's related to them. And that's all in place.

There is also a detail behind this of all of its investments. And right now I'd entertain questions if you have any.

MS. ANDERSON: I move approval, Mr. Chairman.
MR. CONINE:  Second.

CHAIRMAN JONES:  We have a motion made and seconded.  Further discussion, question or comments?

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

(A chorus of ayes.)

CHAIRMAN JONES:  All opposed, nay?

(No response.)

CHAIRMAN JONES:  The motion carries.

MR. DALLY:  Thank you.

MR. CONINE:  Next, Item B, approval of the extension of the origination period for Program 55.

Mr. Johnson?

MS. ANDERSON:  Byron will be B, C, and D.

MR. CONINE:  B, C, and D?

MS. ANDERSON:  Okay.

MR. JOHNSON:  Good morning.

CHAIRMAN JONES:  Good morning.

MR. JOHNSON:  Here to request authorization to extend the origination period for Program 55.  We started out with $64 million in lendable proceeds.  We're down to about 500,000 -- $600,000, and we need to extend the origination period so that we can go ahead and get that out the door.

We can't permit the lenders to originate that
until we extend the origination period. And we're pretty certain they can move it out.

MR. CONINE: Mr. Chairman, I so move for approval of Item B.

CHAIRMAN JONES: Is there a second?

MR. SALINAS: Second.

CHAIRMAN JONES: The motion has been made and seconded. Questions, comments? Hearing none, I assume we're ready to vote.

Mr. Conine?

MR. CONINE: Do we need a resolution number with this in the motion? Resolution 02-036. Is that correct?

MR. JOHNSON: Yes.

CHAIRMAN JONES: So included in your motion. Further questions or comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: Motion carries.

MR. CONINE: Item C. Do you want to go ahead
and handle that, Mr. Johnson?

MR. JOHNSON: Thank you. We are in the process of structuring our next single-family revenue bond transaction. As you may recall, in April we took down a part of our annual volume cap allocation from the Bond Review Board. That amount was $32,750,000.

We now wish to go back to the Bond Review Board to request the balance of the volume cap, which will equal $117,762,826. And we anticipate issuing a pricing bonds in September, and closing in October.

MR. CONINE: Mr. Chairman, we also have Resolution 02-035 in regards to this particular motion. And I move for approval.

VOICE: Second.

CHAIRMAN JONES: We have a motion made and seconded. Any questions, comments? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed to the motion, please say nay.

(No response.)

CHAIRMAN JONES: The motion carries.

MR. CONINE: Item D, Byron.

MR. JOHNSON: Yes. Thank you. Back in late
August of last year, you authorized us to take a look at issuing junior lien mortgage revenue bonds. We found that that transaction was feasible, and issued the bonds in March of this year.

At that time, we recommended certain uses for the bond proceeds. Those uses were the bootstrap program, downpayment assistance, the cost of issuance, preservation, statewide architectural barrier removal program, transitional housing, and we left a little bit over just in case we needed money for something that came up.

About three or four months have passed, and we've determined that, I guess, a couple of those programs we cannot use the funds for because of restrictions from the bond indenture. So we're coming back to request that we revise the uses of the bond proceeds.

What we are recommending is that we de-obligate, not de-allocate, the funds from the architectural barrier removal program, which equals $1 million, and from the transitional housing PILOT Programs, which was equal to $1-1/2 million.

Now, we're requesting that we instead allocate the funds to, I guess, a home demonstration funding project that will be discussed in further detail after I finish speaking. We'll request $2 million for that
project or that use. And those funds will be used to preserve multifamily units already being used for affordable housing.

By reallocating the funds to that purpose, we would address HOME, multifamily tax credits, rural and preservation initiatives in one blow. And further, the funds would be available. And the projects are ready for funding almost immediately after this is approved.

The second new program we're recommending for use with the bond proceeds is a Section 8 home ownership voucher program. This program is under development, but we anticipate having something for you in about 60 days.

These funds would be used in conjunction with Section 8 rental vouchers, which PHH can designate to be used for home ownership. So we're requesting that a million dollars be allocated to that purpose.

So to sum up, we want to take the money from SABRE and transitional housing and transfer it to Preservation and Section 8 home ownership vouchers.

MR. CONINE: Mr. Chairman, I move that we accept staff recommendation on Item D.

MR. JOHNSON: Second.

CHAIRMAN JONES: Motion's been made and seconded.

Excuse me, Mr. Conine?
MR. CONINE: I do have a question or two.

CHAIRMAN JONES: Yes, sir. Please.

MR. CONINE: How did we get from deciding months ago that the transitional housing and the architectural barrier housing was a bona fide use of the funds, yet several months later we decide it's not?

MR. JOHNSON: We're supposed to use the funds for program uses for housing directly related to the construction or renovation or creation of affordable housing.

In connection with the transitional housing and the SABRE program, we determined that, I guess, a third party was required to administer the funds in terms of inspections and other soft costs associated with, I guess, constructing or improving a home to meet the standards or requirements for barrier removal.

Those soft fund dollars cannot be funded through the junior lien program. Therefore, we would have to attach other department funds for that purpose, and we really don't have other funds.

MR. CONINE: Did we not know that before we issued the bonds originally, or what --

MR. JOHNSON: We --

MR. CONINE: Did AG issue an opinion, or how did that happen? Just -- I'm just not necessarily
concerned. I just want to figure out where the flaw in
the process was originally.

MR. JOHNSON: We stated that we had funds
available, needed to determine what projects were most
feasible or highly required. And we requested permission
to allocate the funds to those purposes. And then we
conducted the due diligence to determine whether or not it
was feasible, and whether we could use the funds for
that purpose.

MR. CONINE: So we did that after the board
gave you your authorization?

MR. JOHNSON: Yes.

MR. CONINE: Just curious about the projects
we're getting ready to look at once we reallocate this.
Were they in -- under a different funding program and
we're shifting them over to this one now, if we make this
decision?

MR. JOHNSON: The first group of four projects
were, I believe, in HOME and Tax Credits. And I can't
explain the details. Robert Onion will be up momentarily
to explain the details associated with that funding.

But there was an issue with funding through
HOME. And these funds are pretty much unrestricted,
except for, well, one of the restrictions was we can't use
it for soft costs. But they're pretty much unrestricted.
And we thought that this would be the best use for the funds.

The second item is in due diligence. And we're going to try to make it work. But if we can't, we'll come back and request another -- or suggest another recommendation.

MR. CONINE: Got it.

MS. ANDERSON: Well, may I ask a question?

CHAIRMAN JONES: Ms. Anderson, surely.

MS. ANDERSON: If we're in due diligence on the Section 8 Homeowner's program, we don't really -- so we don't have a definitive answer on that. Might it not make more sense to just allocate that into a "to-be-determined bucket" so that we don't do what we've just done and have to come back to the board and say, Oh, we didn't clear due diligence again?

MR. JOHNSON: I guess it depends on how far out on a limb I want to go. So I'll say I'll stay close to the tree trunk. And if you want to transfer it to "to be determined" until we -- you know, we define that we can indeed use it for Section 8, we can do that. But it's at your pleasure, at your option.

MR. CONINE: Maybe we can do that subject, too, Ms. Anderson.

MS. ANDERSON: That would be fine, Mr. Conine.
That sounds like a great idea.

MR. CONINE: All right. If I can, I'll amend the motion then, on the Section 8 Home ownership Voucher piece, the subject to the due diligence that staff's doing. And if it doesn't pass the due diligence process, then we can put it in a contingency bucket to be determined later.

MR. JOHNSON: Okay.

MR. CONINE: That was -- I just amended my motion.

CHAIRMAN JONES: I understand. And this is --

MR. SALINAS: I amend my second.

CHAIRMAN JONES: Okay. And the second is so amended. So we have -- we now have a motion on the floor that has been seconded. Further questions or comments?

Ms. Anderson?

MS. ANDERSON: May I ask one other question?

CHAIRMAN JONES: Certainly.

MR. SALINAS: I realize that Mr. Onion is supposed to speak on the next agenda item. But I'd like to understand what he's going to say before I vote on this motion. So is there way we could --

CHAIRMAN JONES: Mr. Onion? We could just ask him to comment, answer your question.

MR. ONION: Robert Onion, Director of
Multifamily Finance. First thing to clear up is originally under this junior lien program, there was 2 million allocated towards preservation. The next agenda item will use the original 2 million.

This here is an additional request for an additional $2 million, because we have a number of applications after posting a NOFA, that -- so we're oversubscribed. We have more requests than we have money.

And so that's the reason why we're allocating the second 2 million. So just to clarify that --

MS. ANDERSON: That answers my question.

MR. ONION: Okay.

MS. ANDERSON: Thank you.

CHAIRMAN JONES: Any further questions or comments? Hearing none, then I assume we're ready to vote on the motion. Any questions, comments? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay. (No response.)

CHAIRMAN JONES: The motion carries. The motion carries. Thank you.

MR. JOHNSON: Thank you.

CHAIRMAN JONES: Finally, Item 2(e), which
would be approval of the loans to be made under the Multifamily Preservation Incentive Program. I assume that Mr. Onion will do that?

MS. ANDERSON: Yes.

MR. ONION: Thank you. Just to give you an overview, these applicants on these four applications applied for tax credits. They, at the same time, applied for HOME funds to fill the gap.

They are currently on the recommended-to-be-approved for tax credits. What we did -- because the HOME funds -- the cycle -- the funds were not available. They have not gone out for a NOFA. What we wanted to do was tie the funds together so that it could immediately get done.

We saw that we had $2 million in the preservation funds. This certainly falls under that category. And so what we're doing is substituting what would be a HOME application for preservation. And we're -- staff is willing to recommend the $2 million be approved on these transactions. And of course, it's contingent upon them receiving tax credits.

The -- in the write-up itself, I do show that these funds will be in the form of a second lien. What I would suggest is that the -- if the board would consider approving that. I'm not happy with the second lien. I
think we can do better than that. But what I would like
to do is have the board approve it at that.

And I could go back and negotiate with Rural Rental Development to come up with something better than a second lien position.

MR. SALINAS: Don't you really have to have a first lien?

MR. ONION: Pardon me?

MR. SALINAS: Don't you really have to have a first lien on HOME programs?

MR. ONION: No, that's not necessary. And certainly with the preservation funds under the junior lien program, there's a lot of flexibility. It's more of a business decision. There are two instances where our funds are higher than the principal balance of Rural Rental Development. In that particular case, since we are providing new funds, I would like to suggest that we have a first lien.

On those other ones where the funds are less than the principal balance of Rural Rental Development, at the very least a parity lien. So those are the things that I need to go back and negotiate with RD. We've had these transactions about two weeks. And I have talked to Gene Pavlik. But we haven't gotten the confirmation at this point.
MR. CONINE: Mr. Chairman, I move for approval of Item 2(e).

CHAIRMAN JONES: We have a motion. Is there a second?

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's been made and seconded. Further discussion? Questions? Comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed to the motion, please say nay.

(No response.)

CHAIRMAN JONES: The motion carries.

MR. ONION: Thank you.

CHAIRMAN JONES: With the approval of the board, I then would suggest that we turn our attention to Item 5 of the agenda, and ask Mr. Gouris -- Tom? There he is. Front row. Front row and center. That's right. Exactly.

Read your mind. Tom, how are you today?

MR. GOURIS: Great.

CHAIRMAN JONES: Good.
MR. GOURIS: Tom Gouris, Director of Credit
Underwriting, presenting the tax credit 4 percent
recommendation for Eagle Ridge Apartments, File Number
01462.

The applicant requested $565,207 in credits.
We're recommending 565,035. The slight reduction is due
to a minor adjustment to the eligible basis. It's a
straightforward bond transaction with 4 percent credits.
We're not the issuer. We're only allocating the tax
credits. And we recommend that allocation.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

CHAIRMAN JONES: We have a motion made and
seconded. Further questions, comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. Thank
you.

MR. GOURIS: Thank you.

CHAIRMAN JONES: With that, and also again,
with the board's approval, I would like to ask that we go into Executive Session.

In order that the people in attendance might know what we plan to do, I imagine the board will be in Executive Session for some time. It would be impossible to state with any precision exactly how long that will be.

Thereafter, I believe we will take a lunch break, subject to what the board wants to do. And my guess will be that we will be back in session sometime between 1:00 and 1:30. That's about as good as I can do as far as predicting things for you.

With that, on this day, July 29, 2002, at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board of Directors adjourned into a closed Executive Session as evidenced by the following:

Announcement by presiding officer: The Board of Directors will begin its Executive Session today, July 29, at 11:52 a.m. The subject matter of this Executive Session deliberation is as follows:

Number 1, Litigation and Anticipated Litigation, Potential or Threatened, under Section 551.071 and 551.103, Texas Government Code, Litigation Exception.

1) Sheltering Arms, Community Affairs Program Recipient -- excuse me. Excuse me. We are trying to make
a record here. Just a second. Sheltering Arms, Community Affairs Program Recipient, and

Number 2, Century Pacific Equity Corporation versus Texas Department of Housing and Community Affairs, 53rd Judicial District Court of Travis County. Number 2, Consultation with Attorney, Pursuant to Section 551.0712, Texas Government Code.

Number 3, Discussion of any item listed on the board meeting agenda of even date. With that, we will go in Executive Session.

(Whereupon, at 11:52 a.m., the hearing was adjourned, to reconvene this same day, Monday, July 29, 2002, at 1:30 p.m.)
AFTERNOON SESSION

(2:09 p.m.)

CHAIRMAN JONES: I now call back to order the
Meeting of the Board of Directors of the Texas Department
of Housing and Community Affairs for July 29, 2002.

The Board of Directors met in Executive
Session. The subject matter of this Executive Session
deliberation was as follows:

Litigation and Anticipated Litigation,
Potential or Threatened, under Section 551.071 and
551.103, the Texas Government Code, Litigation Exception,
Number 1, Sheltering Arms, Community Affairs
Program Recipient, and Number 2, Century Pacific
Corporation versus Texas Department of Housing and
Community Affairs, 53rd Judicial District Court of Travis
County, Texas. Action taken, none.

Number 2, Consultation with Attorney, Pursuant

Number 3, Discussion of any item listed on the
board meeting agenda of even date. Action taken, none.

The Board of Directors has completed its
Executive Session of the Texas Department of Housing and
Community Affairs on July 29, 2002, at 2:10 p.m. I hereby
certify that that agenda of the Executive Session of the

ON THE RECORD REPORTING
(512) 450-0342
Texas Department of Housing and Community Affairs was properly authorize pursuant to Section 551.103 of the Texas Government Code posted in the Secretary of State's office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code; that all members of the Board of Directors were present, with the exception of Mr. Shadrick Bogany, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code as amended. Signed by myself, Michael E. Jones, Chair.

And with that, I will turn us back to our agenda. And the first agenda item -- or the next agenda item we have is Item 3, which is the presentation, discussion and possible action on appeals to the board for the Low Income Housing Tax Credit applicants on application matters as follows.

And what I would like to do is first take public comments with regard to these appeals, and do them, I believe, in the order in which they come up on our agenda. And the first person to speak would be Mr. Robert Voelker.

MR. VOELKER: Good afternoon, Mr. Chair and members of the board. My name is Robert Voelker. And I'm here to discuss our appeal on the Eagle's Landing
Apartment project, number 02015.

I'm going to make this real short. The only reason I filed an appeal is to protect our interest, I guess, in that we're on the recommended list for a forward allocation. There is really no reason to hear our appeal, to the extent that we're going to get an allocation.

That being said, since I know there are some other appeals that could potentially move, I guess all I really have to say about our appeal is I'm hoping that what I set forth for you in writing is detailed enough for you to understand the issues that were presented. And if you have any questions, I'm happy to answer them.

CHAIRMAN JONES: Thank you, sir.

The next speaker will be Mr. Michael Maida.

MR. MAIDA: Maida.

CHAIRMAN JONES: Maida. Excuse me. I'm sorry.

MR. MAIDA: If I could, I want to personally comment just a little bit. I have handed these out as part of my comments earlier. And they were attached.

And since we were discussing the three-minute time limit, I'd actually move it along fairly quickly --

CHAIRMAN JONES: Thank you.

MR. MAIDA: -- for the court's indulgence, if you would, or the board's indulgence.

CHAIRMAN JONES: Court. Yes. Geez. Don't --
MR. MAIDA: Yes. Don't mention court right now.

CHAIRMAN JONES: Yes, you're insulting at least five of the six members.

MR. MAIDA: Good afternoon.

CHAIRMAN JONES: Good afternoon.

MR. MAIDA: Thank you. My name is Mike Maida. I'm appearing on behalf of Ensenada de la Palma, application number 02023. Essentially, what we're addressing today is really two fundamental issues, principally dealing with underwriting concerns.

In this case, the applicant is contending that the department engaged an analysis that needs to take into effect the quality of construction that's going down in Brownsville, Texas, where this application is located, as well as the current market conditions as they exist today.

The applicant is also contending that there are certain construction costs listed in the application that are in fact appropriate, based on design features. And the department has approved the similar developments that have been done by this applicant in this year. And so really, it's a cost -- in essence, it's a cost-per-foot issue.

What occurred, to give you some quick background, is that the underwriter, in its analysis -- or
his analysis, stated the applicant's construction costs were excessive, and should be reduce by $676,000. Excuse me. In reaching this conclusion, there is a regional multiplier, .82, that was used. And in addition, there was an inflation factor that was used, et cetera.

Under the rules on the QAP, it states that in looking at deals, you consider the average cost. And those average costs, however, should -- and it's based on the Marshall and Swift Residential Cost Handbook. And that the rule further states that if the development contains amenities not included within the average cost standard, the department will take into consideration costs of those amenities.

And that's really, in part, what we're here about. We have a number of features in this particular application. And I'm going to give you a few just off the top of my head.

By way of example, there is a SEER rating of 12. The actual Marshall and Swift book says 10. The walls that we're building are nine feet high. The typical average is eight feet, et cetera.

And so we actually went back, and that's what these comments and the grids go to. And using the Marshall and Swift handbook, went back and then one by one, went through all of those items and said, Okay, look.
According to the book, where are we, and what does that turn into?

And if you will take a look at the Marshall and Swift grid that we have, that talks about average costs quality design, there is a dollar figure on the back that says that our total construction costs per the Marshall and Swift book should be $5,667,673.

Our actual direct costs per in our application was $5,804,000. And so there is a difference of about 2 percent. Now, the rules contemplate some sort of tolerance leeway of up to 5 percent. So it is our contention that in using the Marshall and Swift book, our ranges are, in fact, in line.

I'm not going to sit here and tell you that's -- it's clearly at odds with that underwriter has suggested in the underwriter's analysis. So I'm not -- I'm just sitting here saying that when we went back and we went through it, this is what we concluded.

And I think maybe part of the, if you will, the -- I can't say "problem," but at least something for consideration as we went through the underwriter's analysis, we weren't able to tell, quite frankly, where some of these numbers were coming from.

And so maybe that's where we just have some either agreement, fundamental disagreement, maybe some
things that we're looking at, you know, just differently, or were, were not taken into consideration.  

So in essence, that said, that's part of the underwriting issue that we have today. The other piece on the underwriting analysis is that in analyzing the project, the underwriter used 8 percent as the lending rate and a syndication rate of .79.

Current conditions -- now, mind you, these applications were submitted many, many months ago. The conditions as they exist today for this client generate a syndication rate of .81 and a market rate of 7.07 percent.

I know that there is a provision that talks about adjusting the underwriting analysis based on a change in information. Reality is, is these figures are static of necessity, simply because movement of interest rates, et cetera. And as a result, where we are today, we cash flow out better than we did at the time of original submission of the application.

So that said, that addresses the -- at least the underwriting aspect of what I'm here discussing today.

CHAIRMAN JONES: Thank you, sir.

MR. CONINE: Now, we -- we're not going to take action on the --

CHAIRMAN JONES: We were going to take public comment first, and then take action. But if you want to
do them one at a time, we can certainly do that too.

MR. MAIDA: And if there are questions, I'll be glad to --

MR. CONINE: Now, I'm going to forget what the issues are, I'm afraid --

CHAIRMAN JONES: Okay.

MR. CONINE: -- if we don't get staff's response immediately after the public comment.

CHAIRMAN JONES: Okay. Fine. We can certainly do that.

MR. CONINE: That would be helpful, I think.

CHAIRMAN JONES: So we're into two. So please take the first two.

MR. GOURIS: Tom Gouris, Director of Credit Underwriting for Texas Department of Housing and Community Affairs. The first transaction, Eagles Landing -- I guess he didn't really identify his appeal issues in his oral testimony. As I understand, however, as I understand his appeals is contingent on whether or not he gets a forward commitment or not.

Without having his written testimony in front of me, I don't have the issues for the --

CHAIRMAN JONES: I think we understand that one.

MR. GOURIS: Okay.
CHAIRMAN JONES: Let's move to the next one.

MR. GOURIS: Okay. Thank you. On this transaction, we would have evaluated nine-foot ceilings and the other amenity sets had we been aware of them, had they been clearly identified. And that's very possible that some of them may have been identified.

The key point on that transaction is, however, that had we come up with the additional $700,000 or $780,000 in costs to agree with their costs, it would only have created an even larger gap. And even with our lower costs in that transaction, they weren't going to be able to satisfy the gap with the debt that they've proposed.

Clearly, if they had proposed a lower interest rate and a higher syndication rate, a lot of that gap could have been absorbed. But that wasn't the information that was available to us from the underwriter.

MR. CONINE: So you took the -- let me ask a question.

MR. GOURIS: You may.

MR. CONINE: You took the syndication rate and the rate on the debt as what they submitted to you?

MR. GOURIS: Based on the commitment letters that they had provided, yes, sir.

MR. CONINE: Okay. All right.

CHAIRMAN JONES: Does the board now want to act
on the first two? Or do you want to wait to the end to entertain motions?

MR. SALINAS: Do you have a recommendation on the whole bunch?

MR. CONINE: No. I think what -- the staff's already denied -- my understanding --

MR. SALINAS: Right.

MR. CONINE: The staff's already denied.

MR. MAIDA: If I could just generally make one quick point.

CHAIRMAN JONES: Sure.

MR. MAIDA: Just to address something in general.

CHAIRMAN JONES: Okay. Thank you.

MR. MAIDA: I certainly appreciate and understand the difficulty associated with underwriting, because they are static issues. And I'm mindful of the comments. We chatted for a couple of brief seconds.

And I appreciate the concern that if you have something that's originally listed in the application, you're saying you have different information. At what point do you stop in the process?

What I personally run into, though, is the corollary, to me is equally true in that if you submit an application at eight and rates are 10 percent by the time
you get to vote, are we then saying we're going to use what the applicant submitted with the original application?

And so part of why I'm really here today is to question, How do we do this on a realistic going forward -- on a going-forward basis, given that you have market fluctuations?

I mean, one consideration that I have had was that if you were using the debt service rate, and then as long as rates were within the allowable debt service you were fine.

But I think part of this really does beg the question that merely because we had a rate that was higher, because it was accurate at the time, and there is currently a lower rate today with market conditions, the applicant's otherwise being penalized because they're benefitting from the market as it exists today.

That's again, just by way of comment. I don't know how you address that concern. I just think it's a fair one to open up.

CHAIRMAN JONES: Uh-huh. Thank you.

MR. MAIDA: Anyway, thank you, sir.

CHAIRMAN JONES: I appreciate it.

MR. CONINE: Tom, does -- if he used the debt service amount, the gross amount, using some extrapolation
of current debt, would he have enough to cover the gap?

MR. GOURIS: If he used the debt service that he's proposed?

MR. CONINE: Yes, the debt service coverage -- the actual number that's in his pro forma.

MR. GOURIS: Using the --

MR. CONINE: And he used a 7 percent debt on it, instead of eight, or something like that?

MR. GOURIS: I'm sorry. I haven't run that analysis. But --

MR. CONINE: Did his commitment allow for downside on interest rate adjustment? Or was it fixed at eight?

MR. GOURIS: To my -- I don't have the specific -- that specific issue in my head. But typically, they're fixed at the rate.

MR. MAIDA: Does that allow for a change downside? Accordingly, the applicants aren't allowed for a change of potential downside. Probably floated in that place; quite frankly, it wouldn't surprise me if it did [phonetic].

MR. GOURIS: And oftentimes that is the case. There are adjustments made. And we know that going into the underwriting process, that there are going to be adjustments made to the syndication rate and to the loan
rate.

The problem is, we have to deal with the information we have at the time to judge everyone with that same set of variables or constraints.

MR. CONINE: So you're consistent with everybody else relative to his question about how do we do this, go -- everybody else got the same treatment?

MR. GOURIS: Everybody else had the same opportunity to provide a commitment letter that reflected what the terms of the transaction to the best of their knowledge.

CHAIRMAN JONES: Okay. Now, just as a matter of housekeeping, I'm moving forward. Do I assume that what we want to do then is let each person speak to their agenda item, and then let the staff speak?

MR. CONINE: Yes.

CHAIRMAN JONES: And then we will handle all the appeals at the end by way of motion? Or do we want to make the motions as we go?

MR. CONINE: Last month's meeting, we made a motion as we went.

CHAIRMAN JONES: Okay. Then why don't we make motions as we go, then, if anybody has one. Nobody has any motions?

(No response.)
CHAIRMAN JONES: Okay. Did you?

MS. ANDERSON: So you’re -- so last month we did them item by item?

MR. CONINE: Item by item.

MS. ANDERSON: Right.

MR. CONINE: Right.

CHAIRMAN JONES: Okay.

MR. SALINAS: What's the recommendation on the staff on those two questions?

CHAIRMAN JONES: Of course, the staff --

MS. ANDERSON: We denied them.

CHAIRMAN JONES: The staff --

MR. CONINE: We denied.

CHAIRMAN JONES: We denied the appeal.

MS. ANDERSON: Mr. Chairman --

CHAIRMAN JONES: Uh-huh.

MS. ANDERSON: -- I think this can always die for lack of a second, but I move to deny the appeals on Eagles Point and Ensenada de la Palma.

CHAIRMAN JONES: Okay.

MR. SALINAS: Second.

CHAIRMAN JONES: Motion's been made and seconded. Any further questions, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.
(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries.

We will again be, with regard to project number 02028, Ms. Antoinette Jackson.

Ms. Jackson?

MR. CONINE: Region 6.

CHAIRMAN JONES: Huh?

MR. CONINE: Region 6. You're looking on your list somewhere.

CHAIRMAN JONES: That's Cricket -- Hi.

MS. JACKSON: Hi.

CHAIRMAN JONES: How are you today?

MS. JACKSON: I'm doing fine. How are you doing, Mr. Chairman?

CHAIRMAN JONES: Good to see you.

MS. JACKSON: Good afternoon, everyone.

CHAIRMAN JONES: Good afternoon.

MS. JACKSON: I'm here, as you know, to speak on behalf of Cricket Hollow Townhomes. Our appeal is to ask for the reinstatement of the eight points which were removed for the low-income targeting points.

Our concern is that we have been told that these points were removed because the QAP has
distinguished between tenant-based and project-based HAP, which is what we had used for our subsidy.

However, our contention is that the QAP does not distinguish between tenant-based and project-based HAP contracts. Further, it was indicated in our response -- in our initial appeal from the Executive Director, that the QAP requires us to confirm that those -- that the HAP contract has been awarded by HUD.

And this is not, again, something that the QAP speaks to. It is silent to the issue of tenant-based versus project-based HAP contracts. It is silent on the issue of whether or not HUD has to actually confirm or has to approve that HAP contract before the allocation is awarded.

The QAP only specifically states in one instance, and that is with HOME funds, where there has to be a confirmation or a commitment that has been awarded prior to the allocation. And it indicates specifically that in the case of HOME funds, that you must have that commitment 30 days prior to the allocation.

However, it is silent in all other matters, particularly as it relates to the subsidy. So our contention again is that we have provided proper subsidy to show that we have layered. We have shown that we will have the set-aside by having our HAP contract.
We have shown the support of the Montgomery County Housing Authority and the state senator, State Senator Staples, whose letter I have provided to you today. And so we would like to ask for reconsideration of the award.

CHAIRMAN JONES: Brooke?

MS. BOSTON: In this particular case, staff doesn't dispute that we did receive a letter from the Housing Authority. The problem, from our perspective, is that tenant-based assistance follows the tenant, not the project.

And we have no way of confirming that the subsidy that they're referring to will be able to stay with the project for the life of the project, or even for an initial period of years.

We understand that the Housing Authority is going to encourage people to go there. But tenant-based assistance can go wherever the tenant wants it to go. And so we don't feel like we can underwrite that as a subsidy.

CHAIRMAN JONES: This would appear to me to be a rule that you all would have to apply consistently across the board all the time. Right?

MS. BOSTON: And we did for every applicant. If they had tenant-based, we did not accept it.

CHAIRMAN JONES: And we've been doing it this
same way for years?

    MS. BOSTON: For years?

    CHAIRMAN JONES: Excuse me?

    MS. BOSTON: It's the first year where we've been accepting subsidy for the low-income targeting points. So there is not quite a precedent in years prior. But definitely through this whole cycle, we have treated tenant-based contracts exactly the same.

    CHAIRMAN JONES: And you all think the law is clear on this point?

    MS. BOSTON: We definitely don't feel like it's an acceptable subsidy.

    MR. CONINE: It's the law.

    CHAIRMAN JONES: Yes. Okay.

    MS. BOSTON: I agree with her that the QAP does not address the difference between tenant-based and project-based. But we also feel like the QAP is clear, that there has to be a project-related subsidy that brings money into the project. And we don't see that -- the money coming into a tenant qualifies us bringing money to the project.

    CHAIRMAN JONES: Thank you, ma'am.

    MR. CONINE: Move for denial.

    MS. ANDERSON: Second.

    CHAIRMAN JONES: We have a motion made and
seconded. Further discussion, questions, comments? All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries.

Next, Mr. Stephen Brandt. Well, we -- the next person we had that wants to speak is on 02074. So that means we would be able to let staff present to us --

MR. CONINE: 031 --

CHAIRMAN JONES: -- 031, 032 and 033. Did you --

MR. GOURIS: I believe we received a letter on the 26th of July from Mr. Owen Smith regarding the 02031, 02033 and 02032. And I believe he's withdrawing his appeal for two of those projects. Those would be 031 and 033.

CHAIRMAN JONES: Okay. And what about 032?

MR. GOURIS: And 032, he has indicated an interest in continuing discussions about those. And I know Mr. George Littlejohn is here on behalf of the applicant to speak, perhaps.

MR. LITTLEJOHN: I'd like to speak to that.

CHAIRMAN JONES: Okay. You haven't signed a witness affirmation form, though, have you sir?
MR. LITTLEJOHN: No, I have not.

CHAIRMAN JONES: Okay. You would need to do that to speak.

Delores, would you get one for me?

If you would, come to the podium. That's okay. You can go ahead and speak and then sign it later.

MR. LITTLEJOHN: In the letter that Tom is referencing, Mr. Smith has indicated that the applicants who are on Pueblo de Paz and La Estrella have asked him to withdraw the appeal.

As far as Padre De Vida, he has asked our firm to prepare a response to his denial of the appeal at the director level, but not in the case of continuing the appeal process, but continuing to maintain an underwriting or a dialogue with the underwriting department to continue improvement in underwriting deals in the Valley.

So effectively, all three appeals are done.

CHAIRMAN JONES: Thank you, sir.

MR. LITTLEJOHN: Okay.

CHAIRMAN JONES: I appreciate that. The Chair would entertain any motions anybody wants to make.

MR. CONINE: Move to deny.

CHAIRMAN JONES: Is there a second?

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's been made and
seconded. Further discussion, questions, or comments?
Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. We then will turn our attention to project 02074, Mr. Stephen Brandt.

MR. FISHER: Mr. Chairman, I'm here as a resource witness for the project.

CHAIRMAN JONES: Okay. Are you Mr. Fisher?

MR. FISHER: I am Mr. Fisher.

CHAIRMAN JONES: Oh, you're Mr. Fisher. I'm sorry.

MR. FISHER: Right. My name is Bill Fisher. I'm here on behalf of the applicants Brian and Cheryl Potashnik. I think our appeal is a little different than everybody else's because we're not appealing any points.

Now, if you turn to page 3 of the current awards list, you'll see Arbor Woods is the highest-scoring project in Region 3, although it was not recommended by Underwriting.

If I may, I would like to first establish the amount of support that we have from the City of Dallas for
this particular project. I'd like to read two letters into the record and reference a third one. This first letter is from the Mayor of the City of Dallas, Laura Miller.

"Ms. Carrington, regarding Arbor Woods. On behalf of the City of Dallas, I would like to express my strong support for the above-referenced project, and ask that you consider recommending this project to your board for an allocation of tax credits.

"This development will serve a critical need for high-quality affordable housing in Dallas by proving housing for a mixed-income population. Arbor Woods would complement the redevelopment that is currently taking place in this West Dallas area that includes multifamily as well as single-family housing.

"It is important to the long-term success of this redevelopment effort for the city to leverage federal funds, and to encourage participation of quality developers who have proven track records. The developer of the proposed development is someone who has done unbelievably high-quality affordable housing in the City of Dallas. I recommend the developer with no hesitation.

"I am very supportive of the goals and objectives of the TDHCA and the Tax Credit program. And thank you for giving your strong consideration to funding
this important development."

The next one is a letter from the Dallas Housing Authority, who is the largest property owner in this area of Dallas. It's addressed to the applicant.

"The Housing Authority of the City of Dallas understands that you are applying for tax credits for the above-referenced project with the TDHCA for the construction of a multifamily housing development in West Dallas, Lake West.

"The Lake West area once held the nation's largest concentration of low-rise public housing units in the nation. In 1993, DHA began developing a master plan for the revitalization of this area. To date, the DHA has spent approximately $90 million to build a multipurpose center and new multifamily units that resemble private-sector housing.

"In addition, Dallas-area Habitat for Humanity and KB Homes are building over 300 single-family homes in the Lake West area. Your proposed development will continue our revitalization efforts and provide units with rents that are affordable to families earning 50 percent of area median income.

"The consolidated plan for the City of Dallas states the need for additional affordable housing units in the City of Dallas, the Dallas Housing Authority currently
has over 12,000 families on its waiting list. The Arbor
Woods Apartment Community will offer housing opportunity
for any one of the 7,000 families on DHA's Section 8
waiting list.

"We applaud your efforts to provide affordable
housing. And thank you for your commitment to the Lake
West community." In addition, I won't read it in, but
I'll reference in your pack the city councilman in our
area, Ed Oakley, also wrote a letter of support
specifically for this development.

The issue associated with our appeal I think
really comes down to two simple issues. The amount of
time it will take in order to go through the voluntary
cleanup program with the TNRCC and the costs associated
with the -- what is essentially a cut-and-fill process for
removing a portion of the topsoil that has some lead
contamination in it associated with, in essence, somebody
importing bad fill.

We have done a complete Phase 3 study, and we
have provided a great deal of supplemental information to
Underwriting. And I think the issues now in the record,
including a notebook that I've provided for the department
and for all the board members, is clear on a couple of
issues.

We know what the standard of cleanup is going
to be. We know the amount of time that it will take under the TNRCC's rules for those to be approved, and we have quantified in three or four different ways the exact cost it will take.

We have provided the department with a fixed-price contract to quantify the costs within the same ranges that the two third-party consultants have confirmed. The reason I have Mr. Brandt here is he's one of the environmental consultants who will be happy to confirm what we've said in our appeal, which is the time lines are actually fairly finite.

There is a three to six-month process here for the voluntary cleanup program to be approved and completed for this development, which allows us to proceed with building permits, all well within the department's current time lines for an allocation for the current year. I want to make sure the board is aware that because the department is doing a forward commitment in the City of Dallas, even their own underwriting report said the time issues aren't relevant if we're going to do a forward commitment in this region.

As I mentioned, the cost issues have been quantified in two specific ways. We've provided a fixed-price turnkey contract that brings the project in within the cost guidelines.
And we've supplemented that with a letter from the actual subcontractor who will do the work, which is Maskey Environmental [phonetic], who has agreed to a price of slightly under $500,000, which is well within the amounts indicated on the low end of the ranges by our consultant, and brings the development well within the underwriting criteria so that we would not in some way affect our low-income targeting points.

Now, with that said, I'll be happy to answer any questions, or I'll have Mr. Brandt available to answer any questions.

CHAIRMAN JONES: Thank you, sir. I appreciate it.

Tom?

MR. GOURIS: I agree as well. Mr. Fisher, I agree that we did receive a lot of information about the environmental issues surrounding this project subsequent to the application deadline.

Typically, underwriting allows for a significant amount of that -- well, not -- allows for some dialogue for clarifying information. The couple of issues here are that the clarifying information is more than just clarifying.

It was really a Phase 3 analysis. And even in that Phase 3 analysis that arrived after the application
deadline, there is a lot of language in there that would suggest to us that there is a lot of uncertainty about the timing.

At one point, the environment analysts indicated that it would be three to six months to get to a point where they could make a recommendation to TNRCC, and then it may take six to nine months from that point to get approval.

He also laid out three scenarios for the remediation and indicated to us that depending on the outcome of the first three to six months, it would determine, and TNRCC would determine, which level of cleanup would be required.

And he indicated -- he did indicate that the lower level of cleanup is what he anticipates. However, he laid out a higher level of cleanup that was potentially possible. And that level of cleanup would render the transaction considerably less feasible, in the tune of about $950,000 worth of cleanup plus fill costs after that.

And at that level, the project would lose points because of the deferred developer fee exceeding 50 percent, and therefore, drop lower on the list.

We actually didn't recommend the project because of the earlier environmental that was received,
that indicated cleanup costs up to $2 million. And at
that more worst-case scenario, the project wouldn't be
feasible at all.

CHAIRMAN JONES: Thank you.

MR. CONINE: The -- so the reason we turned it
down was because of the high costs at the original
application time? Supposed high costs and the long period
of time it was going to take?

MR. GOURIS: Correct.

MR. CONINE: But you've been provided some
additional information since then --

MR. GOURIS: Correct.

MR. CONINE: -- that is thick --

MR. GOURIS: Correct.

MR. CONINE: And have you had a chance to look
at it?

MR. GOURIS: Yes.

MR. CONINE: And what is that telling you about
your original suggestion?

MR. GOURIS: That it may in fact be feasible,
but even at the outside of the realm of likely possible
cleanup levels, the transaction would become feasible, but
it would not maintain a deferred developer fee of below 50
percent. Therefore, it would lose all it's deep-rent
targeting points.
MR. CONINE: So using the newly plugged-in numbers, it still exceeds 50 percent on a deferred development fee?

MR. GOURIS: Yes, sir. If you use the worst-case scenario of the most recent information provided. Now, they've subsequently provided a fixed-price contract, one of which was from a related party, and the other which I don't know if they have the capacity to do the cleanup.

But if you rely on the Phase 3 environmental and the information that was provided by the environmental engineer on the subject, that's the conclusion that you would reach.

MS. ANDERSON: Mr. Chairman, may I ask a question?

CHAIRMAN JONES: Surely.

MS. ANDERSON: What does the QAP say about taking this additional information after the application deadline?

MR. GOURIS: It's relatively clear that new information isn't allowed. Clarifying information when there is a discrepancy is information that my staff has asked for.

This would seem to me to go beyond clarifying information, though it was information that, at least at one point, we did ask, because we wanted to know what the
situation was, and they continued to work with the Phase 3, and continued to be very helpful in providing additional information.

MR. SALINAS: What kind of site did you have there to create the testing of TNRCC before?

MR. GOURIS: I believe the site was a lead -- has lead contamination based on a battery factory, I think, that was nearby, that had disposed some of their -- a considerable amount of --

MR. FISHER: The neighbors dumping old battery cases on the property.

MR. GOURIS: Oh.

MR. FISHER: It wasn't the site of a facility that created the contamination.

MR. GOURIS: Right. And there are -- you know, hopefully we will move forward and clean the property up, and hopefully, we'll be able to get it in the future.

MR. FISHER: They say that it needs to be cleaned up.

MR. GOURIS: Yes. I think everyone agrees that it needs to be cleaned up.

MR. SALINAS: Well, let the authorities know that.

MR. FISHER: Actually, it's interesting because this area of West Dallas is very famous. The old lead
smelter in Dallas was over there. And actually the TNRCC has represented to our representatives that the entire area is clean.

This whole area has gone through a great deal of remediation over the years, and it's actually considered to be one of the more desirable areas to develop, because the remediation process, as it's executed here in Texas, assures a very high quality of the site, which actually appears to lenders and investors, surprisingly.

If I can comment just real quick about the post-application process of information. All we did was follow the exact time lines that were recommended in the report. So we got a Phase 1 that said do a Phase 2. The department asked for a Phase 2; we did a Phase 2. After a Phase 2, said do a Phase 3. We did a Phase 3, submitted the Phase 3 information.

In their defense, one of the time lines letters is a little bit confusing. And I think what they did originally, as I said in my appeal, was added two time lines together. But I do think the record is really just crystal clear today, and well within the required time lines.

The cost is a half a million dollars, which brings the developer fee in well under 50 percent. And
the time lines to execute can be done under the current allocation time lines for a 2002 commitment. Now, I think Tom will admit, Underwriting even wrote in their report, if we're going to give them a forward commitment, timing is not an issue.

So we're really just down to costs, because they're recommending a forward on a lower-scoring project, which I don't think will be -- I don't see how the board can turn us down for time, and then give a forward allocation to a lower-scoring project, that the forward allocation itself would solve the time problem.

So we're down to a cost issue. And we do have two fixed-price estimates in here. I would ask the board to recommend our project, put it on the approved list, and perhaps make a condition of carryover, that we provide you a bonded, fixed-price contract at this half a million dollars, plus the cost of filler less, as a condition of meeting carryover, because we can do it.

MR. CONINE: Tom, if that happened -- if he -- if the costs come in as he says they're going to come in, then Underwriting would have approved the project?

MR. GOURIS: Yes.

MR. CONINE: The thing that bothers me about this one is it scored just off the charts. I mean, only one or two other projects in this whole submission that
scored any higher. And I don't know, I guess we're
talking about some stuff that came after the application
deadline, but still meets within the criteria.

MR. GOURIS: Yes. And one of the other points
about it, it could come in at half a million dollars. And
they could provide a fixed-price contract for that. There
is still no guarantee that TNRCC would approve that level
of cleanup.

I mean, that's still up to TNRCC to approve,
and that contractor would then be stuck with that fixed-
price contract to do a higher level of cleanup for the
half-million dollars that they proposed.

So there's still no certainty that that's the
level of cleanup that's going to be required.

MR. CONINE: Do we have some --

MR. FISHER: I've got the -- the TNRCC standard
for cleanup of lead is published on their website. It's
the 500 level. It was discussed on all of the reports.
It's discussed in the follow-up letter. There is no
mystery of any kind. It's a regulatory standard that you
can get out on the web, of what the cleanup standard is.

And there is no question about it, and we've
got the -- both consultants to confirm that for
Underwriting, and there is no mystery about the standard.

There is no mystery about the costs. And there certainly
is no mystery about the time lines. As you can imagine, like this agency, TNRCC has its own time lines for responding.

And any implication their decision by the Underwriting department that somehow this would take a 15-month process is inconsistent with the TNRCC's own rules, and just a misunderstanding or misinterpretation of the information provided.

MR. SALINAS: But who pays the costs to clean it up?

MR. FISHER: We do. It's not eligible basis. It comes out of -- in essence, affects our developer fee, because the cost of cleanup is not considered eligible basis. I think Tom will confirm this. And as a result, there is no tax credits allocated, and we must carry that cost. And we're doing so, basically, through a deferred developer fee.

And let's be honest. We get two public purposes here. We build affordable housing, and we clean up a minor problem in the area, all at the same time.

CHAIRMAN JONES: All right. Do we have a motion or further questions?

MR. SALINAS: I do have a problem with TNRCC. We've seen that happen, and it created a lot of problems for it, especially if people know that there is something

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wrong there. And then they go see an attorney, and then
you're up -- everybody's up a creek.

The reason I'll tell you that is because we're
going through it in City of Mission.

CHAIRMAN JONES: Do you have a resolution?

MR. SALINAS: We have 3,000 lawsuits.

MR. FISHER: Mr. Mayor, the resolution of the
TNRCC's BCP program gives this project a letter which
alleviates it from any potential liabilities or
suggesting. That's what the BC program does. They give
you a letter and we have no liability for environmental
issues on site or with any neighbors as a result of that
process.

CHAIRMAN JONES: Board members, do we have a
motion or any further questions?

MR. CONINE: I'm going to make a motion that we
grant the appeal, but not slot them anywhere in here until
later on this afternoon.

CHAIRMAN JONES: We have a motion. Is there a
second?

MS. ANDERSON: I'll second that.

CHAIRMAN JONES: Okay. The motion has been
made and seconded. Further discussion, questions,
comments? Hearing none, I assume we're ready to vote on
the motion. All in favor of the motion, please say aye.

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(A chorus of ayes.)

CHAIRMAN JONES: All opposed to the motion, please say nay.

MR. SALINAS: Aye -- nay.

CHAIRMAN JONES: Okay. Unless somebody tells me different, the Chair heard three ayes and one nay. So the motion carries. Did I hear right? Okay. I think I heard right. Okay. The motion carries.

Then we'll move to appeal number 02078, Mr. Oji?

MR. OJI: Oji.


MS. ANDERSON: We're messing up the names good today, aren't we?

CHAIRMAN JONES: Yes, it's a tough day. Mr. Oji, I think you have two other speakers too with you. Is that correct?

MR. OJI: Yes, but they'll probably yield to me.

CHAIRMAN JONES: Okay. I was just going to let you introduce them.

MR. OJI: Mr. Chairman, my name is Jay Oji. I'm the applicant for 02078, Sphinx at Murdeaux in Dallas, Texas. We are appealing the denial of eight points for
the project for de-targeting -- one of the things what I've done here was just to give you a visual presentation on a spreadsheet, to give you an idea of what we are up against here.

Our project scored 153 points, but we were denied eight points for obtaining $158,000 to subsidize the provision of about 30 units set aside at a 30 percent of the area median income.

One of the things we have done here was just to give a comparative analysis of a similar project in Dallas, which has obtained a reservation, TDHCA number 2149, that scored 157 points.

So for the record, let me just, you know, make it clear that the QAP clearly suggested that even if you don't need additional funding to temper the cost of the development, you must still have to provide a letter from a nonprofit stating that you are going to get a loan to subsidize the number of units.

We obtained the letter from a church, a community church for $158,000 to subsidize our development. The only difference here is that the church requested that we set aside two units for them. If you compare this to the other projects in Dallas, they obtained $150,000. For $150,000 they set aside for 56 units. They obtained eight points.
We were denied eight points. The department's position is that $158,000 that we obtained from the church was only for two units. We have clarified this issue with them several times. And we kept asking them to reconsider this issue, but they have failed to do that.

It's amazing to me how $158,000 obtained for subsidizing 30 units can translate into subsidy for only two units; whereas, most of the applications in Dallas or in Texas this year average about $2,600 a unit in subsidy.

The project got 2,679 per unit and received eight points. We got 5,267 a unit. We got denied eight points. Not only that, the $158,000 for the subsidy is supposed to equal to like $70,000 per unit. We have talked to the -- to staff who have sent letters. And nobody wants to hear from us.

Further, if you go to the next page, if this point was denied eight points, but if you go to the second page of the handout, you will clearly see that the underwriting of this project included the same units that we were denied points.

So I don't understand how you can deny points -- eight points for targeting 30 units at 30 percent, and turn around and underwrite and recommend a project for credits using the same points that you have also denied.
My point here, Mr. Chairman, is had we received the eight points that was due our application, we would be the highest-scoring project in Dallas. And I'm here just to protest this point. However, I'm also here to preserve what we have.

I do understand that we have a recommendation for a forward commitment, but I just want to make sure that the board understands that we are the highest-scoring project in Dallas, Texas. We were denied eight points. And that's not fair.

So if you have any questions, then I will like the board to go ahead and find a way and reinstate the points. And I would like to hear -- be -- and if you have any questions for me to answer on it.

Also, Mr. Chairman, if you look at the exhibit that I showed, this project received overwhelming support, you know, from the mayor of Dallas, from the state rep, from the city councilperson, from the Senator Royce West, and six other -- the community leaders.

In fact, on the other hand, other projects in the area didn't even get any kind of support.

CHAIRMAN JONES: Thank you, sir.

MR. OJI: Yes.

CHAIRMAN JONES: Any questions?

MR. CONINE: I'd like to hear a response --
CHAIRMAN JONES: Sure.

MR. CONINE: -- on the eight points.

CHAIRMAN JONES: Is there anybody else that would like to speak with regard to this project? Okay. Thank you, sir. Yes, sir?

MR. CONINE: Tom, or Brooke?

CHAIRMAN JONES: You can have a seat. You can have a seat. If they need any questions, they'll ask you. Yes. Yes, ma'am.

MS. BOSTON: Staff definitely doesn't question the level of support we've seen coming through.

CHAIRMAN JONES: Sure.

MS. BOSTON: We've been quite impressed with that. There are a couple of points in my response. The first is, as you know, we can't consider new information. So Mr. Oji's references to new information and asking staff to reconsider, obviously, except for through the appeals process, we couldn't consider.

Likewise, the letter from Jubilee Church -- if I could read it, because it's very explicit. It says, "Based on the information you have provided us, I am happy to report that we are able to offer you a commitment for permanent financing for the development of two units to be set aside for tenants at or below 30 percent of AMGI."

It then goes into the terms. "And as the QAP,"
and I'm reading directly from it, says, "the evidence of commitment of funds specifies the amount of funds committed, terms of the commitment, and the number of units targeted at the AMGI level."

From the staff perspective, we have to go exactly with what has been given to us. We don't compare it to other deals in the same region, or other deals that have come in in terms of subsidy per unit. We read the commitment letter and go with that.

CHAIRMAN JONES: Any questions?

MR. SALINAS: They scored awful high. 153.

MS. BOSTON: Uh-huh.

MR. SALINAS: Why -- then why is -- what's the difference here between the other ones in the same range and -- with a score of 122?

MS. BOSTON: Why the --

MR. SALINAS: Why were they --

MS. BOSTON: Why is the scoring differential between them and other people?

MR. SALINAS: Yes, and they're higher, and they should have been considered.

MS. BOSTON: Well --

MR. CONINE: They were at-risk, and rural and nonprofit, I think.

MS. BOSTON: Right. It's different --
MR. SALINAS: You're not really doing it because of the profitability [phonetic] of it?

MS. BOSTON: Right. Every other deal in the region that scored -- the only two general set-aside developments that got a recommendation to you all that were general set-asides, scored higher.

MR. SALINAS: Okay.

MS. BOSTON: And then as you go down that list, you have the nonprofit set-aside, the at-risk set-aside, the rural set-aside. And they do score lower because they compete in their own set-aside.

MR. SALINAS: It's their own -- you say he goes down eight points.

MS. BOSTON: He did.

MR. SALINAS: Why was that?

MS. BOSTON: He went down eight points because we don't -- staff, in our review for the points, did not -- well, the subsidy letter that I was referring to, we did give him points for having two units of subsidy. And he got credit for that.

But he in his application had asked for 30 units at 30 percent of AMGI, but there wasn't a subsidy commitment to go along with that. Or that we interpreted in our reading of the letter, which I read to you all, as being for the whole 30 units.
CHAIRMAN JONES: Any further questions?

MS. BOSTON: Thanks.

CHAIRMAN JONES: I think we understand. Thank you. Any further questions either of staff or Mister -- Okay. Do we have a -- any action, board members? Any motions?

MR. SALINAS: So you're suggesting that -- deny that? Your recommendation?

MS. BOSTON: In our initial appeal response from Ms. Carrington, staff did deny the appeal. So staff's recommendation was a denial.

MR. SALINAS: I move for denial.

MS. ANDERSON: Second.

CHAIRMAN JONES: The motion's been made and seconded. Further discussion, questions, comments? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. I'll then turn our attention to the next item we have public comment on, which is project number 2086, Ms. Diana Kinlaw.

MS. KINLAW: Since we are satisfied with the recommendation staff is making on our behalf, we will
defer to staff's opinion in this issue, but request that it be considered in next year's QAP.

CHAIRMAN JONES: Thank you, ma'am.

Do we have a motion?

MR. CONINE: Move for acceptance of staff recommendation. Or denial.

CHAIRMAN JONES: Yes.

MS. BOSTON: Staff denied the appeal.

MR. CONINE: Now, wait a minute. Are they -- give me their project number.

MS. CARRINGTON: They got 02086.

MS. BOSTON: They still made it on the recommendation list.

MR. CONINE: Isn't this the issue -- is this the one where we had the 501(c)(3) issue?

MS. CARRINGTON: Yes. There were actually two issues, the 501(c)(3), which we did not restore the points on. But also the use of HUB 6 funds, where they had lost five points on that. And those points were restored because they could indicate to us that indeed there were HUB 6 funds in the transaction.

MR. CONINE: So that bumped them up a freckle or you?

MS. CARRINGTON: That bumped them up. Correct.

MR. CONINE: Okay.
CHAIRMAN JONES: Do we have a motion?

MR. CONINE: I guess to deny the appeal.

CHAIRMAN JONES: Okay. Do we have a second to the motion?

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's been made and seconded. Any questions or comments? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. We then turn to item 0287. And we have several people that would like to speak on this. Is there any individual that's going to kind of take the lead for us on this? This is the El Capitan Apartments. I'll kind of let you all go in whatever order you want to go in.

MR. ALCALA: Mr. Chair, board members. Good afternoon.

CHAIRMAN JONES: Good afternoon.

MR. ALCALA: My name is Jesse Alcala. I'm the chair of Edgewood Housing and Economic Development Committee on the west side of San Antonio.

The Edgewood School District, in an effort to
support housing, established a standing committee. This committee is community driven, and has achieved success in attracting quality housing to Edgewood's low-income community.

Edgewood supports the idea of nonprofit housing development, and is currently lending its support to a nonprofit structure. Your support for El Capitan Apartments, TEA number 02087, will certainly contribute and strengthen our low-income families in Edgewood.

Please restore a point that was taken from us from this project, and please fund the El Capitan Apartments. The point was taken away because it was written on Edgewood letterhead.

Since this committee is sponsored by the school, we -- this committee as yet doesn't have its own letterhead. So our -- that's the only reason that the point was taken away.

So please support this project and see if you can fund it, because it was just an error on our part, and communication has happened in several instances. Instead, we've got dozens of community efforts. And this committee is driven by that, including cops from San Antonio, Memorial Neighborhood Associations.

But since the school district is in full support of this project, our committee was the one that
sent the letterhead.

CHAIRMAN JONES: Thank you, sir. Yes, sir?

MR. GARZA: Good afternoon. My name is Manuel Garza. And I'm here representing the Edgewood Neighborhood Association. And to add to Mr. Alcala's comments, the effort to get El Capitan Apartments established and built in Edgewood is definitely community driven.

Our association, you know, the Edgewood Neighborhood Association, was the first neighborhood association established in Edgewood. And from there the Memorial Neighborhood Association -- the numerous other associations also took place.

But our efforts have been more -- you know, we have conducted our association in a town hall-type atmosphere, and bringing partnerships into the area to get new jobs -- projects accomplished.

We started with -- in the census tract for the association began in -- Census Tract 1606. And what we did there was, you know, bring the community together to get infrastructure implementation and street improvements and drainage done through the City of San Antonio.

And that took an effort of over, you know, 20 years to actually get it accomplished. But we got it accomplished. And from there, we -- you know, once we got
that done, we partnered with other associations throughout
the state of Texas in establishing the Border Low Income
Housing Coalition, which again, look at the areas of
concern that our residents live in along the border to
establish the colonias program under the state of Texas.

So our association has been involved for many
years and not only in Edgewood, but throughout the state.
And so we feel that, you know, that the denial of one
point because the perception that it's not community
driven is not accurately depicted, or was accurately given
to -- from staff to you. But we feel that, you know, this
could correct that.

There's other things that we have done, you
know, once we established the community -- the Housing
Community Economic Development Committee through the
school district. We have brought players, such as the San
Antonio Housing Authority, Habitat for Humanity, the San
Antonio Housing Trust, and A Nuevos Horizontes, which is a
private developer, San Antonio Housing Alternative, to do
housing in Edgewood.

We had created over 500 housing units, which is
on the record now when I came to speak to you all before
at one of the previous meetings. So again, I ask that you
reinstate that point that was lost, and please provide the
funding for this project. Thank you.
CHAIRMAN JONES: Thank you, sir. Yes, sir.

MR. MACIAS: Good afternoon.

CHAIRMAN JONES: Good afternoon.

MR. MACIAS: And for the record, my name is Manuel Macias. I'm the Executive Director for the San Antonio Development Agency. We are the urban renewal agency for the City of San Antonio. And our role is basically to act like a catalyst for affordable housing.

We look at potential for land development. And we don't actually do any construction, but we look at the land acquisition portion of these, and what our role would be as far as affordable housing and other developments.

There is a very, very great need in San Antonio, and particularly on the west side of San Antonio for affordable housing. The El Capitan project is located in a qualified census tract. The San Antonio Development Agency is working with the City of San Antonio.

We are looking at doing a parade of homes in that vicinity because of the lack of affordable housing, and the school district is actually losing students because of a lack of affordable housing in the area.

As was pointed out earlier, the Edgewood School District acts as a resource to bring groups together to provide for affordable housing in their area. In this instance, there was a letter written on their letterhead.
But the gist behind the letter was community driven. And I don't know what the rules and regulations state. And I know it's very competitive. But if you look at the intent is to get community support for this project, it certainly is there. Although it is one point, I think it's a very critical point because actually we're in a three-way tie. And one point, which we feel that we deserve, would put us ahead of two other projects.

Again, please consider reinstating that point. I think the intent behind the community initiative is there. Just maybe the submittal wasn't there because the school acts as a resource to bring these kids together. And it was just simply easier to put it on their letterhead. But the community support is there. Thank you.

CHAIRMAN JONES: Thank you, sir.

Brooke, are you going to tell him about the letterhead rule? Tell us about the letterhead rule.

MS. BOSTON: Basically, we do not -- and in all of our scorings throughout the whole cycle, we did not allow support points from an educational institution, which a school district would qualify as.

And I don't have a problem with the letterhead. The problem is that nowhere in the letter did it ever say that they were writing on behalf of anyone besides who the
letterhead is from.

The whole -- I mean, it's on Edgewood School District's letterhead. And then throughout, it continues to speak as though it's the school district. And it's signed by the Board of School Trustees and the Superintendent of Education.

So from the perspective of a staff member scoring this, they would have no reason to believe it was anything but a school district. So they didn't get the point for scoring, because we don't have the information that they were presenting.

CHAIRMAN JONES: I understand the issue. Thank you.

Any questions, comments, board members? Do we have a motion?

MR. SALINAS: At that point, it would mean what?

MR. CONINE: They just -- they're ahead of those in the --

MS. BOSTON: For looking at the list the way it is now, as recommended, it wouldn't move them up for recommendation right now. I'm guessing that their intent is that if we create a priority waiting list at the next board meeting, they would be the next in their region, if we were to go to a general set-aside deal. So they're
probably trying to protect that ranking.

MR. SALINAS: Who was the one that saw that letterhead?

MS. BOSTON: Who saw it?

MR. SALINAS: Yes. Would there be anything wrong with them calling them and telling them that this is not the --

MS. BOSTON: Well, and actually that's a good question. When we're doing scoring, unlike threshold or underwriting, where we're allowed to get some clarifying information, with scoring, we go purely by what's been given to us, and we do not get clarification. You are -- a score is based purely on the merits of what you submitted at the day of application deadline.

So in this case, we had to go based on exactly what we had before us, which was a letter that didn't refer to any other entity that was community driven. But that is actually an area of the QAP we're looking at changing for next year.

MR. SALINAS: Which will put them on the waiting list if we would accept --

MS. BOSTON: I couldn't probably say for sure exactly how the waiting list will come out for the next meeting. I mean, they definitely would then be the next highest scoring general set-aside development in that
region.

MR. CONINE: Were those -- no, that's not a fair question. Never mind.

MS. BOSTON: Yes.

MR. SALINAS: Just one point that I'll make real clear. And because of a letterhead, you know, we just talked about TNRCC a few minutes ago, and that it got that bumped up. One point would not make the -- would not get accepted to that, but they'd be put on the waiting list in the future.

MS. ANDERSON: Mr. Chairman --

MR. SALINAS: If the -- anybody was -- I could understand if it was about five points or eight points. But one point because of a letterhead would be --

CHAIRMAN JONES: Ms. Anderson?

MS. ANDERSON: Yes, I -- as much as I understand the school district's being distressed about this, I mean, I think we have to adhere to the -- I mean, we're, as a board, working very hard in our steps -- working very hard to be consistent with regard to the QAP. And the QAP is very clear that you look at the application the way it comes in the door the first time.

The TNRCC issue on the previous thing is an underwriting issue. It's not an original application thing, which puts it in a different category, for me,
anyway. So on that basis, I move to deny the appeal.

    MR. CONINE: Second.

    CHAIRMAN JONES: Okay. Motion's been made and
seconded. Further discussion, questions or comments?

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

        (A chorus of ayes.)

    CHAIRMAN JONES: All opposed, nay.

    MR. SALINAS: Nay.

    CHAIRMAN JONES: They ayes have it. Motion
carries. We will then move to project number 02166 --
116. I'm sorry. And we have several people that would
like to speak on that. I'll call on Mr. Stewart first.
And you want to let us know how you want to move forward?

    MR. STEWART: Yes, sir, Mr. Chairman. I'll
speak for the applicant. Good afternoon, Mr. Chairman,
board members. My name is Jay Stewart. I'm an attorney
here in Austin. I represent Lankford Interests. They are
the applicant of the Killeen Stone Ranch Apartment Homes,
TDHCA number 02116. It's 128 units, nonprofit, elderly
set-aside in Killeen.

    A little history is important to understand
this project. In 1999, this applicant filed for and
received a tax credit grant for the Veranda Apartments,
which was an elderly set-aside nonprofit. And in 2001,
they completed construction.

This development is very close in proximity to the Stone Ranch, the one, the subject of this appeal. There are 204 people on a waiting list for the Veranda, who have been qualified to go into this facility.

There are no other elderly developments in Killeen, Texas. We've calculated it will take 41 years before the last person on the waiting list could move into the Veranda if no other elderly set-aside developments are available in Killeen.

MR. CONINE: Take that long for them to die off?

MR. STEWART: Hope there will be some new ones, but -- this application scored 143 points, which is the highest nonprofit score in Region 7, and the third-highest nonprofit score in the state.

The amount of tax credits per unit is calculated by the applicant as $4,225. And that is the lowest new construction per-unit tax credit request in this state. It's very efficient use of tax credits.

This development did not pass underwriting for primarily two issues, operating expenses and construction costs. In accordance with 49.7 of the QAP, the department must use -- two condition precedents before you decide whether a project is economically feasible or not. The
first one is to go by the guidelines that are set forth in
49.8, which are the underwriting guidelines. However,
there is a second problem to this. And the department
must take into account the development's total development
costs, the actual expenses, the actual operating costs of
the facility, and the developer's sources of financing and
a few other things.

So we don't stop just at the analysis of 49.8.
We have to go back to 49.7 and look at the second part.
Use the underwriting guidelines plus the actual
information and the development's total costs before you
can determine if an application meets underwriting.

You've got a project on the ground, operating
100 percent occupancy. This applicant, in the
application, patterned its operating expenses on that
development. The construction costs were patterned on
that development. Right there in Killeen, very recent in
time, good hard numbers to look at.

The expenses, as calculated by the underwriting
staff, were as -- they considered statewide agency
database, data from the Institute for Real Estate
Management, and 2001 Annual Statewide Expense Data. Not
debating that the underwriter should not consider that
information. I believe they are required under 49.8 to
look at that kind of overall information. It's important.
If there hadn't been a facility -- hadn't been a development in Killeen before, how are you going to know how much it really costs without using this kind of data? However, in this situation, we have a development on the ground that gives you the actual numbers.

In consideration of the construction costs, the staff, correctly, considered the Marshall and Swift Residential Cost Handbook information. However, the QAP goes forward and says, Don't just look at the book and do a graph, as someone was discussing before. Submit actual costs. And then we will look at those two things together and make a determination.

In this situation, the -- unfortunately for this applicant, the staff chose to stay with the statewide, generically created information, as opposed to looking at hard data that's available for this project in Killeen.

And on that basis, if you take the operating expenses and the construction costs, you do create a gap that can challenge the economic feasibility of the project.

What we're here today is to ask for a consideration of the actual costs in Killeen and of this sister project. We believe that if you use even -- in Ms. Carrington's response to the appeal, there was a average
operating expenses of all the local developments in the area, which were not elderly, were single family. That still was even below what the operating expenses were for the applicant as proposed in his application.

This is a subjective issue. The information that the QAP requires the staff to utilize in the underwriting is objective. However, when you put the two together as required by 49.7, you have a subjective determination. And we come before you to use hard numbers on this and approve this application through underwriting.

I have some folks here that worked on this project, Mr. Jimmy Irwin of JDP Construction, Ed Denny of Key Bank, Laura Van Dyck of Greater Coastal Management, the property management company that's presently managing the Veranda, the sister development, and Tim Kemper, the CPA.

These people -- and of course, the developer himself, are available for any questions. But we'd urge you to look beyond the generic, statewide information, and look hard at this -- that this project makes sense.

We're not talking about developing a golf course in Lajitas here. We are talking about putting in a project fairly close to an existing project that works and has got an incredible waiting list. There is a need in Killeen. Please approve this. Thank you. I'm available
for any questions.

CHAIRMAN JONES: Thank you, sir.

Any questions, comments?

MR. CONINE: Can I hear Tom's response?

CHAIRMAN JONES: I bet you can.

Tom?

MR. GOURIS: When we evaluated this transaction, we looked at the -- as the gentleman indicated, we looked at a number of issues. We looked at the statewide database. We looked at the IREM Region 6 figures. We also looked at a local average, which included the Veranda, and we looked at the Veranda alone.

And when you go down the list of items on a one-by-one basis, you kind of have to look and see, well, what's -- you may have to make a judgment call on each line item to determine what's the realistic -- what's the most realistic number?

If you look at the totals, you can see that the TDHCA total database is around 3,166. The IREM Region 6 is 3,124. The local average is 3,053. And we came up with the number of 3,159.

If you look down the list at which ones we chose, we chose to use the Veranda-only figures on two of the line items, the local average on two of the line items, and our database figures on three of the items.
Two of those that we used for the statewide database, our figure is actually less than what the applicant had indicated. So we went with the lower number, which was the statewide database number.

So we have to look at all of those things laid out in front of you. And in Ms. Carrington's response, as the gentleman indicated, we have laid that out for them and showed them where we got those figures from.

You know, I understand that they've indicated that they are running the Veranda at $2,800 a unit. That just, on a gut feel, you know, would tell you something, too. But that's not the bottom line here. The bottom line here is each line item. And that's how we drove that figure.

CHAIRMAN JONES: Questions?

MR. SALINAS: What's the recommendation? Is to deny?

MR. GOURIS: The recommendation is to deny.

MR. SALINAS: So move.

CHAIRMAN JONES: Okay. We have a motion. Is there a second?

MR. CONINE: Second.

CHAIRMAN JONES: Okay. Motion's been made and seconded. Further questions, comments for --

MR. CONINE: I can understand the operating
cost discrepancy, because you want to build in a little
fluff factor just to make you feel better.

On the construction side, though, I have a hard
time understanding how a project just being built in the
neighborhood across the street wherever this first one was
a year ago -- a couple of years ago at $51 a square foot,
how you thought it would take $57.93, or 58 bucks, to do
this one.

What -- can you go through some rationale
there?

MR. GOURIS: Sure. A large part of that issue
is going to be -- is going to come up with two things.
And that is Marshall and Swift looking at the multipliers
that we'd use for that.

We'd use an Austin multiplier, which might be a
little bit higher than what Killeen would normally -- what
would -- might be higher than what Killeen would say.

And the second issue on that is that Marshall
and Swift includes a fairly sizeable elderly multiplier
that we include in all elderly projects. I'll tell you,
though, statewide, you know, it's a interesting situation,
because oftentimes we're -- the concern is that we haven't
provided enough costs for the transaction.

And it's an interesting situation when we apply
the same set of standards and the same process in a
situation where we end up with a cost that's higher than what the applicant is telling us.

The fact that he had just completed that construction of an 88-unit transaction is something for us to take into consideration. However this is 128 units. It's two years later. You know, costs have gone up. Costs will continue to go up.

MR. CONINE: Well, I -- we seem to run into this habitually when we have a second phase, or a project right across the street, when you have the same architect, same developer and so forth. And in the future, I'd like to see if we can figure out how to make Underwriting feel a little more comfortable with those sorts of things --

MR. GOURIS: Absolutely.

MR. CONINE: -- because I think they are a special-case situations. They're not Marshall and Swift situations, because the experience is just there. And granted, if it's -- there isn't a whole lot of inflation around this economy right now, so that -- we need to work on that a little bit.

MR. GOURIS: Yes, sir.

CHAIRMAN JONES: Further questions?

MR. STEWART: One quick point, Mr. Chairman?

CHAIRMAN JONES: Sure.
MR. STEWART: On the elderly aspect, where you add 5 percent to the Marshall and Swift, that's contemplating putting in elevators. Well, this is a single-story development.

So you're trying -- you're still trying to make this generic template work on every situation. And we believe we did -- we put the actual cost of -- it's going to build this project together. Thank you, Mr. Chair.

CHAIRMAN JONES: Further questions, comments? We had a motion on the floor. Are we ready to vote? Hearing nothing, I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

MR. CONINE: Nay.

CHAIRMAN JONES: The motion carries. I believe that will then complete --

MR. CONINE: Ryans.

CHAIRMAN JONES: No, we have one more. 02133. 02133, Ryans Crossing. I don't think we have any speakers as to -- is there a motion with regard to that?

MR. CONINE: Move to deny.

CHAIRMAN JONES: Okay.

MR. SALINAS: Second.

CHAIRMAN JONES: We have a motion made and
seconded. Questions, comments, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. All right. Again, we then have the next one is Grove Place. And I think we have some people that would like to speak as to Grove Place.

MR. CONINE: We don't have anything on this in our book? No.

CHAIRMAN JONES: Apparently not. Apparently these are -- these came in later.

MR. CONINE: How could they come in later?

CHAIRMAN JONES: I would have to let Edwina -- Ms. Carrington, could you address that for us?

MS. CARRINGTON: They were filed at five o'clock on -- they were filed timely, but it was the day that the board books went on the website.

So Brooke -- okay, Brooke?

MR. CONINE: I thought the deadline was last month.

MS. CARRINGTON: It did.

MR. CONINE: We're going to get there.
MS. BOSTON: Right. There were several appeals that came in within -- the requirement is that the appeals have to be heard -- we have to have received them by the board's secretary at one of two different times. The first is seven days before the board meeting. And we're also required by another part of legislation to have our board book up seven days before. Which puts Delores in quite a conundrum each seven-day period, because appellants had until five o'clock business day seven days before to get it in, but we also had to have it up on the web. So the people who did theirs in the last hour or two of the day went up as an addendum, which are Birch Wood, Pampa --

MR. CONINE: Okay.

MS. BOSTON: Then also for Grove Place, there was also a requirement that allows them to turn in an appeal up to three days before the board meeting, which would have been Friday, if they have received an answer from Ms. Carrington on their appeal to her after the seven-day mark, which was the case in their situation. So they were all timely filed.

MR. CONINE: Right.

MS. ANDERSON: Got all that?

MR. CONINE: I thought we had the 30-day two-week response as a standard.
MS. BOSTON: I wish.

MR. CONINE: That's not a standard. Okay.

CHAIRMAN JONES: Trust Brooke. She knows what she's doing.

MR. CONINE: Okay. She knows her stuff.

CHAIRMAN JONES: Golly. Ms. White?

MS. WHITE: Trust me. We were doing appeals all last week. Trust me. So Brooke knows.

CHAIRMAN JONES: Ms. White?

MS. WHITE: Good afternoon, Mr. Chairman, board members, Ms. Carrington and staff. My name is Kelly White, Ms. Kelly White. I am the Executive Director of Safe Place Domestic Violence and Sexual Assault Survival Center, which is the general partner in Grove Place Partners, Limited.

Since its founding in 1978, Safe Place has helped literally thousands -- tens of thousands of victims of domestic violence to rebuild their lives, generally, single women with several young children.

In the year 2000, the Texas Department of Public Safety reported a total of 175,282 incidents of family violence. In that same year, the Texas Council on Family Violence reported that a total of 27,620 adults and children received emergency shelter services for family violence. And these are most often young mothers facing
impossible choices.

They can stay and live in an abusive home, where both she and her child may be seriously injured or even killed, or they can live in extreme poverty, and perhaps become homeless.

Safe Place has been working hard to create opportunities for these families, and what we know is that safe, long-term affordable housing is simply the most critical piece of the formula.

We want to do more, but we need your help in order to do that. Our application for tax credits for Grove Place Apartments was not recommended for tax credits by Underwriting. Bill Lee, our development partner, will discuss the reasons why we believe the underwriting recommendation is incorrect.

But first, I want to take a moment to describe for you the most important aspects of our application. From the beginning, our team has tried our hardest to plan a community that meets this department's highest priorities, while also meeting the needs of our community.

We've done that by providing appropriate types of rental housing for households that have difficulty finding suitable, affordable rental housing. Victims of domestic violence and sexual assault fall into this category. Grove Place will provide those families
affordable housing that simply does not exist in Austin today.

And we've done that by reaching the greatest number of the lowest-income residents. Our application provides more units for residents at 30 percent of area median family income than all but two other applications in this year's competition.

We've done that by maximizing the utilization of the available tax credit amount. At $5,308 of tax credits per tax credit units, Grove Place has the fourth-lowest per-unit request for credits in the nonprofit set-aside, and the fourth-lowest request per unit in Region 7. And we've done that by encouraging the participation of nonprofit organizations.

Since its founding in the mid-1970s, Safe Place has been a core institution in Travis County. Today, Safe Place provides a continuum of services from temporary shelter to counseling, to childcare, to job training. And we are looked to for leadership from across the state and the nation.

Other domestic violence and sexual assault programs are already talking to us, and hoping to emulate this program if we are successful. A more respected and able nonprofit partner than Safe Place could simply not be found. We are proud of the community we have planned, and
the ability of our team to meet the department's objectives.

We are also blessed with strong support from a broad base. This project has been endorsed by the neighborhood groups, ADAPT of Texas, dozens of our fellow social service agencies, and members of the Austin Legislative delegation, including Congressman Doggett, Senator Barrientos, Representatives Maxey, Dukes, Kitchen, and Naishatat.

Mayor Garcia has also written to express his strong support, and the Travis County Commissioners unanimously passed a resolution of support. And we are ready to build. We lack only the financing.

Grove Place has an approved site plan. We have proper zoning. And because of its affordability, Grove Place has been certified by the City of Austin as a preferred development project eligible for expedited approvals and fee waivers.

Throughout the application process, the TDHCA staff has been both diligent and helpful. We really are very appreciative of how wonderful they have been.

We believe, however, that the justifications for denial included in the credit underwriting analysis are not applicable. I hope that you will listen carefully to Bill Lee's presentation and award tax credits to this
wonderful application. Thank you.

CHAIRMAN JONES: Thank you.

MR. LEE: Good afternoon, Mr. Chairman, board members, Ms. Carrington and staff. My name is Bill Lee. I'm a principal of Takoha [phonetic] Partners, the developer for Grove Place Apartments.

And first, I would like to echo Kelly's thanks to the staff for their help throughout the process. And I would like to apologize publicly to Brooke for driving her absolutely crazy.

Our appeal to reverse underwriting decisions relating to Grove Place Apartments is to reverse an underwriting decision relating to Grove Place Apartments that has been denied.

The denial was based on an assertion made by staff in a letter we received on July 25 through the department to Kelly regarding our appeal of the decision by Underwriting not to recommend Grove Place for an allocation. My testimony will refute that assertion.

In this letter, staff states the applicant's grounds for appeal must be based on information contained in the original application and additional documentation filed with the original application.

Staff goes on to say Safe Place's plan to form an affiliated entity to act as general partner, and that
this entity would be organized as a CHDO was not identified in the original application, nor did the application indicate Safe Place's intent to replace itself with this new entity as general partner.

This is incorrect. Attached in your appeal package is a copy of resolutions for the board of directors of the Travis County Domestic Violence and Sexual Assault Center, Safe Place, which was included in Exhibit 105 of our original application filed on March 1 of this year.

In paragraph G of that resolution, Safe Place's plan to create a new affiliated general partner that would be organized as a CHDO, is clearly described and fully disclosed. Grove Place Partners, G.P., Inc., is the entity that has been formed for the purposes of being the general partner.

Safe Place will control it. Its current board of members is comprised of Safe Place board members, each of whom was identified in the appropriate section of our original application. As stated on our appeal letter, nonprofits with other extensive activities regularly form single-purpose entities when they participate in tax credit projects.

And it is not uncommon for these new entities to be formed and substituted after the award of tax credit projects.
credits. Having refuted the reason for the denial of our appeal of Underwriting's decision not to recommend Grove Place, we would like to address the claims made in the credit underwriting analysis, which are the basis for that decision not to recommend.

Page 7 of the credit underwriting analysis included the following statements: "No evidence of the CHDO status was provided. Safe Place has formed a new nonprofit entity, Grove Place Partners, Inc., to replace Safe Place as general partner.

"The fact remains that a CHDO designation has not been received, and therefore, the property tax exemption is uncertain." Staff concludes with this statement. "Primarily to the -- due to the difference in operating expenses, most notably the CHDO tax exemption, the underwriters estimated debt service coverage is significantly less than the program minimum standard."

On page 9 of the credit underwriting analysis, staff states, "If the proposed CHDO status of the general partner were granted, and the subsequent property tax exemption achieved, it would appear that this infeasibility conclusion could be removed."

The problem taken by staff on page 7 is incorrect. The Texas Tax Code and subsequent appeals court ruling clearly state that the receipt of a CHDO
certificate or designation is not necessary to qualify for a property tax exemption. The only requirement to qualify for property tax exemption is for the entity to be organized as a CHDO.

Our appeal of Underwriting's decision, which you have a copy of, clearly documents that Grove Place Partners, Inc., is organized as a CHDO, and will qualify for the property tax exemption. The department's denial of our appeal does not contest that position.

Based on these facts, and on staff's representative on page 9 of the credit underwriting analysis, stating that with CHDO status and property tax exemption, it would appear the infeasibility conclusion could be removed.

We respectfully ask that you overturn Underwriting's decision not to recommend. We also ask that you support the position of the tax credit staff included on page 4 of your board book, supporting an award for tax credits, based on Grove Place's high score in a statewide nonprofit set-aside. Thank you.

CHAIRMAN JONES: Thank you, sir. Is there anyone else from your group that likes to --

MR. LEE: No.

CHAIRMAN JONES: Okay. All right. Tom, I thought he drove Brooke crazy.
MR. GOURIS: He did.

MS. CARRINGTON: That's why Tom's up there.

CHAIRMAN JONES: Is that why Tom's up there?

Brooke, you're totally nuts, huh?

MR. GOURIS: This is a very difficult issue for Underwriting, because it's a project that has a lot of merit. However, as of the last date that we have, the new general partner still has not received its tax-exempt status from the IRS. And that's a key component of being a qualified CHDO.

So in essence, the new GP didn't exist at the time that the application was made, could have existed but didn't, doesn't actually have it's nonprofit designation by the IRS, and therefore, doesn't give us a lot of assurance that they --

CHAIRMAN JONES: It's a rule, right? Is that what you're saying?

MR. GOURIS: It would be difficult -- if --

MR. SALINAS: You have no choice.

MR. GOURIS: -- any applicant indicated that they were going to form a nonprofit that was going to be CHDO designated; any applicant could do that. And we'd have to say, as long as they told us they were going to do that, we'd have to accept that basically.

And it's a difficult thing because, you know,
it's not unbelievable to consider that they may, in fact, get their CHDO designation at some point down the road. But today they don't have their IRS 501(c)(3) status.

MS. ANDERSON: Is this a parallel situation to Refugio Street in San Antonio? Is it the same situation? Where we didn't' give back those points? Or is it a different situation?

MR. GOURIS: Different situation.

MS. CARRINGTON: Different situation.

MS. ANDERSON: Okay. Thank you.

MR. GOURIS: Different organization structure.

MR. CONINE: But isn't Safe Place already a 501(c)(3)?

MR. GOURIS: They are, but they are not a CHDO.

MR. CONINE: But they're not a CHDO.

MR. GOURIS: And if they were a CHDO, they could have used that CHDO designation to -- I don't believe they -- I don't know. But they're not a CHDO. They could have used that potentially.

MR. SALINAS: That's why we --

MR. GOURIS: Without that CHDO designation, they -- I think they would agree that the project -- well, they may not agree. But from our perspective, that's a significant -- it wouldn't underwrite without the CHDO.

MR. CONINE: But you went ahead and underwrote

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it because we asked you to last time --

MR. GOURIS:  Yes, sir.

MR. CONINE:  -- is what it looks like to me. And this -- would the CHDO status on the to-be-formed nonprofit gain them any points in the scoring system? I don't think it does. This is just an underwriting issue.

MR. GOURIS:  I don't believe so.

MS. BOSTON:  Right. But if they were found to be acceptably underwritten --

MR. GOURIS:  Yes.

MS. BOSTON:  -- or they were recommended by Underwriting as opposed to not recommended, they would have been at the top for recommendation, because we needed to do another nonprofit deal --

MR. GOURIS:  Right.

MS. BOSTON:  And it would have been them, if but for the not-recommended status.

MR. LEE:  Mr. Chairman, can I comment a second?

CHAIRMAN JONES:  Yes.

MR. LEE:  While Mr. Gouris is right, we have not received a 501(c)(3) determination letter from the IRS, the appeals court ruling to the Texas Tax Code do not require this. They specifically say if you are organized as a nonprofit, under the laws of the state of Texas, then you qualify for the property-tax exemption, and there is
no qualification.

The 501(c)(3) status determination is in process and will happen. It is not a requirement that is required either under the law, or under the findings of the appeal court.

CHAIRMAN JONES: Thank you, sir.

MR. CONINE: Could you answer that? I mean, is there a place in our QAP, forgetting the law for a minute -- is there a place in the QAP that requires the IRS's admission, if you will, of a tax-free status of the --

MR. GOURIS: No, the QAP is relatively silent on this whole issue. It's an issue of feasibility. And it may be an issue of timing feasibility more than it is ultimate feasibility.

MR. CONINE: Well, since you underwrote this thing, did you underwrite it with property taxes or without property taxes?

MR. GOURIS: We provided two alternatives, one with property taxes, as it would be now. And that was a infeasible -- we would conclude it infeasible, that project would be infeasible that way.

If we alternatively accept the position that they may be able to get a CHDO exemption somewhere down the line, then we underwrote it and provided a
recommendation -- alternative recommendation for that scenario.

CHAIRMAN JONES: Further questions, comments?

MR. CONINE: This is a tough one. I'm going to move that we accept the appeal subject to getting confirmation of the IRS tax-free status for the to-be-formed entity.

MR. SALINAS: Second.

CHAIRMAN JONES: Just as by way of discussion on the motion?

MR. GOURIS: I have no comments.

CHAIRMAN JONES: We have a motion?

MS. ANDERSON: I have a comment. You have a motion and a second?

CHAIRMAN JONES: Yes.

MS. ANDERSON: Right?

CHAIRMAN JONES: Time for comments.

Ms. Anderson?

MS. ANDERSON: You know, I'm -- I've said this in other board meetings. I'm just very uncomfortable with woulda coulda shoulda oughta, think, will, you know, kind of situations.

And we were working very hard for all of the people in this room and your colleagues across the state to have a transparent and consistent process. And you
know, I know it isn't the perfect process. We're going to try to make it better when we go through the QAP revisions this year.

But -- so I -- I guess we're ready to vote. But I just have to be on record. I'm not comfortable with this.

MR. SALINAS: Yes.

MR. CONINE: Well, I'm -- well, correct me if I'm wrong, but I think Mr. Lee stated that there wasn't anyplace in the QAP that said they had to have the form from the IRS.

MS. ANDERSON: We had a process that we've asked our staff to follow. And so I'm not comfortable when we choose not to do that.

CHAIRMAN JONES: I would just echo Ms. Anderson's comments, this is just debate on the motion. But my concern is this. There has got to be a snapshot in time -- a point in time where consistently you're evaluating all these things.

Now, I -- and to me, the easiest way to tell whether, you know, certain provisions are made, is when the IRS issues the appropriate documentation. And I think to -- I just think we're opening a Pandora's box.

MR. CONINE: But if the IRS form is not required by state law to get the property tax exemption,
which he clearly stated, and I think we've had proved to
us on numerous occasions, the fact that the newly formed
general partnership nonprofit entity being a CHDO was in
the organizational books and minutes and articles of
incorporation should be enough for us. I don't know why
it is not.

CHAIRMAN JONES: Well --

MR. CONINE: And that's what I'm trying to get
out of Mr. Gouris.

MR. GOURIS: Those things weren't provided in
the application, though, that the entity things exist at
the time the application was made.

MR. CONINE: Edwina, didn't you say that you
knew, based -- or didn't he say that he knew that it was
organized as a CHDO in his original application also on
schedule?

MR. GOURIS: There was a comment in one of the
narratives that -- I'm sorry, in the resolution, that
indicated that they -- if they received that kind of
allocation, they would form a nonprofit -- a new nonprofit
to be a CHDO. But the application for that entity wasn't
in the package.

CHAIRMAN JONES: And that's clearly what he
read to us.

MS. ANDERSON: Right.
CHAIRMAN JONES: I mean, when he read it to us, we were going to go do it, and we told you all we were going to go do it.

MR. GOURIS: Right.

CHAIRMAN JONES: And now we've done it. And my point is not that it's good, bad, or indifferent. It's just that, you know, this is an appeal of Underwriting's decision. And I understand how they've reached the conclusion they reached, based upon the snapshot they had to look at.

But having said that, we have a motion on the floor, and it has been seconded. Any further comments on the motion? Hearing none, are we ready to vote? I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed to the motion, say nay.

MS. ANDERSON: Nay.

CHAIRMAN JONES: The motion carries. All right.

MR. SALINAS: We have to remember, subject to the CHDO.

CHAIRMAN JONES: Yes.

MR. SALINAS: I would suggest you all just
hurry it up and -- because you really don't have any
package yet, anything --

CHAIRMAN JONES: All right.

MR. CONINE: Now what do we do, Coach?

MR. SALINAS: Now what do we do?

CHAIRMAN JONES: Okay. Now, wait, wait. We're
not through with the appeals. We're still on item --

MR. CONINE: Oh, we've got another one?

CHAIRMAN JONES: Yes, we have --

MR. CONINE: How many more we got?

CHAIRMAN JONES: Yes. I don't know, because I
don't -- they haven't given them to me. I'm reading them
off.

MR. CONINE: Mr. Chairman --

CHAIRMAN JONES: The Birch Wood appeal. Is
anybody here to speak on the Birch Wood appeal? Anyone
here to speak on the Birch Wood appeal? Hearing nobody
being here to speak on it, is there a motion with regard
to the Birch Wood appeal?

Mr. Gouris, would you like to speak on it,
since nobody's saying anything?

MR. CONINE: Move to deny.

CHAIRMAN JONES: Okay. We have a motion to be
denied.

MR. SALINAS: Second.
CHAIRMAN JONES: Motion's been made and seconded. Further discussion on the motion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. I believe the Pampa Gardens appeal has been withdrawn. So I don't think there are any other appeals. Is that true? Okay.

We then are ready to move to Item 4 on the agenda. And the witness affirmation forms I have for Item 4, the first one is Ms. Gomez.

Ms. Gomez. Margaret Gomez. Okay. I don't see anybody. We'll go to the next one. That may conclude -- are there any other witness affirmation forms?

MS. ANDERSON: One or two more.

CHAIRMAN JONES: Okay. Mr. Mullin [phonetic]?

MR. SALINAS: Oh, yes, him. Mr. McMullin.

Thomas McMullin. I'm sorry.

CHAIRMAN JONES: Thomas McMullin?

MR. CONINE: There he is.

MR. MCMULLIN: Mr. Chairman, there's only two more.

CHAIRMAN JONES: Excuse me?
MR. MCMULLIN: I'll pass if there is nobody else here.

CHAIRMAN JONES: There is a Mr. Kehoe and a Mr. Delgado, is what I've got. Okay. Pass.

MR. MCMULLIN: I'll pass.

CHAIRMAN JONES: Mr. Kurt Kehoe.

MR. SALINAS: Which one is that?

MR. CONINE: Madison Point, Region 3, I think.

MR. KEHOE: Good afternoon, Chairman Jones, board members, thank you for allowing me to speak. My name is Kurt Kehoe. I'm here to speak about Madison Point Apartments in Dallas, Texas.

I have a letter of support written by local residents that I'd like to read into the record. The letter is addressed to TDHCA, and is signed by 30 residents local to the proposed community.

It begins, "The following signatures below represent those people in favor of the apartment development at the above location in Dallas, Texas, known as Madison Point.

"We are residents in the Glendale Heights subdivision and the surrounding area on the east side of Interstate 35 across the freeway from the proposed development.

"Many of us have lived in this area for quite
some time, and have seen a major decline in the
neighborhood over the years. We have seen major retail
establishments close down over the years and needless to
say, we are concerned.

"It is time for our part of town to be
revitalized. And we feel that this development will
enhance the area and be a good start. Please let this
letter and the signatures below represent our expression
of support for the Madison Point Apartment development."

Again, there are 30 signatures with the
addresses attached to this letter. We did have several
meetings and correspondence with the local homeowners in
this area to ensure that they were kept up to date on what
our proposed development was. We answered their
questions, and we feel like we've done a good job of
giving information to them. Thank you.

CHAIRMAN JONES: Thank you, sir.

Any questions? All right.

Mr. John Delgado? Mr. Delgado?

MR. DELGADO: Good afternoon, Chairman, members
of the board. My name is John Delgado. I'm a senior
assistant to City Councilman Enrique Martin, the City of
San Antonio, city council district 4.

We are in opposition to the Heatherwilde
Estates, project number 02075. We contest that this
project has serious flaws. Its proceedings have not been
consistent with our proceedings in city council district
4.

They have not contacted three neighborhood
associations. Those neighborhood associations are the
Southwest Community Association, the Pace Neighborhood
Association, or the Indian Creek/Hidden Cove Neighborhood
Associations.

An application was submitted for rezoning
January 2002. As of today, that zoning request has not
been heard by the zoning commission. It is our
contestance [sic] that once this request does come before
the City of San Antonio Zoning Commission, that it be
denied on the basis that they have not worked with the
neighborhood associations.

We are prepared at the city council to deny
this request as well. And lastly, we do support projects
in Region 8A. We do support Villas at Costa Verde. And
we do support in the way they have managed their request.
That project has worked with the developers.

Excuse me, the developers have worked with
those neighborhood associations. They have worked with
that city councilman for that area. They have worked with
the City of San Antonio, and they have worked with other
residents that do not fall within those boundaries.
So at this time, we strongly recommend that you pull this project, Heatherwilde Estates. Heatherwilde Estates, project number 02075. Thank you.

CHAIRMAN JONES: Okay. All right. I think we had another person that wanted so speak. Mr. Johnson?

No? Okay.

MR. CONINE: The Heatherwilde Estates, or something --

CHAIRMAN JONES: All right.

MR. CONINE: -- it's been recommended, he said, before.

CHAIRMAN JONES: That seems to be everybody that filled out a witness affirmation.

MR. SALINAS: On this last one, are you going to pull it, or --

MS. CARRINGTON: No, sir. We are recommending it --

MR. SALINAS: It's getting so it doesn't have --

MS. CARRINGTON: Tom, do you want to address that? Heatherwilde Estates?

MR. CONINE: Heatherwilde Estates?

MS. CARRINGTON: It's our highest-scoring transaction in Region 8A in San Antonio.

MR. GOURIS: And it's subject to rezoning.
MS. CARRINGTON: Well, there were several we talked about today.

MR. SALINAS: Subject to rezoning and --

MR. GOURIS: There are several that are subject to rezoning. Yes. It's allowed in the QAP, to not have the proper zoning, as long as they have applied for rezoning.

MR. SALINAS: Okay. Thank you.

MR. DELGADO: Again, they have applied, but they will not receive their rezoning. They are currently industrial. I want to -- they will not receive the multifamily -25 [phonetic] designation.

MR. SALINAS: So if you don't give them that, then --

MR. DELGADO: The project is essentially dead. And that's why we ask you at this moment to go ahead and pull this request and fund maybe another project, instead of continuing to fund this project, and go into the procedure of reallocating this money at a later point in time.

CHAIRMAN JONES: Thank you, sir.

All right. Yes, sir. Somebody else filled out --

MR. CHAPA: Can I speak on behalf of the project, sir? I'm the chairman of the sponsoring
organization.

CHAIRMAN JONES: Yes, sir.

Go ahead. You'll be our last speaker, then. And then I'd ask that you fill out a witness affirmation form.

MR. CHAPA: I represent the Bexar County Housing Authority, who is the sponsor. We are appointed by the commissioners of the entire Bexar County. The commissioners work very closely with the city council on all of these projects. They are appraised of what's going on.

Our representatives have talked with Hidden Cove and Indian Creek Neighborhood Associations. And they seem to be in agreement that this is needed -- much needed out there. There has been less than 4 percent housing built out there within the last ten years. It's very much needed.

The application -- formal application for zoning has been submitted. Nobody can stand here and speak for ten zoning commissioners and say it will not be approved, you know. I mean, he can say that maybe his representative might be against it. But that representative on the zoning commission is not here.

We have talked to him, and they said they have no reservations, or they're not against this project. The
only thing they said is that we meet with those
neighborhood organizations, of which we have approached
them, or we have talked to them. And they have no -- from
our standpoint, they have no aversion towards this
project.

It's one of the highest-scoring projects. It
is the highest-scoring project in the region. And we urge
you to approve this project. Thank you very much, sir.

CHAIRMAN JONES: Thank you, sir. All right.
At this time, I believe we have called on everybody that's
filled out a witness affirmation form. And if you, sir,
would fill out yours, we'd appreciate it. And we will end
public comment.

We will then turn our attention to, I believe
it's Item number 4 on the agenda.

Ms. Carrington, does staff have its
recommendation?

MR. CONINE: Can we take a five -- ten-minute
break?

CHAIRMAN JONES: Certainly.

MS. ANDERSON: Yes.

CHAIRMAN JONES: Okay. Yes. We will take a
five-minute break. Thank you.

(Whereupon, a short recess was taken.)

CHAIRMAN JONES: I call the meeting back to

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order. And after scaring her to death, we will then turn
over to Ms. Carrington Item 4 on our agenda, which are
your recommendations.

MS. CARRINGTON: Thank you, Mr. Jones. I'm
glad that wasn't directed at me. We are going to -- I'm
going to take Executive Director's privilege here for just
a few minutes. Brooke's presentation is getting bumped.

I know you all have really gotten to where you
look forward to that presentation on an annual basis,
about the Regional Allocation formula and how many credits
go into each region, and how many applications we had,
although we are going to skip that today.

(Applause.)

MR. CONINE: Don't clap yet.

CHAIRMAN JONES: Ms. Carrington's great
objection. We're not finished.

MS. CARRINGTON: However, I did tell the Chair
that I felt like I had a few things that I wanted to say
to the group this afternoon. And that is, we really want
to thank you all for your participation in this round of
our tax credits.

We process -- we actually had about 143 final
applications we processed. We had competing
applications -- 128 applications. Those of you all who
have been TDHCA watchers and participators know that this
is the first round of credits that we've allocated under our new legislation, which is affectionately called Senate Bill 322.

And Senate Bill 322 put a substantial number of requirements on staff, made a substantial number of changes in the way that we administer our Low Income Housing Tax Credit Program. Those of you who participated know about that.

We had a preapplication process, you know, that all of the information that we have is posted on the website, that we have a scoring log, that underwriting reports are on the website. You know also that we have an appeals process for the first time. And I think as you all have heard today, I think there is some timing issues related to the appeals process.

I wish I had a dollar for every time staff told me, Next year in the QAP we're going to fix that. And there are many things that have been unclear that we really have been struggling with in the QAP.

I want to compliment the staff. I think the staff has done an absolutely exemplary job --

(Applause.)

MS. CARRINGTON: -- in struggling with and complying with what's in Senate Bill 322. It was our first time out, and many of you all attended our forums on
Friday morning, and we had eight of those over eight weeks. And many of you all helped us out as we were struggling through with some of those issues, some of those interpretations, some of those determinations.

What I believe that we can tell -- what I know that we can tell you all today, and as the board members have asked the questions, have we treated everyone the same? The answer to that is, to the best of our ability, we have interpreted the QAP the same for everyone.

And I think you all pretty much acknowledged that, because as we've gotten letters in from you on appeals, what you've said is, you know, We think your underwriting is wrong. Or we think your point scoring is incorrect. But we basically haven't had a lot of personal attacks.

It's basically, we disagree with your interpretation. We don't necessarily disagree with you. I think that's very important for us.

The last two or three things that I want to mention: As you all know, basically Senate Bill 322 says that we will score, and that we will award applications and priorities and set-asides by the highest-scoring transactions.

There are a few factors that the board can use as discretionary factors. And those factors are serving
more low-income families for fewer credits, serving more
low-income families for a longer period of time, looking
at allocating credits among different entities, or as many
different entities as possible, which we address pretty
well in the $1.6 million rule, and also, looking at
applications that are consistent with local needs and that
are part of a preservation or revitalization plan.

So we have underwritten and scored, based on
what we believe our mission and our mandate is. And those
are the recommendations that we are bringing to the board
today.

CHAIRMAN JONES: Thank you, Ms. Carrington.
And I guess I then would turn to you or to Brooke for
those recommendations?

MS. CARRINGTON: I will read the
recommendations --

CHAIRMAN JONES: Thank you.

MS. CARRINGTON: -- into the record. I will be
reading the recommendations by the region and by the --
the number of the project, and the amount of credits it's
recommended by Underwriting.

The first region I'll be reading is Region
number 1. Application 02029, recommended credit about
$1,050,826. Application 02022, $333,177. Application
02159, credit amount $161,815.
Application 02157, recommended credit amount $104,374. Application 02150, recommended credit amount $113,155. And that completes the recommendations for Region Number 1.

For an explanation that only Brooke can give, the next region on your list and my list is Region 10. Something about what the computer will or will not do. Right, Brooke?

MR. CONINE: Or where she went to school on that.

CHAIRMAN JONES: Where'd you go to school?

MS. BOSTON: Florida State.


Region 2, 02046, recommended credit amount $53,565. 02047, credit amount $21,842. 02044, $409,727. 02073, recommended credit amount of $774,967.

However, this transaction would need to be split between '02 and -- well, a forward commitment for '03, because the way the list stands right now, there would be insufficient credits in the '02 round to make the
full allocation. So out of the '02 allocation, the amount would be $555,029. Application 02148, credit amount $545,899. That completes the recommendations for Region 2.


Region 5, Application number 02174, credit allocation $719,168. Application number 02112, allocation $762,000. Application number 02175, $473,198. That completes the recommendations for Region 5.

Region 6, 02147, credit allocation $1,084,340. Application number 02119, credit allocation $1,085,628. Application number 02099, credit allocation $616,304. Application number 02080, credit allocation $936,382.
Application number 02120, credit allocation $366,177.
Application 02151, credit allocation $968,058.
Application number 02020, credit allocation $466,434. Application number 02019, $374,963.
Application number 02161, $96,390. Application number 02163, $93,636. Application number 02162, $91,616.
Application number 02160, $63,915. Application 02010, $610,346. That completes the recommendations for Region 6.

Region 7, Application number 02073, $1,027,062.

Region 8A, 02075, recommended credit amount $1,068,403. Application number 02092, $610,106.
Application number 02086, $774,562. Application number 02093, $300,006. Application number 02094, $456,769.
Application 02009, $917,770. That completes the recommendations for Region 8A.

Application 02107, $888,921. Application 02033, $862,724.

That completes the recommendations for Region 8B.

Region 9, Application number 02079, credit allocation $925,169. Application 02104, credit allocation $821,462.

Mr. Chairman, that completes the staff's recommendations for the 2002 allocation awards.

CHAIRMAN JONES: Mr. Conine, do you have a --

MR. CONINE: No, I think I'm okay with it.

CHAIRMAN JONES: Okay. All right.

MS. CARRINGTON: Brooke is giving me the high sign. I must have left something out.

MR. CONINE: Well, there is probably a number or two. Yes, sure. I mean, he's running the meeting.

MS. BOSTON: There were two that got read in wrong, which is two out of all that many. But I want to make sure the record actually reflects --

CHAIRMAN JONES: You mean you don't want to fire your boss over it?

MS. BOSTON: I love my boss.

CHAIRMAN JONES: Isn't it nice? She says that's okay.

MR. CONINE: I thought I -- go ahead.
MS. BOSTON: I just wanted to make sure the record actually reflected the corrected amounts, so later if someone reads it --

MS. CARRINGTON: Thank you.

MS. BOSTON: -- it's right. In Region 2, there was a project that you -- there -- it was read in as 02073 being for $774,967. And the project number is actually 02070.

And then in Region 8A, project 02092, the amount was read in as $610,000-something. And the amount is actually $640,106.

MS. CARRINGTON: Yes. Thank you for listening, Brooke.

MR. CONINE: And am I to assume that the July 26 list we're looking at is correct everywhere, so that if she misread something somewhere else, that we could refer to this list and it govern, so that when we make the motion, we'll --

MS. CARRINGTON: Yes.

MR. CONINE: -- take care of it that way?

MS. CARRINGTON: Yes, and she was right also.

MR. CONINE: I just wanted to make sure there wasn't a mistake on here.

CHAIRMAN JONES: All right. Okay. We have staff recommendations.
MR. CONINE: Move for approval.

MR. SALINAS: Second.

CHAIRMAN JONES: We have a motion that they be approved, and a second. Comments, discussion?

MR. CONINE: Mr. Chairman, I would like to make one amendment to my own motion, if I might.

CHAIRMAN JONES: Please do.

MR. CONINE: Based on testimony we have heard here today, and some evidence of local needs, I think, in the community, I'd like to take off of the Region 7 approved list 02073, and replace it with 02100, which is the Grove Place Apartment deal, again, subject to the previous motion of granting their appeal.

And furthermore, I think that would -- I'm not sure of the math, Brooke. You may help me on that. But that may -- the math may then take care of the Woodview project that has a split allocation. I don't know if there's enough differential there to cover it or not, but I think it would be, or get close. And if there's not, we can still leave it to '03.

And finally, I'd like to amend the staff recommendation. I know we also have 2003 forward commitments on this list, and she only read off the 2002 awards. I'd like to recommend that this board not make any recommendations on the 2003 forward commitment list.
until next month, at our meeting next month, so that some
of this other stuff that we know of, that we think is
going to shake out, might shake out between now and then,
and help clarify some of our decision as to not only the
forward application list, or the forward commitment list,
but also the waiting list that we're going to develop
next month.

MS. ANDERSON: May I ask a question of
clarification?

MR. CONINE: Sure.

MS. ANDERSON: Do you mean the -- when you say
next month, to mean the August 8 meeting, or the September
meeting?

MR. CONINE: Well, from what I'm hearing, we
may have to have two meetings in August. So either one of
the two meetings next month. And I think we can do that.
And I think the QAP allows the discretion to be able to
do that.

MS. ANDERSON: Okay. Thanks.

MR. CONINE: So I'd amend my motion -- or the
motion on the floor to do those two things.

CHAIRMAN JONES: Okay. So what we have on the
floor right now is a motion to amend. And is there a
second to the motion to amend?

MR. SALINAS: Is that the same one that --
MR. CONINE: That we take this one off and put that one on. The one that --

MR. SALINAS: This one.

MS. BOSTON: It would free up that money.

MR. SALINAS: It would?

MS. BOSTON: We would --

MR. CONINE: It would.

MR. SALINAS: I second your motion.

CHAIRMAN JONES: Okay. The motion to amend has been made and seconded. Now, is that being done pursuant to discretionary provision?

MR. CONINE: Local needs assessment.

CHAIRMAN JONES: Okay. Just want to make sure you're referencing exactly why it was being done. It's due to your evaluation of local needs assessments. Correct?

MR. CONINE: Correct.

CHAIRMAN JONES: Thank you. Further discussion on the motion to amend which has been made and seconded? Questions, comments?

MR. HERRERA: Mr. Chair, I'd like to speak to that.

CHAIRMAN JONES: I'm sorry, sir. The time for public comment has been closed. I apologize. Further comments? I'm going to reverse myself on that. If you'd
like to speak on that, please come down and do so. If
you'd please state your name for the record, sir.

MR. HERRERA: My name is Carlos Herrera. I'm
the developer sponsoring this project. With all due
respect to the board and everybody here, I don't know what
testimony was heard. I heard a senator speak from his
district.

I have all the support of all the elected
officials in this city, the mayor, the state reps, the --
everybody. I'm the highest-scoring project. I worked
very hard. I went through two different appeals,
succeeded there, and maintained my status as a top-rated
project in this district.

And I don't see what one person coming out of
nowhere, who doesn't even live or represent the people and
the groups that I met with in that district -- I have met
with the citizens there. They do have some concerns. In
fact, they would anywhere else where we have pending
zoning.

I'm working through that now as we speak. So I
don't understand what the justification would be to knock
out the highest-rated project in this region, Region 7,
Austin, Texas.

CHAIRMAN JONES: Thank you, sir.

Any further questions or comments?
MR. SALINAS: How would we be able to accommodate both here in the region? We would have to get --

MR. CONINE: Well, we've still got the forwards to deal with for next year. And there may be some other stuff happen over a short period of time -- that would --

MR. SALINAS: He would still keep --

MR. CONINE: -- some others drop out.

MR. SALINAS: He would still keep some over at Pleasant Valley. We're not really knocking him off completely, are we?

MR. CONINE: No, he's still eligible for the forward list.

MR. SALINAS: Yes.

CHAIRMAN JONES: All right. Any further questions or comments? Yes, ma'am.

MS. ANDERSON: I have a comment.

MR. SALINAS: You don't agree with him?

CHAIRMAN JONES: Yes.

MR. SALINAS: You don't agree, if he would still be there for --

CHAIRMAN JONES: Yes.

MS. ANDERSON: Are we voting on a main motion, or are we voting on an amendment?
CHAIRMAN JONES: We're voting on an amendment.

MS. ANDERSON: Okay. I have a comment on the amendment.

CHAIRMAN JONES: Sure. Please.

MS. ANDERSON: You know, I take -- learned a ton from Kent Conine, take a lot of leadership from him. But I have to say, with regard to the amendment that we have a very high-scoring project. There were some comments made today about its zoning.

But it is not the only project on this list that does not have its zoning completed. And that's not a requirement in the QAP for moving forward.

And because we're not making our forward commitments today, we would retain the flexibility to fund Grove Place or any other project under a forward commitment that had, you know, some sound principles behind it. So I in this case, am going to -- am not going to vote for the amendment because of the -- because the Pleasant Valley project scored so much higher at the outset.

CHAIRMAN JONES: Thank you. Any further comments, questions?

Yes? Mayor Salinas.

MR. SALINAS: Well, I did the second on the amendment, right?
CHAIRMAN JONES: Right.

MR. SALINAS: I would like to withdraw that second.

CHAIRMAN JONES: Okay.

MR. SALINAS: I'm sorry.

MR. CONINE: Fading fast.

MR. SALINAS: I'm sorry.

CHAIRMAN JONES: You had it there for a little bit.

MR. CONINE: Fading fast.

CHAIRMAN JONES: Okay.

MR. SALINAS: I'm sorry, but I just really think that -- I think both projects are good projects. And I think they'll get funded, both get their tax credits funded. I think Beth is right, that we're taking it away from the high scorer.

CHAIRMAN JONES: Okay. We have a motion in on the floor that's not been seconded. Is there a second to the motion to amend?

Hearing none, I believe the motion dies for lack of a second, which would go back to the original motion, which was to approve the recommendations of staff.

MS. ANDERSON: Has that motion been --

CHAIRMAN JONES: And that motion was seconded.

MR. SALINAS: I seconded that. Yes.
CHAIRMAN JONES: Are there any further motions to amend? Not anticipating any, but that's generally the way we've handled these. I hear no further motions to amend.

Hearing none, I then would ask for questions, comments, discussion, or debate on the motion to approve staff's recommendations. Hearing none, I assume we're ready to vote. Am I right? All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay.

(No response.)

CHAIRMAN JONES: The motion carries. All right. What's next? Okay. All right. Excuse me. If I could ask everybody to come to order. Excuse me. We're not through with our meeting.

Yes, we're trying. We have no Executive Director's Report. So I think our agenda is completed. There is one thing, though, I would like for Ms. Carrington to comment on if I could. And that is about our upcoming board meetings.

MS. CARRINGTON: We will have one, and perhaps two board meetings in August. And what the QAP and the legislation requires us to do is allocate the commitments for 2002 by July 31 of this year.
We will be recommending a list of developments for forward commitments. We will also be prioritizing transactions for the waiting list. And those will be items that the board will consider at their -- at one of the meetings in August.

CHAIRMAN JONES: And currently we're scheduled for August 8.

MS. CARRINGTON: Currently we're scheduled for August 8, and then very possibly a meeting very late in the month.

CHAIRMAN JONES: Okay. Thank you. I just wanted to do that for the board members' sake. With that, I'll entertain a motion to adjourn.

MS. ANDERSON: So moved.

MR. SALINAS: Second.

CHAIRMAN JONES: Okay. And before staff leaves, be sure to help Delores. She desperately needs your help. You cannot go. Okay. All in favor of adjourning, say aye.

(A chorus of ayes.)

CHAIRMAN JONES: The motion carries. Meeting adjourned.

(Whereupon, at 4:46 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: Texas Department of Housing and Community Affairs, Public Hearing on All Programs

LOCATION: Austin, Texas

DATE: July 29, 2002

I do hereby certify that the foregoing pages, numbers 1 through 173, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sunny Peer before the Texas Department of Housing and Community Affairs.

08/05/02

(Transcriber) (Date)

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