TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

1:30 p.m.
Thursday,
August 29, 2002

Capitol Extension Auditorium
1400 North Congress
Austin, Texas 78701

PRESENT:

TDHCA BOARD:

Michael Jones, Chairman
C. Kent Conine, Vice Chairman
Vidal Gonzalez
Elizabeth Anderson
Norberto Salinas
Shadrick Bogany

TDHCA STAFF:

Edwina Carrington, Executive Director
Tom Gouris
Robert Onion
Delores Groneck
Bill Dally
Lucille Spillar
David Burrell
Keith Hoffpauir
Sarah Anderson
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PROCEEDINGS

CHAIRMAN JONES: I now call to order the board meeting of the Texas Department of Housing and Community Affairs for August 29, 2002, our first order of business being the determination of the quorum. Ms. Beth Anderson?

MS. ANDERSON: Here.

CHAIRMAN JONES: Mr. Bogany?

MR. BOGANY: Here.

CHAIRMAN JONES: Mr. Conine?

MR. CONINE: Here.

CHAIRMAN JONES: Mr. Gonzalez?

MR. GONZALEZ: Here.

CHAIRMAN JONES: Mr. Salinas -- who is absent at this point.

CHAIRMAN JONES: Mr. Jones is here. So the Chair is here. And we do have a quorum. We have five members present.

Our next order of business is public comment. And before that, I need to thank Steve Ogden for sponsoring this room for us. And we appreciate that so much, and his office.

Our next order of business is public comment. And I have been told --

Mr. Schwartz, I have been told whatever I do, to make sure you speak first. So I am following that
instruction. It's so nice of you to be here with us.

MR. SCHWARTZ: Good afternoon. Thank you, Mr. Chair. I am closing on a new house this afternoon.

(Applause.)

MR. SCHWARTZ: I'm very excited.

MR. CONINE: Is it a new house, or just new to you?

MR. SCHWARTZ: New to me.

MR. CONINE: Okay.

MR. SCHWARTZ: My name is Jonas Schwartz. And I work for Advocacy Incorporated. And I am here this afternoon on behalf of the Disability Advisory Committee for the department.

My comments will focus on the principle of integrated housing for people with disabilities as it relates to the capacity-building initiative through the Housing Trust Fund, which you all will be approving today.

Over the last two months, it has come to the Advisory Committee's attention that the department is struggling with the implementation of the principle of integrated housing in the different programs.

The department's current low income housing plan calls for integrated housing for people with disabilities, and states that segregated activities will not be supported.
This is an excellent policy, and it is in line with federal leadership regarding implementation of the Olmsted [phonetic] Supreme Court decision, and it was also supported by the State of Texas in the Senate Bill 367, which was passed last section. And that's our state's response to the Supreme Court decision.

As always, the devil is in the details. For example, is a project integrated if it mixes people with disabilities in with people who are elderly? Since the policy was developed to promote community inclusion of people with disabilities, our answer is that segregating two special needs groups together does not constitute integration.

Another question concerns the percentage of units in a development that can be set aside for people with disabilities without violating segregation -- the segregation rule, and what percentage are we talking about? Are we talking about 5 percent of the units? Are we talking about 50 percent of the units?

The Disability Advisory Committee has embarked on a process to develop such a definition in time for the public hearing on the 2003 State of Texas Low Income Housing Plan and Annual Report in early fall.

And here are kind of the process that we've undertaken to try to help with the development of a
definition that staff can use to clearly determine whether applicants in the different programs who are applying for funding are complying with your current policy of not developing segregated housing.

The first thing we've done is develop a survey about this issue, on what is integrated housing. And we have distributed it to developers and to the disability community and other interested parties to determine what people's ideas are around integrated housing.

The other thing that we're going -- and that's in process. The other thing that we're going to do is interview some key informants. And we have identified people whose input would be critical on this issue.

We want to draft a detailed definition and submit it to department staff for inclusion in the 2003 State of Texas Low Income Housing Plan and Annual Report. And as part of the process, the department does public hearings on this Low Income Housing plan. And so that definition will be available for people to comment on during the public hearings that you all will be holding in October and November.

Once we've got -- the hearings are over and we've gotten all of the input, then we will develop, or refine, our draft definition and submit it to you all for your consideration and possible adoption for the future.
I -- for -- there are -- you're going to be talking about and voting on the capacity-building initiatives later today at this board meeting. And the great thing about capacity-building initiatives is that you have applicants who have land control, but they have not yet built or constructed their units.

So there is time for more applications to be made to the development. The Disability Advisory Committee would like to request that the board direct the applicants to modify their proposal to allow for integrated housing.

This means the housing units developed through this initiative would offer housing to people with disabilities and other special needs populations, that provides for integration into the general population. Thank you for your time and attention. Could I answer any questions?

CHAIRMAN JONES: Thank you, Mr. Schwartz.

Thank you so much for being here, and good luck.

Mr. Edward Willard, I believe. Mr. Willard?

MS. SPILLAR: I can bring the mike.

CHAIRMAN JONES: That might be easier.

MR. WILLARD: Good afternoon. Today I speak, not as an advocate for disability rights; rather, I speak for this forum as a person with a disability. The term
"integration" has been [indiscernible] with disability cannot agree on what integration means.

However, it is clear in my mind as to what segregation is. Segregation is telling a group of individuals, You are not welcome in society; you are broken and must be fixed. This proposed project in San Antonio is a segregated facility for persons with disabilities.

Personally, I find this proposed project offensive, and would ask this board to think about the message you would be given Texans with disabilities if you approve the proposal.

CHAIRMAN JONES: Thank you, sir.

Mr. David Danenfelzer.

MR. DANENFELZER: I'd actually like to speak after the item is introduced.

CHAIRMAN JONES: Okay. Ms. Susan Maxwell.

MS. MAXWELL: Hello. I'm Susan Maxwell. I represent the Texas Council for Developmental Disabilities. And I would like to maybe remind you of DD Council and what we're about.

We're establishing federal law under the Developmental Disabilities Assistance Bill of Rights Act. And the council consists of a 30-member board that's appointed by the Governor.
Our mission is to encourage policy change so that people with disabilities have opportunities to be fully included in their communities and exercise control in their own lives.

Consistent with federal law, our council members is represented 60 percent by people with disabilities or family members with people with disabilities. And the rest are from agencies who serve people with disabilities. And today I'm offering these comments on the council's behalf.

As you know, there is a great and unmet need for decent, affordable, accessible housing for people with disabilities. These people often depend on SSI and Social Security disability, and therefore, are the lowest of the low income. And we are glad that TDHCA is serving this group of people.

However, that project in San Antonio concerns us in that there is not a mix into the regular population of people with disabilities. That we are putting -- the way the project is written, the two special groups put together -- and in our mind, that does not look like a full integration.

We urge this department -- we urge you to establish a policy that clearly says that all projects would be developed with an integrated setting for people
with disabilities. People with disabilities want to live in the regular community. They want to be with their nondisabled peers. They don't want to be in segregated communities.

There are some advantages for being in an integrated community on a practical level, in that there is something called natural supports. That means, when you have a neighbor and the neighbor is sick, you bring him a pot of chicken soup. And that natural support occurs when you have an integrated setting.

There is other reasons. Sometimes people with disabilities have families, and therefore, they don't want to live with the elderly; they want to live with other people who have children that will be sharing the same playground.

In sum, I'd just like to finish by saying that projects that would put elderly and people with disabilities together is like no more integrated than putting two different racial groups together. Thank you for hearing our comments.

CHAIRMAN JONES: Thank you.

MS. MAXWELL: If there is any questions?

CHAIRMAN JONES: Thank you so much.

MS. MAXWELL: Sure.

CHAIRMAN JONES: Mr. Martinez? Mr. Robert
Martinez?

MR. MARTINEZ: I defer till the presentation.

CHAIRMAN JONES: Mr. Cranston?

MR. CRANSTON: Now?

CHAIRMAN JONES: Yes.

MR. CRANSTON: My name is Ron Cranston. I'm with ADAPT of Texas. And I'm an organizer for the community-based Attendants Services Network. One of the very important things about -- and as Ms. Maxwell had mentioned, is natural supports, and the -- it's very important that when you consider funding, that we have the ability to recruit attendants within a very close proximity of where we live. I'm speaking "we" as folks with disabilities.

It's -- right now, we're in a crisis of recruitment of attendants. And they are vital to our everyday functioning. To be able to recruit attendants near and in the community that we live is -- it's tantamount to making sure that you're living, say, in a school district that, you know, you're living near the school district that your child goes to school.

It's just a -- it makes it all -- makes all the difference in the world as to being able to get up in the morning, get dressed, be on your way, do the things that you have to do.
If you have -- and many of us who have families, as she said, rely on the fact that our families are with us and supply some of those natural supports, along with our neighbors and our -- and other folks that are nearby.

Any time that folks with disabilities come into a segregation situation, the natural support system is damaged in terms of attendant recruitment, the natural things like getting -- sometimes getting your groceries, or having some help that wouldn't normally be the types of help that you would get through maybe even in an attendant program.

These are so important, I can't express enough how much integration in the policy of the Texas Department of Housing and Community Affairs and the funding that is given to the properties that are being developed, or in existence, need to be integrated. Thank you very much. And if you have any questions, of course, ask me.

CHAIRMAN JONES: Thank you, sir.

Mr. Johnson.

MR. JOHNSON: I'll pass. No comment.

CHAIRMAN JONES: You don't care to state?

Okay. Thank you, sir.

Mr. Templeton? Yes, sir. You can bring the microphone here to Mr. Templeton.
MR. TEMPLETON: Thank you for allowing me to speak today. We don't want segregation in our community as [indiscernible]. We don't want that. And we want that to be our homes. Thank you.

CHAIRMAN JONES: Thank you, sir.

Ms. Karen Greeben.

MS. GREEBEN: Thank you. I [indiscernible] and I want to give my support [indiscernible] I can't only begin [indiscernible]. Thank you.

CHAIRMAN JONES: Thank you. Mr. Richard Miller.

MR. MILLER: [indiscernible]

CHAIRMAN JONES: Thank you, sir. Mr. Albert Metz.

MR. METZ: Here I am. Yes, my name is Albert Metz. I also would like to tell you [indiscernible] that you're going to [indiscernible] we [indiscernible].

CHAIRMAN JONES: Thank you, sir.

Mr. Spawn?

MR. SPAWN: I'm Wayne Spawn. [indiscernible] I have to say I live in San Antonio with old people, and people with disabilities. I think that they [indiscernible] because I live in my own home. But we've got all types of people.

So we are finally -- the people -- old people,
all type people need to go. The type of law -- there
ought to be a law that people live in a community so we
could get attendants and people who don't live too far
away, to help us get out in the morning and put us to bed.

There's people who come way out, all the way.
It's hard to keep the people. They -- I did that. I did
the -- I go all the community -- I will say that all
people living together -- I want to see all kind of people
living together. Thank you.

CHAIRMAN JONES: Thank you, sir.

Mr. Briones? Yes, Ma'am? Mr. Briones.

Excuse me.

MR. BRIONES: Good afternoon. My name is Felix
Briones. I'm also a member of ADAPT. And I'd like to
affirm our position on integrated and not segregated
housing.

It seems like everybody feels a lot better when
you're integrated, where you've got like every -- all
kind of different people around you. And that's the way I
think it ought to be. It makes everybody feel a lot
better.

If you segregate people, it's like saying,
Well, we're going to put the whites on one side, the
blacks on one side. But if we keep everybody together,
that's -- you know, that's the melting pot of the United
States.

So we need to kind of keep the housing together, the housing net, so we need more integrated, not segregated housing. And Gig 'em, Aggies.

CHAIRMAN JONES: That won't happen. It's a brave man to do that today.

Mr. Gonzalez.

MR. GONZALEZ: Mr. Chairman, I did want to remind you, the Governor is an Aggie.

VOICE: You're talking to a Baylor mayor here.

CHAIRMAN JONES: I bet he's not talking about [indiscernible]. He'll miss the election cycle there.

Yes, sir?

MR. GONZALEZ: Hello. My name is Freddy Gonzalez. I'm also a member of ADAPT. I'm here because I'm here for a personal nature. Okay. I believe that --

I can't believe in segregation, because I believe that integration is more contemporary to what people need to learn, because I have a personal experience.

This past weekend I went to the Cher concert. And I was permitted to go first, not first, but I was in front of the line, because it was -- since I'm disabled. And they let us go first so we can seat ourself first.

And another person who worked there, he decided to -- said that I use my disability to my advantage. He
says that I'm -- I can walk, and I can -- and I don't need a walker, and I'm not disabled, and that I'm faking my injury.

The thing is, segregation is just bad. People need to learn that people with disability are at different levels of their disability, you know. Thank you.

CHAIRMAN JONES: Thank you, sir.

Ms. McPhail?

MS. MCPHAIL: No.

CHAIRMAN JONES: Did I say that wrong?

MS. MCPHAIL: It's Jennifer McPhail.

CHAIRMAN JONES: Excuse me.

MS. MCPHAIL: But you're close. Thank you. My name is Jennifer McPhail. And I'm also an organizer with ADAPT of Texas. And I have some written comments here for you that I wanted to turn in to you.

Yes, and I'm going to make my testimony a little bit more personal than just what's here in written form. You have the responsibility of providing affordable, accessible and integrated housing.

You took on that responsibility and embraced it; the responsibility to provide housing that is just for everyone in the community. You took on that responsibility and you affirmed it by saying that you would not fund housing that was segregated.
Now, you also have the most integrated setting mandate that you have to follow. There are certain things that you have to do as an agency to ensure justice. Justice has never been a matter of convenience for providers of housing, for providers of attendant care, for providers of jobs. It's not about what's convenient for the ruling class, but what's just for all.

If it was a matter of convenience, they'd still be segregating people based on color, based on gender, based on sexual preference. You would never allow that to happen. So why are we still talking here today about how important it is not to segregate me.

You've heard about the natural supports that we need when we live in the community. But what about the natural supports that we are? What about the fact that I babysit my neighbors in my housing complex when their families have to go to work, and I have time where I'm off from work myself.

What about the times that I take the chicken soup to my elderly neighbor that lives next door to me? What about the Christmas presents that I exchange with my neighbors? What about our families knowing each other?

All that would have been gone had we not been in integrated housing. The cost of segregation is way too high to calculate. There was once a time when it was an
odd occurrence to see another person with a disability in
the grocery store.

When I was a little kid, I used to be elated
when I saw another person in a wheelchair, because I
didn't know how many of us existed. I didn't realize that
there were more people out there just like me. Now, you
see people with disabilities everywhere.

Compared to what it was way back then, it's a
lot different. You run into people all over the community
doing different, diverse things. We're not all the same.
We don't all want to live together. I have a lot of
disabled friends. But I don't want to live with them.

I have a lot of members of my family that are
disabled. But I don't want to have to live with them
either. So just like anybody else, not everybody wants to
be smushed up in a group together. It's just common
sense. It's just to provide innovative housing. It's the
right thing to do. And sometimes, the right thing to do
takes a great deal of courage.

A lot of the people that are sitting in the
front row of this room today have been jailed for their
beliefs, have faced bomb threats, death threats from all
over, just to be part of the community.

We didn't do all those things so that you could
then pass a policy or allow a project to exist that would
segregate us. There are a lot of people still in this state who have to crawl up and down stairs every single day when they go to work or to the grocery store.

There are a lot of people just like me. I was 19 years old before I could enter the bathroom and transfer myself to a toilet by myself. Nineteen. What do you think that cost me physically to have to wait until it was convenient for other people to help me in the restroom? What do you think that cost?

Do you think it's cheaper for me to have to go to the emergency room when I get a bladder infection because I couldn't get in my own bathroom? Or is it right to say let's make accessible housing, and make it integrated, so that we can correct the mistakes that we've made in the past, so that we can live and work toward a better future for all of Texas.

I'd like to believe that we can correct the fact that Texas used to segregate other minorities. We have the right -- we have the chance to do what's right. We have the chance for Texas to lead the way. Don't ruin it by caving in to pressure from folks in San Antonio or anywhere else. Thank you.

CHAIRMAN JONES: Thank you. Any questions? I'm sure I'm not the first to say you're very eloquent, very eloquent. Thank you.
That concludes, then, all of the people I have that would like to speak to the board that have filled out witness affirmation forms. Is there anyone else that would like to speak to the board? Yes?

MS. BOWEN: I have my [indiscernible] item number four, so I can address the issues a little more clearly?

CHAIRMAN JONES: Yes, you do. If you want to speak to the board, you need to fill out a witness affirmation form. Do you care to speak now?

MS. BOWEN: I'll speak later.

CHAIRMAN JONES: Okay.

MS. BOWEN: Yes, sir.

CHAIRMAN JONES: Anyone else, though, care to speak to the board? Okay. Then we will reserve your time to speak to the board when agenda item number four comes up. Mr. Martinez also desires to speak to the board when agenda item number four comes up. And I believe Mr. Danenfelzer also wants to speak to the board when agenda item number four comes up.

With regard to anyone else, then, the time for public comment will close, and those will be the individuals that have reserved the right to speak at the time the agenda items come up. And public comment does at this time now close.

ON THE RECORD REPORTING
(512) 450-0342
With that, we will turn to the next item on our agenda, which I think is the approval of the minutes of the board for -- which is the minutes of the meetings of July 29, 2002, and August 8, 2002.

MR. CONINE: Do we have August 8 in the book here?

MS. CARRINGTON: Yes, they're both here.


MR. GONZALEZ: Second.

CHAIRMAN JONES: The motion's made and seconded. Any discussion?

MS. ANDERSON: I have one, what I believe is a correction, Mr. Chairman.

CHAIRMAN JONES: Thank you.

MS. ANDERSON: On the August 8 minutes, on -- oh, boy. Two, four, six, eight, ten. Toward the top of page 10 where it talks about testimony by Robert Kelly with Hunt Building Corporation. I remember this well, because I made this motion. This is where we were -- we approved issuance of determination notices.

But we -- but this was subject to underwriting staff working with applicant to verify cost of additional information. I think it was that -- that condition of that motion only applied to the Shady Oaks Development,
and not to these Pleasant Valley Villas and Eagles Landing.

And so I would ask -- and I -- where is Tom Gouris?

MR. CONINE: He left.

MS. CARRINGTON: He was here, but --

MS. ANDERSON: He -- okay. Well, anyway, it was someone -- it was one of his team members, I think, on underwriting, or maybe someone on Brooke's team that had the conversation with me. So I'd just ask that we clarify that portion of the minutes.

MR. CONINE: Maker of the motion accepts that amendment.

CHAIRMAN JONES: Okay. So we have a motion on the floor to approve this as they've been amended by Ms. Anderson's comments. And that motion's been made and seconded. So that motion is the one we'll currently be voting on. Any discussion?

Hearing no discussion, 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.
At this time, I would also like to recognize a few people that we have with us. We have Mr. Morales with the Speaker's Office. Thank you for being here. We love to work with you. Ms. Julie Street from the House Urban Affairs Committee. Julie? Hi. How are you?

MR. CONINE: The lady in pink.

CHAIRMAN JONES: Stacey Gunkel, the Lieutenant Governor's Office. Hi, Stacey. And Marcelo Guevara with the Sunset Advisory Committee.

MR. CONINE: Here he is.

CHAIRMAN JONES: Hi, how are you. Watching us closely, right? All right. Glad to have you. Thanks so much for being here.

MS. CARRINGTON: And I've learned how to pronounce his name since last month.

CHAIRMAN JONES: All right. Well, please do.

MS. CARRINGTON: Guevara.

CHAIRMAN JONES: Guevara.

MS. CARRINGTON: Guevara.

CHAIRMAN JONES: Okay. I'm going to take lessons. All right. Thank you so much for being here. If you'll next turn to item two of the agenda, which is Presentation, Discussion on Sunset Advisory Commission Review's Schedule. Okay.

MS. CARRINGTON: Thank you, Mr. Jones. It is
indeed that time again. And we have actually been
preparing, of course over the last year since the last
legislative session, for what we've provided for the board
today for your all's information, and hopefully for your
attendance at some of these meetings, is our schedule of
what's coming up.

The first substantial event for us was the
draft report on August 21 of the House Committee on Urban
Affairs, that made recommendations on continuation of the
activities of TDHCA. And a copy of that draft report is
included in your packet for your information.

The Urban Affairs Committee will meet on
September 17, and it is on that day -- Julie says around
about that date. I know Chairman Carter was trying to get
the 17th -- it is around that date that they will take
action on the recommendations.

There were four charges on the House Committee
of Urban Affairs over this interim, two of them
specifically relating to some activities of TDHCA. On
September 5, one week from today, Marcelo and four other
staff members from the Sunset Advisory Commission will be
in our office for about three hours reviewing their
process with us first, and then providing for a staff
presentation on the implementation of Senate Bill 322.

We anticipate that to be about a two-and-a-half
to three-hour meeting. In late September, although it
sounds like now it may be about the middle of September,
the Sunset staff will actually be in our office working
with us, probably over a two to three, or a three or four-
day period, looking at activities records verifying what
we are reporting on our Senate Bill 322 activities and
accomplishments.

And our hearings are scheduled for December 10
and 11 at the Capitol here in Austin, to actually have our
hearings in front of the Sunset Advisory Committee,
scheduled the 10th and the 11th, and the legislative
session will convene on January 14. And we will then be
looking at legislation for TDHCA.

CHAIRMAN JONES: Thank you. Any questions,
comments. Very good. We'll move to Item 3 of the agenda.

Mr. Conine?

MR. CONINE: Thank you, Mr. Chairman. Item
3(a) will be the Presentation, of the Operating Budget for
Fiscal Year '02 and '03 by Mr. Bill Dally.

Good afternoon.

MR. DALLY: Thank you, Mr. Conine, Mr.
Chairman, board members, Ms. Carrington. You'll find
under Tab 3(a) the department's operating budget for
fiscal year 2003.

Before we get to the details of that, I want to
just lay a little bit of background. Out of Senate Bill 322, we had some changes to the department, and the budget that I brought to you last August for 2002 included the community development block grant. It also included the local government services.

Manufactured housing was still part -- was still a division with the department, but it was still within that budget. And that entire budget was $31 million.

If you'll open up to, I think it's page 2, it's past the organizational chart. Which, by the way, this organizational chart is a representation of TDHCA's organization to date, without the manufactured housing division.

We are currently undergoing a reorganization, and because of that, I will be bringing back an amended budget to you, probably sometime in the early fall. But this represents the 235-and-a-half employees that are with the department today in our current configuration. And the budget is organized under these various groups.

The -- just so I can clarify exactly where the fiscal year '03 budget is, it's in that 5th column, but let me walk you across on this page 2.

That first column is our budget, the $31 million down at the bottom. And that, as I say, included
an organization of 374 FTEs. That next column is where we take effect on taking out the community development block grant and local grant services. And we actually ended up, through the course of this year, transferring 51 FTEs to that new agency.

The third column is our manufactured housing division. And they represent 87-and-a-half direct FTEs. That gets you to our fourth column. But what we've done is actually given you an adjusted fiscal year '02 budget. It represents 235-and-a-half FTEs.

The fifth column is the budget that we'll bring to you today for adoption. And the bottom line on that is $20,572,094.

There is then a -- the column next to that shows the dollar variance between the fourth column, the '02 adjusted budget and the fiscal year '03 budget. You'll notice, bottom line, that we're -- we reduced $739,341. That is in large measure due to some of the capital projects that we had last year.

We had a loan servicing in our central database project. We both had large ticket items in last year's capital budget. This year, they're not there. So that's why it's down $676,000 going in to '03.

MR. CONINE: Could you explain, just briefly, why the capital outlay budget is in the same grouping with
the operating expense budget for those of us who are not familiar with government accounting? Why isn't it below the line. Because most capital budgets are, you know, not off balance sheet, but they're somewhere else.

MR. DALLY: It is part and parcel with our appropriations. Let me back up a second. This operating budget is a subset of our General Appropriations Act. And this is year 2 of the LAR that we did in August 2000. That was in '02/'03. And capital budget is part of our General Appropriations Act. And it has always historically been part of this operating budget. So it's -- we're following state practice --

MR. CONINE: Okay.

MR. DALLY: -- on that.

MR. CONINE: Thank you.

MR. DALLY: This year we did have -- we do have -- did have a separate budget for the manufactured housing division. I brought that to their board, and they approved on Monday of this week. As part of that budget, there is a memorandum of understanding, where we actually share certain support groups.

That would include internal audit, the Government communications, the information systems, and the financial services there at --

This process -- or let me back up and say this
process of this budget was developed by soliciting from each of the managers and directors in these various programs what their needs would be in this coming year.

It probably won't surprise you to find out that they actually came in with requests that were more than we had in the way of financing, because we are still under the limits that we had in our General Appropriations Act for that second year. So we have to make this fit within that.

And this budget does. But I did have to go back, and in some instances I met with Ms. Carrington, and we discussed those things that I told her weren't going to fit, and kind of made some decisions and choices. And so this has been pared down.

That draft budget was then redistributed to directors for them to look at again, and in some instances, we made some minor adjustments between groups, but we still had to work against the same bottom line.

Like I say, due to reorganization we will be bringing you back an amended budget later in the fall. I think we're -- I think bottom line, we're still working with the same deck. It's going to be reshuffled a little bit.

So you'll see the groupings of the organization will be different, but we'll still have 235-and-a-half
FTEs, and about $20-and-a-half million in budget.

The next page breaks -- it takes the same budget in over in that fifth column, but it shows the impact on each of the divisions within the department. It also, in the far column, shows some of those divisions and the ones that actually lost FTEs. And you'll note that in most instances, divisions have -- their budget shrunk from the two years. And that's largely due to the shift in FTEs.

There are two exceptions, in the Community Affairs division, their budget actually increases $312,000 this year. That's due to a capital project that they will have, their weatherization assistance program, which is going to be coming on in this year.

The other is the HOME -- in the housing programs division, the HOME program had an increase in FTEs. And they also have an increase in their professional fees. They're going to have some review of a compliance manual in this current year.

Down at the bottom of this page 3 is a listing of the methods of finance, which are general revenue, federal funds, appropriated receipts, interagency contracts, and earned federal funds.

The -- all of those revenue streams are some certain, I will say, maybe an exception of general
revenue. But until we get a message that we need to cut
back 5 percent or so, we have that amount, so to speak, in
the bank.

The amount -- in addition to that, the one line
item where we don't have all the funds in the bank is
appropriated receipts. Those are our housing fees that we
collect for the Tax Credit program, for the Multifamily
Bonds, for Single Family.

We are going to begin this year with a fund
balance of $3.7 million in appropriated receipts. So if
you take that total, we're going to begin the year with at
least 60 percent of the funds for this budget. However,
the remaining 40 percent, or 8.1 million, will be the fees
that we need to collect for our -- out of our housing
fees.

Our current projection on those is $8.6
million this coming year. So that doesn't give a very
wide margin of coverage. We'll stop here, and if there
are some questions that you board members may have on
this.

MS. ANDERSON: I have a couple of questions.

MR. DALLY: Okay.

MS. ANDERSON: Bill, in the line items -- you
know, the line items for professional fees and
registration fees that were for the large operating --
large-ish operating increases are in this budget, perhaps they're offset by some of the declines of some other places --

(Pause.)

MR. DALLY: It also includes a budget for legal fees, the department's audit fees. We have an outsourced contract in the compliance area that we've had for three or four years, where they actually do some of our compliance testing in the RTC program.

MS. ANDERSON: I was trying to understand where the increase is. It's a 10 percent increase. Was that just because everybody raised their fees across the board, or is there something new we're doing, or -- because we're already doing the IS consultants for the central database, and we're already doing the outsourced compliance. And so is the change -- the new spending is in the weatherization program?

MR. DALLY: That is correct.

MS. ANDERSON: Okay. Thanks.

MR. DALLY: That is correct.

MS. ANDERSON: And then in registration fees?

MR. DALLY: That, I'm drawing a blank on, what that $20,000 increase is.

MS. ANDERSON: It's a $120,000 increase.

There's a 35 percent increase, so that got my attention.
MR. DALLY: Wait, well --

MS. ANDERSON: Is -- can somebody else help me out with that?

MR. DALLY: I've got from 338, which was our last year's budget, to 358.

MS. ANDERSON: Oh, I'm sorry. Am I -- wait, I'm looking at the August 5 version.

MS. CARRINGTON: Twenty-one percent increase.

MS. ANDERSON: I'm looking at the August 5 document I got, not the -- you're right.

MR. DALLY: Oh, I'm --

MS. ANDERSON: I'm sorry. Well, we have an August 5, and then we --

MR. DALLY: That was a first draft, and I apologize.

MS. ANDERSON: Okay. I'm sorry. I --

MR. DALLY: This is a second and final draft.

MS. ANDERSON: I'm looking at the wrong one. I'm with you.

MS. ANDERSON: In terms of the -- having just been out to Montana to a meeting, in terms of the membership fees, what do you know about what we pay the National Association of State Housing Agencies, what that annual -- is that kind of the major membership fee that we have?
MR. DALLY: It's one of them. I think we've
got some other associations and fees that we're part of.

MS. ANDERSON: That are about that size? Okay.
Well, I can probably get that online, but I --

MR. CONINE: Are the homebuilders in there, do
you know?

MR. DALLY: No.

MR. CONINE: Just thought I'd ask. Thought I'd ask.

MS. ANDERSON: Okay. Thank you very much. I
think that's -- and then the last question is, so then on
the next page, under the" general revenue," that is the
state-appropriated amount, because -- and that's -- we
have in the bank because of the two-year budget cycle?

MR. DALLY: Barring a letter coming and
saying --

MS. ANDERSON: Right.

MR. DALLY: -- you need to trim that back 5
percent --

MS. ANDERSON: Okay.

MR. DALLY: -- because of the shortfall.

MS. ANDERSON: Right.

MR. DALLY: Now, the discussion of the
shortfall I've heard, there's been a discussion about, I
think, future needs come '04-'05, which is going to be the
LARs, and our request that we'll be bringing in this fall.

MS. ANDERSON: Right.

MR. DALLY: I haven't heard, or we haven't seen letter or correspondence to say you need to trim back, you know, [indiscernible] we're short.

MS. ANDERSON: Because we have a revenue shortfall now. Okay.

MR. DALLY: Right.

MS. ANDERSON: And then -- okay. And so then we'll see a legislative appropriation request for future years sometime from you --

MR. DALLY: September.

MS. ANDERSON: Okay.

MR. DALLY: September 12.

MS. ANDERSON: Okay. Thanks. I appreciate all your work on this.

MR. DALLY: You bet.

CHAIRMAN JONES: Other questions? Do we have a motion?

MR. GONZALEZ: I move to approve.

MR. CONINE: There is a motion for approval, I guess, and I'll second.

CHAIRMAN JONES: All right. We have a motion made and seconded. Discussion, questions, comments?

(No response.)
CHAIRMAN JONES: Hearing none, are we ready to vote?

(No response.)

CHAIRMAN JONES: 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.

MR. CONINE: Mr. Dally, are you going to do the operating budget for the Housing Finance Division?

MR. DALLY: Yes, that should be the last --

MR. CONINE: You're raising your hand before that. Is there a problem with that one?

MR. DALLY: No, no, no. No. No. That's what I was trying to get a motion on. If you'll go to the last page of that particular budget, it will be titled Housing Finance Budget. And in the far right-hand, below that column of figures is $11,859,726. That represents our fees and local funds that offer support to the department.

What it does is it then breaks down all of the various divisions that receive an allocation of those funds. And then down at the bottom you'll see the source of funds. Any questions?

This is just a subset of that original budget,
but it's constituted to show the local funds per se, and it's been a --

MR. CONINE: Did you squeeze that bond administration group, get all the fees out of there you could on expense items?

MR. DALLY: I'm not through with them.

MR. CONINE: Okay. There's a small group of them sitting in the back. I just thought I'd --

MR. DALLY: I'm not through with them. But we have had discussions.

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

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's made and seconded. Questions, comments, discussion?

(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.

MR. DALLY: Thank you.

MS. ANDERSON: Thank you, Bill.

CHAIRMAN JONES: Mr. Conine, 3(c).
MR. CONINE: Excuse me.

MS. ANDERSON: I think we're --

MR. CONINE: Is this Mr. Onion going to do this one?

MS. CARRINGTON: Item 3(c) has been pulled this morning.

MR. CONINE: Pulled. Oh.

CHAIRMAN JONES: I have an individual here who would like to speak on Item 3(c). Mr. Jeff Spicer.

MR. CONINE: It just got pulled. We don't have an Item 3(c).

CHAIRMAN JONES: Okay. All right. We will then turn to Item 4 on the agenda.

Mr. Bogany.

MR. BOGANY: Presentation and discussion and Possible Approval of Programmatic Items.

Keith Hoffpauir is going to come up and talk about the Housing Trust Fund capacity-building recommendations.

MS. CARRINGTON: Keith, do you want to come on up and do the overview, then.

MR. HOFFPAUIR: Thank you, Mr. Bogany. Good afternoon, Mr. Chairman --

CHAIRMAN JONES: Good afternoon.

MR. HOFFPAUIR: -- board members, Ms. Carrington. My name is Keith Hoffpauir. I'm the manager.
for the Housing Trust Fund program. And this afternoon we are bringing to you our recommendations for our 2002 capacity-building program.

I'll give you a brief overview of the cycle, and be happy to answer any questions and any other comment that was wanting to be made.

We published our notice of funding availability on March 15. We received 57 proposals competing for $558,000 in funding in a statewide competition. Of those 57, we were able to recommend 17 for funding before all funding was exhausted.

If these recommendations are approved, it will provide 17 organizations opportunity to build our capacity for the development of affordable housing, and potentially result in the development of 437 units of affordable housing.

I'll be happy to provide or read into the record the list of recommendations if you wish. I think we have those in the --

CHAIRMAN JONES: We have two people that like -- I mean, three people that would like to speak on this.

Mr. Danenfelzer.

MR. DANENFELZER: I have a small thing that I'd like to get to.
MR. CONINE: She's gone.

CHAIRMAN JONES: Just give it to me, I'll take care of it. Thank you.

MR. DANENFELZER: I'm here today representing the Enterprise Foundation. For those of you in the audience and the board who are not familiar with us, we are a national nonprofit corporation. We work throughout the state of Texas, both in rural and urban areas. And we provide support to nonprofit community development organizations in housing, economic development and job growth.

I'm here today, and I thank the board for allowing me to give my comments today on Item 4 of the agenda on the Housing Trust Fund's capacity-building awards.

Unfortunately, my job brings me in a lot of great places. Unfortunately, I meet a lot of great people and I work with them. And I guess I shouldn't say unfortunately. Those are good things.

But unfortunately today, some of my comments are going to hurt some of the groups I work with, but they'll also help other groups that I do work with as well, throughout the state of Texas.

In fact, yesterday I was out in West Texas. I was driving down an FM highway. And I had come to I-20,
and realized I needed to get onto the highway, and I did so. I drove down the access road, entered on, and I sped up to traffic, and set my speedometer to 70 miles an hour. At no time during this did I see a speed limit sign for 70 miles an hour. But I knew that the law was 70 miles an hour on state highways, and that's what I set my speedometer for.

My point today is that this board received an agenda earlier this month, on the 8th of August. It had a list of organizations which were recommended for funding under the capacity-building program. That list was, I believe, very equally and equitably distributed throughout the state of Texas.

It was partly based on the regional allocation plan, which has been approved and passed by this board. And it was also based on rules and regulations of the State of Texas and the state administration -- administrative code that governed the administration of the Housing Trust Fund.

And it's these points that I'd really like to focus on today. My first one, and in the packet that you'll get -- I actually haven't given you a copy of this. But under the Texas Government Code, Chapter 2306.203, are rules regarding the administration of the Housing Trust Fund.

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Paragraph 5, notes that "the board will attempt to allocate funds to achieve a broad, geographical distribution with a special emphasis on equitably serving rural and nonmetropolitan areas."

In the Texas Administrative Code, Chapter 51 -- Rule 51.5, paragraph A, it says that, "Funds shall be allocated to achieve a broad geographical distribution, taking into account the number and percentage of low, very low, and extremely low-income persons and families in different geographical areas of this state."

Item E under the same chapter and rule mentions that "The Department shall utilize its best efforts to apply at least 50 percent of the Housing Trust Funds allocated each funding cycle to nonmetropolitan areas of the state."

Chapter 51, Rule 51.10, under Item B, Section 5, says that -- and this is the Housing Trust Fund Rules Criteria for Funding, to be specific.

Under Housing Needs, which is a criteria for funding programs, the geographical area of the state to be served, and the extent to which there is a need for safe, decent and affordable housing in this area, is to be considered under Housing Trust Fund criterias.

Under the same Section B, but Number 15, "There should be a geographical balance in the distribution or
allocation of Housing Trust Funds, based to the extent
which the project will contribute to achieving a fair and
equitable geographic distribution of Housing Trust Funds."

This is the law. This is what we live by.
This is why when we get on the highway, whether we see a
speeding sign, or speed-limit sign or not, we set our
speedometers to 70. As you can see in the next -- the
last two pages of the handout I gave you, the first -- the
second-to-last page had geographic distribution on a map
that was presented to the board on August 8.

And it does show that this was an equal
distribution of Housing Trust Fund monies. All but one
region within the state received an allocation. And of
this, there were 14 counties represented, and I believe
five, possibly only four of the organizations which were
awarded were in rural areas, or designated rural areas by
the U.S. Department of Agriculture.

Under the current map, which is the last page
of this presentation, you can see that four regions now
have been eliminated from the distribution of these funds.
This is nearly 100 counties within the state of Texas
which have been eliminated from access to Housing Trust
Funds.

Instead of 14 counties dispersed throughout the
state, eleven counties, and possibly ten counties are now
represented. And I believe that the Texas Government Code and the Texas Administrative Code really kind of need to be pointed out at this point. I think the board needs to take this into consideration before making its judgment on the recommendations here today.

I do apologize, and I feel bad for those organizations which will lose funding if you decide to go back to the previous recommendations. However, it must be said, this is the law. This is the rule, and this is why we set our speedometers at 70 miles an hour.

So I hope that the board will take this into consideration before making its judgment. I thank you for allowing me to present today. If you have any questions, you're free to ask.

CHAIRMAN JONES: Thank you, sir.

Mr. Martinez?

MR. MARTINEZ: Thank you, Mr. Chairman, board members, Ms. Carrington. My name is Robert Martinez. I'm the executive director for the COIL, Center on Independent Living Community Development Corporation. And our proposal is being recommended for $35,000 funding for the capacity-building fund. And I want to thank all of the board members and the staff of TDHCA who have worked with us, and who have recommended us for this particular funding.
And I want to let you know that we are a small nonprofit in San Antonio that is doing its part, working with persons with disabilities, doing its part to help the State of Texas implement the Olmsted decision. And it is very disheartening to hear all the comments against our proposal and what we're doing in San Antonio. But I take it lightly, because that's what I need to do.

I am the executive director. And not only do I allow my staff, as well as myself and my board to bask in the glory of our victories and our successes, but I also have to roll with the punches.

Now, and -- really, some of the comments that were made against what we're doing in San Antonio, I'm not too sure if I really understand or not. But I need to make these comments.

When I was growing up in a Hispanic neighborhood, we were all basically the same. Young and old, we were Hispanic. We were light Hispanics, dark Hispanics. We had Hispanics with accents, and those without. We had Hispanics that were educated and those that were not educated.

But do you know what? We all lived together, and we all had a good time. It was fun. I enjoyed my childhood, my upbringing. Today I live in a neighborhood where there are Hispanics, there are Caucasians, there are
African-Americans, and there are some people from
different countries all living together, old, young,
educated, noneducated, accents and otherwise.

And do you know what? We're all having a good
time. We all enjoy living together. I don't see anything
wrong with it. Ms. Maxwell's comment about the elderly
and the disabled living together is no different than two
races living together.

I really don't understand that comment, because
I live in a community, as I said, where there are many
races living together. And do you know what? It's great.

CHAIRMAN JONES: Mr. Martinez, I'd kind of like
to direct your attention to --

MR. MARTINEZ: Sure.

CHAIRMAN JONES: I think what I heard them
saying was that they believe, as I believe you probably
believe too, that you know, disabled people should be
integrated into the community like anyone else. And I'm
sure you agree with that.

MR. MARTINEZ: Right.

CHAIRMAN JONES: And for some reason, with
regard to your particular endeavor, they think that's not
the case. And could you respond to that particular issue?

MR. MARTINEZ: Sure. And you know, again, they
only know what they've been told.
CHAIRMAN JONES: Sure.

MR. MARTINEZ: My -- as far as I understand it, my proposal has not been made public record. If it has, then you know, I'm in error. So they only have a certain amount of information that they received from a particular individual that is -- I know is very against what we do in San Antonio.

My project in San Antonio is going to be -- is integrated into the community. It's in a neighborhood on the south side of town. The houses that we have built look like all the other houses in the neighborhood. It is near transportation. It's near community shopping centers. They are fully accessible. So -- and they will be made available to anybody who wants to live in our projects. So I don't -- so they are going to be integrated.

They are not -- it's not a project where it's going to be 100 percent for the disabled. My projects that I am going -- that current project and the ones that we have in future plans are going to be that way.

There is no way in the world that I could allow or have 100 percent of people with disabilities living in my project. I need to have market rate units so that other people can come in and make it economically feasible for our organization.
Now, if people's idea about integration is to have one house here, one house there, one house over here and one over here, okay, spread throughout the City of San Antonio, then yes, I could probably do that if the ADAPT agency would help me foot the bill, if they want to fund us, then fine.

If UCP of Texas would like to help with the funding of that, then fine. Otherwise, because of funding restrictions, we have to do what we do. Thank you.

CHAIRMAN JONES: Thank you, sir. We have one more speaker, Ms. Bowen.

MS. BOWEN: And thank you very much for allowing me to add my name at the tail end there. I work with the Center of Independent Living. There are basically three divisions. The organization has been working with providing services to people with disabilities in the City of San Antonio for over 15 years.

The three different divisions are employment, helping people get back into the workplace. And there is rehab technology to allow them to do that. There is also an independent living program. Some -- the majority of the clientele have been disabled from birth, and actually need some life skills or education training to help get them integrated into the community.

And then the third division, which just came on
last year, is the Housing Division. There are two
separate projects that we are asking for Housing Trust
Fund support, two separate projects.

The first one is the Southside project. It is
18 units, small CDC, small projects. It's only 18 units.
Fifty [phonetic] percent, contractually, are obligated to
be rented to people with disabilities. And the other ones
are open.

And we have targeted -- yes, we have targeted
seniors to come into those units. We have 63 people on
the waiting list who want to live in those projects. Two
of them are not disabled. I explained that the houses are
fully accessible. It's a beautiful project. We want to
live there anyway.

I said, If we get down to number 63 and
everybody else doesn't qualify, you can live there.
So our projects are not segregated to the point where we
would turn people away who are not physically disabled.

The second project, which makes up 20 of the 38
units that we were funded for, is in Cambridgeville. It's
20 units. We've got upper story, and we've got lower-
story units.

All the lower-story units are -- our ground-
floor units are 100 percent accessible, roll-in showers,
roll-under sinks. About 50 percent of the project. Of
course, we would never turn down a disabled person who wanted to live on the second floor, but for the most part, we do expect that they would be on the ground floor, because we know we cannot turn away people who are disabled and not let them live in our project.

So that's about a 50 percent mix. And it is four separate structures in an already established apartment complex with over 100-and-some units. That's our definition of integration. So I don't think what we're here today about is what's segregated or what's not, or what's integrated or what's not. It's just our definition of that.

And the definition has not even been put into writing yet. And I know that during the 2003, they hope to get everything together, and we'll all be here for public comment. But it wasn't in place.

So I want to thank staff for following their own rules, and looking at their definition of what was available during the proposal, and that's just property that's not 100 percent set aside for people with disabilities.

Both of our projects met that criteria. We invite any of the people who don't have the full knowledge or want to see a copy of the proposal, give us your name and address, we'll send it to you. Or come visit the
project. And on a personal level, I've been working and writing applications to the state.

And I want to commend you on your visibility policy. It's absolutely wonderful for any federal funds that are going to a project that it needs to be at least visible, even if it is single-family housing.

I work with neighborhood housing services in the City of San Antonio, and Emily [indiscernible] with the Enterprise Foundation brought us that information when you passed your ordinance, and even before it is mandatory in the City of San Antonio -- or other [phonetic] operations of that organization, and even though it wasn't financially feasible the first year, we went ahead and made all of our production visible.

So we want to congratulate you on doing that, and getting that down to us in the City of San Antonio, and Emily Thuss [phonetic] from the Enterprise Foundation for making that possible.

And I want to thank COIL for being extremely brave. We are taking everything that we learned here back to our board today. And when we do our strategic planning sessions, and we'll -- we've gotten so much good information from Jean and from Ann on our future projects. And we're going to do what's financially and what's feasibly possible to get as many disabled people as we
can, because that's our issue.

We don't have enough disabled units in San
Antonio. You may have them in Austin. We don't have them
in San Antonio. And my last note, I'm not an expert on
segregation. Okay? But I think it has to do with choice.

It has to do with making choices available and having
somebody not tell you where you can't live.

It has to do with being able to go to an
apartment complex and, say, not being turned down because
you are in a special category. Thank you very much.

CHAIRMAN JONES: Thank you. Are we done with
public comment?

MR. CONINE: Yes.

MR. BOGANY: I'd like to get Ann to give us an
overview in regards to the Texas Government Code,
2306.203, whether or not we are in violation.

CHAIRMAN JONES: Let's back up for a minute
here.

MR. CONINE: Shad, can we -- could we hear from
Keith first, and kind of hear, you know, how those maps
got changed, and then kind of go from there?

MS. CARRINGTON: Yes, actually, if I can just
interject.

MR. CONINE: Sure.

MS. CARRINGTON: I think obviously what we
have is two issues going on, board members. The first one we have is of the 17 applications that we are recommending to you all today, one of them, the Center for Independent Living in San Antonio -- the comments had been made that this is segregated housing, not integrated housing.

And to just kind of pull the board back, in our current state Low Income Housing plan, what we way is that we encourage and support, and it is the policy of the board to fund projects that are providing integrated housing. There really is no definition of integrated housing in the state Low Income Housing plan.

So as we looked at the applications of the 57 that Keith talked about, what was real clear to us was that any application that said they were going to be serving persons that were 100 percent -- a person with disabilities, 100 percent of those units would go to persons with disabilities.

But obviously, that did not meet the requirement, the policy that TDHCA had adopted. What we had with the COIL situation is two different populations identified, and that is the disabled population and the elderly population, which are the two populations that this nonprofit group provides housing for.

And certainly, we had a debate among staff about this particular transaction, but felt that it was
within our policy, and did not violate the policy of providing integrated housing. So that certainly is one issue that's on the table this afternoon.

The other is absolutely correct in that at the board meeting in -- at the August board meeting -- early August board meeting, where we had made Housing Trust Fund recommendations that you actually awarded trust funds out of two of those three activities, and on our capacity-building which are the ones that you all are looking for today, we did pull those based on some comments from the public, and took another look at those.

And that is the second issue that's actually on the table. Initially, the recommendations were that you all saw in August. Those recommendations were going to be per state service region. And as you all know, we have eleven of those.

One of them didn't receive any applications at all, so we would have never been 100 percent allocating them on the state service regions. And what you all see today is applications that the recommendations are being recommended on a statewide basis, I think which actually gets us seven out of the eleven regions of having allocations, as opposed to ten out of the eleven, so then an explanation of why those recommendations were modified.

MR. HOFFPAUIR: With regard to the latter
issue, as to why the recommendations were modified, Ms. Carrington is correct. After we published our initial list of recommendations for the August 8 board meeting, we received criticism from some of the applicants, stating that the recommendations were not in line with the language of the NOFA that was published.

And we went back. We took a look at that. We felt that that criticism was fair and accurate. The way the NOFA was published was that it was a statewide competition without any regional component made part of the NOFA or the application.

Based on that fact, we felt that the right thing to do was to go back and rank those applications without any regional component based on their score first, and then on the number of projected units that they were going to produce.

We felt that was consistent with what we had published originally, and that was to why that decision was made.

MR. CONINE: So are we to assume that the -- in the original August 8 map, that some of the projects that staff had initially recommended did not score 100?

MR. HOFFPAUIR: Yes, sir. That is correct.

MR. CONINE: And that when you went back and looked at the NOFA, and it had basically disregard for
geographic regions, there were other 100-scored applications that then crept to the top?

MR. HOFFPAUIR: That is correct.

MR. CONINE: And if I look at the -- where is that little -- oh, it's here. In the Administrative Code regulating the use of the Housing Trust Fund, or whatever, it calls for -- I think it calls for geographic. Or it just says, Where there's a need, which I guess --

MS. CARRINGTON: [indiscernible] and best effort, so --

MR. CONINE: And of course, you know, I guess I have the basic problem that this is relating to the entire trust fund, not just the capacity-building issues. So I'm sure some of the geography issues and so forth can be met under other uses of the Housing Trust Fund.

MS. CARRINGTON: And the other two allocations of trust fund, which you approved in early August were indeed done on a regional allocation formula basis.

MR. CONINE: Well, let me ask then a question that we don't have the information on. Is that -- in the second -- if we combine the second map with the first two we did last -- earlier this month, are we going to get this regional allocation that we need in every region?

MR. HOFFPAUIR: I'm not sure I understand the question. But we will get some geographic distribution,
because we're making award recommendations for seven of the eleven regions.

MR. CONINE: The other two uses of the fund that we approved earlier this last month?

MR. HOFFPAUIR: Yes, sir.

MR. CONINE: The Region II and Region IX and Region IV have money going into those regions as well, out of those two areas?

MR. HOFFPAUIR: I'd have to go back and look at the dispersion. But I can tell you this. The two funding activities that we provided recommendations to you for previously, which were the development funding and the State Energy Conservation Office, energy efficiency funding --

MR. CONINE: Right.

MR. HOFFPAUIR: -- both of those funding activities are processed through the regional allocation formula.

MR. CONINE: And they touched all ten regions, or eleven regions?

MR. HOFFPAUIR: All eleven regions had funding available for competition.

MR. CONINE: Okay. That's what I was looking for.

MS. ANDERSON: But that doesn't mean -- I think
we're asking about the awards, not what was available for
competition, because didn't one of those things just get
awarded, the two grantees out of the whole state?

MS. CARRINGTON: Yes.

MS. ANDERSON: Do you understand what --

MR. CONINE: The --

MS. ANDERSON: The question is --

MR. HOFFPAUIR: The predevelopment, yes.

MS. ANDERSON: Right.

MR. HOFFPAUIR: That was the predevelopment
accounting.

MS. ANDERSON: I think what Mr. Conine is
asking, and what I -- if he's not, what I'm asking, is
when you look at where -- the regions where those other
things we approved three weeks ago are, are they in
regions that would -- that are at shortfall, if you'd just
look at the -- what you proposed for us to approve today?

MR. HOFFPAUIR: There are regions in some --
there are awards going through some of those areas. I
don't have the map from our development of --

MS. ANDERSON: So therefore, we don't know what
the Housing Trust Fund dollars, as a whole, when you take
all the three subsections, would come out with a fair
allocation in the aggregate?

MS. CARRINGTON: I think that's correct. We do
not have the information with us right now. Now, we can potentially get it for you. Well, we can definitely get it for you before the board meeting is over --

MR. SALINAS: I would think that that would be a [indiscernible] thing.

MS. CARRINGTON: -- if you all would like us to do that.

MR. CONINE: Certainly.

MR. HOFFPAUIR: I also wanted to point out quickly, that based on the way the state Low Income Housing plan is approved, the only two activities that go through the regional allocation formula are our development and our energy-efficiency funding.

Our predevelopment administrative selection and our capacity-building program do not pass through that formula. One of the primary reasons is the small level of funding that's available in those activities, and the fact that they are more service-oriented programs.

MS. ANDERSON: Well, you still are making enough grants that you can spread it out region to region, though. I mean, I understand they're not big dollar amounts, but --

MR. HOFFPAUIR: Yes.

MS. ANDERSON: So you're saying right now in the Low Income Housing Annual Report does not require us
to use the regional allocation formula for the capacity-building component?

MR. HOFFPAUIR: Yes, ma'am. That is correct.

MS. ANDERSON: Okay.

MR. SALINAS: But how about their concerns about the Center of Independent Living? How do you recommend? Their concerns that the body -- that's not working?

MR. HOFFPAUIR: First of all, I would like to say that I appreciate the comments that have been made today on this issue. It -- integrated housing has been an issue that we are all struggling with to find a definition. And I'm looking forward to a definition being created through our advocate committee, and giving us some guidance as to, you know, what we can begin working from.

What we had to work from in this activity was the language that was currently contained in the Low Income Housing plan that said we would not fund 100 percent. It is just clearly a project that is not serving 100 percent, and at this point, I can tell you that I am hopeful that the definition that is created will address this in a way that makes everyone happy.

MS. ANDERSON: And reduces the ambiguity.

MR. HOFFPAUIR: Right.

MR. CONINE: Mr. Chairman, I move for approval
of Item 4(a).

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's been made and seconded. Any further questions, comments, discussions?

(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. We will then turn back to Mr. Bogany.

MR. BOGANY: We've got a report on Findings of Home Mortgage Credit Characteristics of Underserved Areas in the State of Texas Market Study. And I'm going to turn it over to Ms. Sarah Anderson.

MS. S. ANDERSON: Thank you, Mr. Bogany.

Tab 4(b) of your workbook does have the results of the HOME Mortgage Credit Characteristics of Underserved Areas.

CHAIRMAN JONES: Uh-huh.

MS. S. ANDERSON: And this is a study -- this is a report that was completed by our Housing Resource Center. It was a study that was mandated by Senate Bill 322, which said that we would look at the underserved
economic and geographic submarkets of the state.

The board may remember that about three months ago -- three or four months ago, that you all approved a methodology as the first step to getting this market study completed. Then once the market study -- once the methodology was completed, we went about doing the market study, doing the analysis.

Then the draft of that was actually -- was put out for public comment. And what you have today is reflected with actually a couple of public comment periods on this particular study.

This is a study that is due to the Bond Review Board, and we need to turn it into the Bond Review Board by August 31, which is basically tomorrow. And the idea behind the study is to assist TDHCA as we move forward with designing products for our Single-family -- primarily for our Single-family Mortgage Revenue Bond Program, to look to give us assistance to design products that would better serve the economic and geographic submarkets of the state, of underserved areas of the state.

And what we're asking for from the board today is basically acceptance of the study.

MR. BOGAN Y: Mr. Chairman?

CHAIRMAN JONES: Yes.

MR. BOGAN Y: I would like to so move that
[indiscernible] study.

CHAIRMAN JONES: I'm sure I'd like to stay up all night and rewrite it fully.

MR. CONINE: Second.

CHAIRMAN JONES: Motion's been made and seconded. Mr. Conine -- we'll try to get him to speak up.

MR. CONINE: Hello.

CHAIRMAN JONES: Any questions, comments, discussion?

(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.

MS. CARRINGTON: Mr. Jones, if I might?

CHAIRMAN JONES: Yes, Ms. Carrington, please.

MS. CARRINGTON: I would really like to compliment Sarah Anderson and Brenda Hull [phonetic]. We brought Brenda in to do the study for us. They have accomplished really a very Herculean task in a three-month period of time, with the amount of data that they've looked at and the enormity of this study.
Our draft study has gotten really already very good reviews from a variety of folks who are looking at these issues around the state, and looking at using some of the information in this plan in the upcoming legislative session. So I just want to acknowledge them. And uh-oh --

MS. ANDERSON: Can I acknowledge one more person real quickly.

CHAIRMAN JONES: No, we can only do two.

MS. ANDERSON: One more. Well, Alyssa Carpenter [phonetic] also on my staff.

MS. CARRINGTON: Who is actually part of our staff.

MS. ANDERSON: Really, the two of them did all the work.

MS. CARRINGTON: Thank you, both.

MS. ANDERSON: I was just the quarterback.

MS. CARRINGTON: Yes.

MS. ANDERSON: You did a great job.

MS. CARRINGTON: Thank you. Thank you, Sarah.

CHAIRMAN JONES: I love it when you use those big words like Herculean.

MS. CARRINGTON: Herculean. It's --

CHAIRMAN JONES: It's cool

MS. CARRINGTON: Doesn't that -- you know --
well, you know one thing Sarah told you she feels very
good at this morning, remember, in the training? Was
publishing plans.

CHAIRMAN JONES: Ms. Carrington, Item --

MS. ANDERSON: I'm fine.

MS. CARRINGTON: In -- earlier this year, in
May of this year, we published an RFP for outside counsel
services, our tax counsel for the department. We received
two proposals, one from Hawkins, Delafield and Wood, who
is our current outside counsel for purposes of tax credit
issues. They are based in Washington, D.C.

The other proposal was from McBeth and
Associates. And McBeth and Associates is in Dallas. And
based on the experience and the qualifications, we are
recommending Hawkins, Delafield and Wood for continued
representation with the department for outside issues
related to the Low Income Housing Tax Credit Program.

What we are asking the board to approve today
would be a one-year agreement with Hawkins, Delafield and
Wood, with an opportunity to extend that for a second
year.

And the reason I had asked to put this caveat
on the agreement with them was that I think that we --
that I want to take a look at the services that we're
requesting of Hawkins, Delafield and Wood, and see perhaps
in the future if we can't divide some of those services up, and perhaps use Texas tax counsel for some of the services. And then when it seems appropriate, to have someone in Washington who is very close to what's going on legislatively, that it would make sense to use counsel in D.C.

MR. BOGANY: Mr. Chairman?

CHAIRMAN JONES: Yes?

MR. BOGANY: I recommend that we approve.

CHAIRMAN JONES: We have a motion. Is there --

MR. CONINE: Second.

CHAIRMAN JONES: Motion's made and seconded. I would note that there is a huge difference in hourly rates. There is a -- we need to figure out a way to do what you're suggesting [indiscernible].

Further questions, comments, discussion?

(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.

It's amazing what the going rate is these days.
Do you want to move to Washington?

Ms. Carrington?

MS. CARRINGTON: Mr. Jones.

CHAIRMAN JONES: The legal profession thanks you.

MR. CONINE: Next time.

MS. CARRINGTON: Item 5(b)?

CHAIRMAN JONES: Yes.

MS. CARRINGTON: Thank you, Mr. Jones. This the Request for an Increase in a Tax Credit Allocation for Pleasant Valley Villas.

This is behind Tab 5(b) in your book. This property is to be located in Austin. The board took action on it in August, the -- our early August meeting, where you approved the issuance of the 4 percent credits on this transaction.

What has been determined since the time the board took action is that this particular property is located in a qualified census tract, a QCT, and does entitle them to a boost in the Tax Credit allocation amount.

So what we are recommending to the board because of this discovery that it is located in a QCT, would be an annual tax credit recommendation amount of $1,137,274, which is an increase.
MR. CONINE: What was our previous number?

MS. CARRINGTON: The previous number was $882,512.

MR. BOGANY: Mr. Chairman, I recommend approve.

CHAIRMAN JONES: We have a motion that it be approved.

MR. GONZALEZ: Second.

CHAIRMAN JONES: Seconded.

MS. ANDERSON: Can --

CHAIRMAN JONES: Yes, ma'am?

MS. ANDERSON: Can I ask you, how come we didn't know it was in a qualified census tract before, or --

MR. CONINE: Or something.

MS. ANDERSON: What am I not understanding about that?

MS. CARRINGTON: They didn't -- it's my understanding that it was not included in the application. And once the application had been submitted to TDHCA and had been approved by the board on the 8th of August, they then did discover that they were located in a qualified census tract. So it was information that came to us and to you all after the board took action on it on August 8.

MR. CONINE: So staff didn't realize that through the application process?
MS. CARRINGTON: No.

MR. CONINE: As far as you're aware?

MS. CARRINGTON: As far as I'm aware.

David, do you --

MR. BURRELL: There was some question as to whether or not it was actually located in the qualified census tract. So those [indiscernible] he didn't want that in the qualified census tract, but they did. And then after they received the letter from the city during the early part of July, they also went to the recommended [indiscernible] certification [indiscernible] to [indiscernible].

MR. CONINE: Mr. Chairman, I -- you know, I have spoken up about this issue previously regarding, especially the sensitive issue of tax credits and the applications being complete, thorough, and all that kind of good stuff. And I just have a problem with going back to the well once again after something has been approved, through the fault of, obviously, the applicant in this case.

MS. CARRINGTON: Correct.

MR. CONINE: So --

MR. SALINAS: This way, the QAP --

MR. CONINE: -- I speak against the motion, I guess.
MR. SALINAS: That's why the QAP has to be corrected, right? We talked about it. Remember?

MR. CONINE: And in this case, it's just a faulty application.

MR. SALINAS: Yes.

MR. SPICER: If I could speak to the subject [indiscernible].

CHAIRMAN JONES: You Mr. Spicer?

MR. SPICER: Yes, I am.

CHAIRMAN JONES: Yes. Could you come --

MR. SPICER: Members of the board, the issue at hand is not actually a faulty application. We knew that there was a possibility that it was in a census tract. However, your own statements didn't show that. You produced a list of qualified census tracts. However, due to the new list, it was not on the list.

It was previously a qualified census tract, but it was not on the new list. We went and -- had to go to HUD, clarify the list, make sure it was it -- it was. Look at the census and demographic data and go about proving that it was in the list.

And I feel it was appropriate without specific proof. As you know in these bond transactions, we have a limited time to put in the initial application, in fact, three days for your Volume I. So we did not have
sufficient time to prove within that period that, indeed, it was in a qualified census tract.

When we did receive proof, we submitted that proof. But we didn't think it was, you know, appropriate to submit an application that said we are in a qualified census tract when indeed we do not have proof of that.

When we did find out that we do have proof -- we could provide proof that we were in a qualified census tract, we did so. That's all we're asking for.

CHAIRMAN JONES: Do I understand right? What you're saying is based upon some information we gave you, you then had -- that was incorrect --

MR. SPICER: Correct.

CHAIRMAN JONES: Is that right? Is that what happened?

MR. SPICER: There is a published list, and the qualified census tract that's in the list does not exist on the map.

CHAIRMAN JONES: So it's our fault?

MS. CARRINGTON: The maps changed.

MR. SPICER: The maps change over time.

MR. CONINE: Because of the 2000 census? And we had an old map? We --

CHAIRMAN JONES: Well, if you would come to the microphone. State your name for the record, please, Tom.
MR. GOURIS: Tom Gouris, Director of Credit
Underwriting. Not that I'm the --

MS. CARRINGTON: Keeper of the list.

MR. GOURIS: I'm not the authority on this, but
my understanding is that the list that was published in
the documentation was current at the time it was
published.

It's been in the process of being revised, and
I understand that they've got documentation to say, Yes,
in fact, this tract will be in the QCT.

CHAIRMAN JONES: Well, here's what I'm asking.
If I'm Mr. Spicer, and I'm filling out the application,
are there resources I can go to to look at, to know
whether or not my tract is in that area? Or did we mess
up by somehow providing the wrong map?

MR. GOURIS: No, I think we provided the
information that was current at the time that we provided
it.

CHAIRMAN JONES: Okay.

MR. GOURIS: It -- I think he's -- they've been
working on showing --

MS. CARRINGTON: So the map changed since the
August 5 --

MR. GOURIS: Yes.

MS. CARRINGTON: -- when you submitted the
application, till today?

MR. SPICER: Well --

MR. GOURIS: Not on August 5, but we --

MR. SPICER: We initially submitted the application right when we got the allocation. So that's roughly 120 days ago. And the map at the time, we believed was incorrect. We went about providing documentation that it was correct, and therefore, proving that it wasn't a QCT.

The letter we got was from the City of Austin, who then concurred with us. But although it wasn't on the list that they had of -- as a QCT, that it was indeed a QCT.

MS. CARRINGTON: So you started working on this application 120 days ago, but you didn't have that letter from the City of Austin before August 1, when this thing was put in the board book for August 8?

MR. SPICER: We had confirmation from Austin, but we did not have a letter at that point in time, I believe. And then we had to wait for a subsequent letter from our tax person to make sure that they would actually be eligible, based on that letter.

MR. CONINE: Mr. Gouris, did the project underwrite under the old tax credit allocation amount that they had for it?
MR. GOURIS: Yes, it did.

MR. CONINE: So are we getting a corresponding reduction in private activity bonds issued on this project if we increase the tax credit amount?

MR. GOURIS: No.

MR. CONINE: Then I would, again, encourage -- well, I would again register my disapproval of the motion on the floor.

CHAIRMAN JONES: You've got me really confused, Tom. I mean, I'm trying to understand what you're telling me. Are you telling me that, okay, we had these bad maps out there, or they're not current maps. And there is nothing we can do about it. So when you fill it out, and would somebody else like to speak to this issue?

MR. GOURIS: I just think there was a time delay.

CHAIRMAN JONES: David, would you like to speak to this issue?

MR. BURRELL: Yes.

MS. CARRINGTON: I just asked David to come up in case there was anything additional, but --

CHAIRMAN JONES: Okay.

MR. GOURIS: I just think there was a time delay. The --

CHAIRMAN JONES: But was the information in the
public domain, wherever it may have been, of what the
correct map should have been?

MR. GOURIS: I believe at the time that that
information -- that we put that information out -- the
department put the information out, it was correct.

That the obligation to determine or to
substantiate that it's in a QCT resides with the
applicant. In their application, they didn't claim --
I -- we didn't find that they claimed a QCT, so we didn't
go back and double-check to see if it was or wasn't or
shouldn't have been.

CHAIRMAN JONES: And was there information in
the public domain at that time, that if they had gone and
gotten, they could have supplied it to make that claim?
And I'm asking you, Tom.

MR. GOURIS: I don't know who is -- I don't
know who is the master keeper of the QCT designation. I
know that when we can verify that information, we publish
it for -- to assist developers in recognizing which areas
are in the QCT.

CHAIRMAN JONES: Thank you.

MR. GOURIS: Sorry for the confusion.

MR. BOGANY: Mr. Chairman, just kind of on the
census tract, you know, we're constantly seeing data
reduced by the Census Bureau. And I -- this is not the
first instance I've seen where something wasn't in the
census tract, and I -- not on a housing issue on a much
smaller scale, and applications were made.

And later, we find because they had switched
the census tract now, some census tracts are not in the
low-income census tract, where others before were not, and
that some now are.

I would vote in favor of this deal simply
because there has been a lot of confusion with the census
tract, no different than a flood map one day showing that
you're in a flood zone in Houston, and next week, it comes
out that you're now in a flood zone where it wasn't a week
ago.

And I just think that I would be in favor of
voting for this.

CHAIRMAN JONES: Edwina, can I ask you a
question?

MS. CARRINGTON: Yes, sir.

CHAIRMAN JONES: What would you do if somebody
with the opposite had transpired? Like somebody was in,
but now they're not in anymore? Do we then take credits
away from them?

MS. CARRINGTON: Yes, we would.

CHAIRMAN JONES: Okay.

MS. CARRINGTON: Because they would not be
 eligible for them. And that's --

CHAIRMAN JONES: So even though they were at the time they filed the application, and even though we awarded it, because the map subsequently comes out and is redrawn, we're going to take those credits away from them?

MS. CARRINGTON: I think it would depend on at what point in the process it was determined that they were no longer in a QCT.

MR. SALINAS: Have you been approved by the zoning in the City of Austin?

MR. SPICER: Yes, we have.

MR. SALINAS: The whole --

MR. SPICER: The whole project has been approved by the city.

MR. SALINAS: The whole project? Both sides of the creek, or --

MR. SPICER: Say that again? Yes.

MR. SALINAS: Both sides?

MR. SPICER: Correct.

MR. CONINE: Edwina --

MR. SALINAS: Because once you find out that you had -- the last time you were not approved by the zoning, yet. Right?

MR. SPICER: We had -- we were approved last -- earlier in August. But after the board meeting here.
MR. SALINAS: After the board meeting?

MR. SPICER: Right.

MR. SALINAS: Because you were not approved before.

MR. SPICER: We were not approved before, but we had been approved subsequently. Yes.

MR. SALINAS: See, that's the thing.

MR. CONINE: Edwina, do I understand that -- and I want to throw out some rough maps, so forgive me. But is staff recommending that we increase tax credits on this project, which would basically increase the sources of funds for this project in the general area of $2-and-a-half million, and still keep the same bond amount, so that the net funding for this project goes up by $2-and-a-half million. There is no -- is staff recommending that?

MS. CARRINGTON: I'd like to verify what the original allocation amount was. When we look at what's behind 5(b), it says, "Applicant request, 882,512."

MR. CONINE: Right.

MS. CARRINGTON: And then we see what's being recommended today, which is the $1,137,274 --

MR. CONINE: Right.

MS. CARRINGTON: -- with a note down at the bottom of why that was being recommended -- or why that amount is being recommended. What I think we need to
verify, Mr. Conine, is what was the amount that the board did approve at the August 8 board meeting? Was it indeed the 882,512, or was it some number other than that? And if it was the 882,512, then you are correct in your --

MR. CONINE: I got a hunch that Mr. Gouris will probably know, or be able to pull it out. Mr. Burrell, do you got it?

MR. BURRELL: The amount the board actually approved was 874,026 --

MR. CONINE: Yes.

MR. BURRELL: -- which was the eligible basis amount.

MR. SPICER: That's why we need to keep on -- that's why we approved this one.

MR. CONINE: So again, my question is, how can we -- if we have a underwritten project at that point in time with debt and equity, and now we're going to give more equity over here, and we don't reduce debt by some two-and-a-half, $3 million, whatever the number really is, I'm wondering if staff is recommending that, or if we just haven't seen it through to that particular --

MR. GOURIS: There was a significant deferred developer fee in the original structure.

MR. CONINE: Right.
MR. GOURIS: It was something in the order of, I want to say, $2 million.

MR. CONINE: Right.

MR. GOURIS: Two-point-something million dollars.

MR. CONINE: Right.

MR. GOURIS: This additional credit will reduce that deferred developer fee, so that more of that fee will be able to be paid up front.

MS. CARRINGTON: Yes.

MR. SPICER: If I could say, there is also a significant taxable tail on the deal, which is -- which has subsequently been reduced by a million-four.

MR. BURRELL: The -- excuse me.

CHAIRMAN JONES: Yes, sir?

MR. BURRELL: The deferred developer fee at the time was 2,634,000. And by going this route, the deferred developer fee would be reduced to an estimated 1.7 million.

MR. CONINE: I wonder how that is when you have an extra $2-and-a-half million. The tax credits --

MR. BURRELL: Because --

MR. CONINE: If we're increasing tax credits by 300,000 bucks, which over ten years is 3 million, and you sell those for 80 cents, I get roughly $2-and-a-half
MR. BURRELL: Uh-huh.

MR. CONINE: That's a rough calculation. Did I miss something?

MR. GOURIS: Yes, well I think --

MR. CONINE: What did I miss?

MR. GOURIS: The -- that figure that Mr. Burrell just referred to was what the developer anticipated the deferred developer fee. When we ran through our numbers, we anticipated original deferred developer at 3.8, almost $3.9 million.

MR. CONINE: Yes.

MR. GOURIS: And now we're at 1.7.

MR. CONINE: Okay. So there is the two-and-a-half.

MR. GOURIS: Yes. The 2.1.

MR. CONINE: Okay.

CHAIRMAN JONES: All right. We have a motion on the floor. I believe it's been seconded that Item 5(b), the recommendation of staff, be approved. Do we have further debate and discussion? Any further questions?

MS. ANDERSON: Let me ask one other question.

CHAIRMAN JONES: Certainly.

MS. ANDERSON: Since I'm still -- I'm still --
I can't say this very much longer, but I'm still kind of new to -- I don't remember being asked to vote on anything like this before.

Tom, in your experience, do -- does this -- are there other reasons that these deals come back to us for increase in tax credit requests, or has this reason been used before?

MR. GOURIS: Not -- I mean, not specifically. And we have one request with regard to QCT that we may see next month --

MS. ANDERSON: Okay.

MR. GOURIS: -- that is similar. But this is rather unique in that had we known this information a week, two weeks earlier, we would have recommended what we're recommending today. And they haven't instructed the project. They haven't -- you know, they haven't gone forward, other than with -- you know, they haven't spent a whole -- they haven't started building the project yet.

MS. ANDERSON: Okay. Thanks.

CHAIRMAN JONES: Thank you.

Mr. Burrell?

MR. BURRELL: I will say, when we presented this back at the August 8 meeting, I did tell you all that we'd probably be bringing this back. The City of Austin had given the certification letter July 1.
However, the developer also had to get his letter from the CPA firm. And they got it and they gave us notification in less than a seven-day period. And therefore, we had already published our original recommendation.

And because this is a -- tied into a bond deal, they only have so much time. So they were trying to make sure they had at least part of the deal working, and that they could come back later, if necessary. And if we had it a few days earlier, we would have made this recommendation the first time around.

CHAIRMAN JONES: Thank you. We have a motion now on the floor that has been seconded at the recommendation of staff regarding Item 5(b) be approved. Further discussion? Further questions?

(No response.)

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

(Chorus of ayes.)

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

(Chorus of nays.)

CHAIRMAN JONES: I believe the nays carry. But if anybody thinks the Chairman has called it wrong, I'll
be happy to have it voted. Okay. The motion does not pass.

Item 5(c) -- Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman.

This item is a new allocation -- a new request to the department for the issuance of a 4 percent determination notice for a property to be located in Houston, Mineral Creek Limited Partnership. It -- the issuer on this transaction is the Houston Housing Finance Corporation.

So what TDHCA would be doing will be issuing the 4 percent tax credits on this particular transaction.

In the first box, you will see that the applicant did request $835,349 in tax credits on this transaction.

However, after underwriting the transaction, we have determined that the eligible basis amount on this transaction is 851,068. So staff's recommendation is the amount of the tax credits. And it was adjusted because of the eligible basis on this particular transaction.

And Tom, do you have anything else you would like to add on this particular transaction? Tom will be there to answer any questions that you all have.

CHAIRMAN JONES: Thank you.

MR. BOGANY: Mr. Chairman, I recommend approval.

CHAIRMAN JONES: There's a motion that the
recommendation be approved. Is there a second?

    MS. ANDERSON: Second.

    CHAIRMAN JONES: First and second. The motion has been made and seconded. Questions, comments, discussion?

    MR. CONINE: I'd like to offer an amendment to the motion, that we reduce the tax credit amount down to the original applicant request of $835,349.

    MR. BOGANY: Before I can accept that, I'd like to hear Tom's view on that.

    MR. GOURIS: Thank you. That is the amount -- I believe that's the amount that they requested. The reason for the difference is the underwriting guidelines require us to use the -- an underwriting rate instead of the actual applicable percentage. It gives them a little bit of a cushion. It was designed to do that.

    This applicant didn't ask for credits based on the underwriting rate, which is a little bit higher. It's 3.67. Instead, they asked for the credit based on the actual -- or something closer to the actual 3.54.

    That's the difference. This transaction --

    MR. CONINE: Will it work either way?

    MR. GOURIS: Yes, sir.

    MR. CONINE: Thank you.

    MR. GOURIS: Yes, sir.
CHAIRMAN JONES: Philosophically, Tom, you know, we turned a lot of people down for tax credits, even if they had really good -- and it seems to me like to sit here and have people, you know, start giving people more than they're asking for when a lot of other people we tell they can't have what they ask for. And we've looked them in the eye and told them that we also think they have great developments. I mean, policy-wise, how do we jibe that?

MR. GOURIS: Well, we've told them that that's what we would do. That we would adjust that, because that number changes every month.

And we had indicated to them that we would be adjusting that in their favor, or against them if that were the case. And we apply that consistently. That's the only piece that we would change if we're using their numbers.

MR. CONINE: Well, if that's the case, we could adjust it by the time we issue the commitment letter. We can just keep adjusting it ad infinitum.

MR. GOURIS: Well, we could, but that's not what we say we're going to do.

MR. CONINE: Right.

MR. GOURIS: So this is -- we're just following what we say we're going to do. And we could, and I will
take it under advisement that we should change our methodology there, so that we only -- we don't adjust their request.

MR. CONINE: We had that discussion earlier today.

MR. GOURIS: Yes. We receive a lot of concern and criticism that we aren't allocating enough funds. And we are trying to --

MS. ANDERSON: On the 4 percent deals.

MR. GOURIS: Which is what --

MS. ANDERSON: Yes, which is what this is.

MR. GOURIS: -- this is.

MS. ANDERSON: Yes.

MR. GOURIS: And we're just --

MS. ANDERSON: And I remember where this came in.

MR. GOURIS: -- trying to show we're doing -- following the letter of what we said we'd do.

MR. BOGANY: Tom, I have a question for you. And I guess I'm looking for consistency. We've done this before, where an applicant requested an amount --

MR. GOURIS: Yes.

MR. BOGANY: -- and when you did your adjustments, you adjusted out and gave the applicant the amount that they wanted?
MR. GOURIS: Yes, we have.

CHAIRMAN JONES: Do you accept the amendment, Mr. Bogany?

MR. BOGANY: No, I do not.

CHAIRMAN JONES: Okay. Is this a motion to amend, Mr. Conine?

MR. CONINE: Motion to amend.

CHAIRMAN JONES: Okay. We have a motion to amend. Is the motion to amend --

MS. ANDERSON: Second.

CHAIRMAN JONES: Okay. The motion to amend has been made and has been seconded. Now, we will have the discussion on the motion to amend. Any further discussion on the motion to amend?

MR. BOGANY: Would you explain, Mr. Chairman, what the motion to amend is?

CHAIRMAN JONES: I'll let Mr. Conine take that.

MR. CONINE: To take the recommended staff amount back down to the applicant request of $835,349.

MR. BOGANY: The only question I have is that its consistency. We've done this before for other projects. I think we need to stay consistent. And I can only see this as being consistent versus picking on this particular project. If we'd never done it before, I would agree with Mr. Conine twofold.
MR. CONINE: Well, I think the correct answer, if my recollection is correct, is that we've done it both ways.

MR. GOURIS: That is correct.

MR. CONINE: We've gone back to the applicant request on the individual merits of the case, and we've increased them probably, years ago. We hadn't done much of that recently, but we have increased some in the past, and I will admit to that. But here more recently, we've stuck to the letter of the law relative to applicant requests.

CHAIRMAN JONES: Further discussion?

MR. BOGANY: In the way that we vote, so to make sure that we vote in the right way, a vote yes is in favor of Mr. Conine's motion. A vote no is against his motion?

CHAIRMAN JONES: That is correct. And do you want to amend your motion as he suggested, could you vote yes? If you do not want to amend the motion, you would vote no.

Okay. Further discussions and comments on the motion to amend?

(No response.)

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

(Chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay?

MR. BOGANY: Nay.

CHAIRMAN JONES: The motion to amend carries.

We then will turn our attention back to the original motion as it has now been amended, and we'll talk about it any further. Does anybody have anything else that they want to say? Questions, comments, discussion?

MR. CONINE: Rock and roll.

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

(Chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

MR. BOGANY: Nay.

CHAIRMAN JONES: The motion carries. Ms. Carrington, 5(d).

MS. CARRINGTON: Thank you, Mr. Chairman. The last item on your agenda is a request for an extension on a construction loan. This is a 2001 tax credit allocation. It's a senior's property to be located in Pasadena. It is a HUD-insured transaction.

And because of delays with HUD and some
requirements from HUD of the equity payments all coming in at one time, there has been a substantial amount of negotiation that's been required in getting the project -- the proposed project to this point.

Their current deadline for closing of construction loan is September 12. What they are requesting is a new deadline, 30 days, of October 12 of this year. And the developer has completed other tax credit developments in the past, and staff is recommending that this 30-day extension be approved.

MR. CONINE: Move for approval.

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion made and seconded. Is there any 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.

(Chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: The motion carries. We then -- do we have anything in the Director's report, or --

MS. CARRINGTON: No, sir, we don't.
CHAIRMAN JONES: We don't? Congratulations.
All right. I think then we're going to go into Executive Session.

VOICE: Hallelujah.

MS. CARRINGTON: Yes, sir.

CHAIRMAN JONES: Okay. We will now move into Executive Session. On this day, August 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. The board of directors began its Executive Session today, August 29, at 3:45 p.m.

The second matter of this Executive Session is litigating -- an anticipated litigation, Cause Number GN-202219, Century Pacific Equity Corporation versus Texas Department of Housing and Community Affairs. Number two, consultation with Attorney, pursuant to Section 551.071(2), Government Code.

Number three, Personnel Matters, Discussion and Possible Approval of Performance Evaluation for Internal Auditor Under Section 551.074, Texas Government Code, and Number Four, Discussion of any item listed on the board meeting agenda of this date. And with that, we will go into Executive Session.

(Whereupon, a short recess was taken.)
CHAIRMAN JONES: I'll call the meeting back to order. The Executive Session has concluded. The subject matter of the Executive Session was as follows:

Litigation and Anticipation of Litigation, Cause Number GN-202219, Century Pacific Equity Corporation versus Texas Department of Housing and Community Affairs, 53rd Judicial Court of Travis County, Texas. Action taken, none.

Consultation with attorney pursuant to Section 551.071(2), Texas Government Code. Action taken, none.

Personnel Matters, Discussion and Possible Approval of Performance Evaluation for the Independent Auditor Under Section 551.074, Texas Government Code, action taken, none.

MS. ANDERSON: I think it was the Internal Auditor, not the independent auditor.

CHAIRMAN JONES: Okay. Internal auditor.

Number Four, Discussion of any item listed on the board meeting agenda of this date. Action taken, none. The board of directors has completed the Executive Session of the Texas Department of Housing and Community Affairs on August 29, 2002 at 4:07 p.m. I hereby certify this agenda of the Executive Session of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.103 of the Texas Government Code.
posted at Secretary of State's office seven days prior to the meeting, pursuant to Section 551.044, Texas Government Code, that all members of the board were present, and that this is a true and correct copy of the proceedings pursuant to the Texas Open Meeting Act. Signed by myself, Michael E. Jones, Chair.

Is there a motion that we adjourn?

MR. SALINAS: So moved.

MR. GONZALEZ: Second.

CHAIRMAN JONES: The motion has been made and seconded we adjourn. Any discussion?

(No response.)

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

(Chorus of ayes.)

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

(Whereupon, at 4:10 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: Texas Department of Housing and Community Affairs Board

LOCATION: Austin, Texas

DATE: August 29, 2002

I do hereby certify that the foregoing pages, numbers 1 through 97, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

09/05/02
(Transcriber) (Date)

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