TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Room E1.012
Capitol Extension
1400 North Congress
Austin, Texas

11:00 a.m.

Thursday,
September 12, 2002

TDHCA BOARD:

Michael Jones, Chairman
C. Kent Conine, Vice Chairman
Vidal Gonzalez
Elizabeth Anderson
Norberto Salinas
Shadrick Bogany (not present)

TDHCA STAFF:

Tom Gouris, General Counsel
Edwina Carrington
Bill Dally
Eddie Fariss
David Gaines
Brooke Boston
Chris Wittmayer
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c) Approval of Request to Increase Amount of Tax Credits for Tax Exempt Bond Transactions for:

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ITEM 5: Presentation, Discussion and Possible Approval of "Draft" Underwriting, Market Analysis, Appraisal and Environmental Site Assessment Rules and Guidelines for the Texas Department of Housing and Community Affairs To be Published in the Texas Register to Solicit Public Comments

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Litigation and Anticipated Litigation, (Potential or Threatened, under Sections 551.071 and 551.103, Texas Government Code, Litigation Exception), (1) Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, In the District Court of Travis County, Texas, 53rd Judicial District; (2) Sheltering Arms, Community Affairs Program Recipient Consultation with Attorney Pursuant to Section 551.071(2), Texas Government Code The Board may discuss any item listed on this agenda in Executive Session

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MR. JONES: I call the meeting to order of the Texas Department of Housing and Community Affairs Board for September 12, 2002. The first order of business is the certification of a quorum. Okay.

MR. CONINE: What?

MR. JONES: The certification of a quorum. If you don't want to -- do you object to doing that, Mr. Conine?

MR. CONINE: No. I just didn't know what the word meant.

MR. JONES: Okay. Ms. Anderson?

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany is absent. Mr. Conine is here. Are you sure?

MR. CONINE: I'm not sure. Let me check twice.

MR. JONES: Exactly. Mr. Gonzalez?

MR. GONZALEZ: Here.

MR. JONES: Mayor?

MR. SALINAS: Here.

MR. JONES: And Mr. Jones is here. I certify that we do have a quorum. We have five members present and one absent.

The next order of business is the solicitation of public comment. And I have several people who have
filled out witness affirmation forms. If you would like
to speak to the board, please fill a witness affirmation
form. One has been done, not very well, but I'll overlook
that.

Mr. Garvin, would you like to testify?

MR. GARVIN: Can you all speak up a little bit?
MR. JONES: Excuse me. I think it's on.

So can you hear? Is that better? On take two.

We're in stereo now.

Mr. Garvin, do you want to speak on 4(a)? Are
you sure? Okay.

MS. BAST: Did I say that name right?
MS. BAST: I'll wait until the agenda item.

MR. JONES: Okay. Would you be Item 5? Is
that true? Item 5?

MS. BAST: I'm sorry. The 4(a).

MR. JONES: 4(a). Mr. Deyoe.

MR. DEYOE: Deyoe.

MR. JONES: Deyoe. I'm sorry.

MR. DEYOE: I'm speaking on 4(a).

MR. JONES: 4(a). Mr. McCalley?

MR. McCALLEY: 4(c).

MR. JONES: Ms. Moore? Yes?

MS. MOORE: I'll speak on the agenda item.

MR. JONES: Okay. 4(b)?
MS. MOORE: 4(b).

MR. JONES: Thank you, ma'am. Mr. Moore, 4(b)?

MR. MOORE: I'll speak on 4(a).

MR. JONES: Mr. Saling?

MR. SALING: On the agenda item, please, 4(a).

MR. JONES: 4(a). And Mr. Stewart.

MR. STEWART: Chairman Jones, I didn't fill mine out correctly either. I need to move it from five to 4(a).

MR. JONES: 4(a). All right. Okay.

MR. CONINE: Doesn't surprise me either.

MR. JONES: Yes, those are -- I'll tell you what. Yes. I know they're going to be very persuasive. I can tell it's starting out real well. I'll tell you what. Everybody deferred.

I'll say this. Why some people don't take a chance to get to us when we're fresh I'll never know. But anyway, okay. Everybody opposed to the agenda item -- did I have all the people that would like to speak to the board? Anybody else? One more.

Ms. Talerico.

MS. TALERICO: I'd like to speak at the time of the agenda item.

MR. JONES: Okay. 4(a)?

MS. TALERICO: 4(a).
MR. JONES: Thank you. All right. Anybody else that would like to speak to the board? Okay. We will now close the time for public comment. I will call upon the speakers when the item is reached that they would like to speak to.

I think everybody wants to speak to Item 4, various subparts. Is that right?

(No response.)

MR. JONES: So when we get to Item 4, we will then take up public comment. And then with regard to all other matters, we will close public comment.

With that, we will then turn from public comment to Item Number One on the agenda, which is the Presentation and Discussion of a Report on Community Affairs Division.

MS. CARRINGTON: Thank you, Mr. Jones. I will ask Eddie Fariss, who is the director of our Community Affairs Division to come and make the presentation.

MR. JONES: Thank you.

MR. FARISS: Good morning, Chairman Jones, members, Ms. Carrington. I am going to make a presentation on the Community Affairs Division. It will be similar to information that we've provided in program training a couple of weeks ago as we develop a format for doing this. I think several meetings ago you decided that
it would -- that you would like to hear reports on the Community Affairs Division.

I thought the first time we did that, we'd just go through a general overview of the division and the programs that we administer.

As you know, the Community Affairs Division provides assistance to low, very low, and extremely low-income persons, based on income eligibility. We administer a total of $91 million currently. And we do that in two sections, a Community Services Section, which administers $36 million, and the Energy Assistance Section, currently administering $55 million.

I do have some of the Community Affairs staff here this morning in case there is any questions that you would like to ask them. But the Energy Assistance manager, Peggy Colvin, and two of her staff, Joe Guerrero and Marco Cruz are here.

Good morning. And in addition, Jesse Mitchell, the Community Services manager is here.

We'll start -- and oh, you have this information, slides in your board book. I chose not to take a chance on technical failure this morning, and using the -- and used the PowerPoint presentation. We'll just go through the hard copy of this information.

As I said, the Community Affairs division is
divided into two sections, Community Services and Energy Assistance. We'll talk a little bit about the Community Services programs first.

In that section we administer four programs, the Community Services Block Grant Program, the Community Food and Nutrition Program, the Emergency Shelter Grants Program, and the Emergency Nutrition/Temporary Emergency Relief Program.

Those programs are funded by HHS by the U.S. Department of Health and Human Services, the U.S. Department of Housing and Urban Development, and also the State of Texas for the ENTERP program.

As with all of the programs, the main programs in the Community Affairs division, assistance is provided in all 254 counties of the State of Texas. In -- for the Community Services Block Grant program, which is the largest grant in the Community Services area, there are 49 eligible entities delivering services throughout the state. And they are funded at a total of $31.1 million.

Community Services Block Grant program is a -- is the prime example of a block grant. It allows a lot of flexibility for the provision of services, the decision of how that is done, and the types of services that are provided. Each of those eligible entities has a tripartite board that decides how they will spend those
monies.

Generally, they -- those agencies -- those nonprofit agencies administer a number of programs, including HeadStart, immunizations programs, senior citizens programs, WIC. They are involved in education programs and other programs that address the incidence of poverty in their communities.

The program that we administer in the Community Affairs division under the U.S. Department of Housing and Urban Development, the only HUD program that we administer currently is the Emergency Shelter Grants Program, which provides funding to organizations that assist homeless persons.

Those activities include the renovation of shelters, the provision of essential services, maintenance and operation costs for shelters, and also the provision of homelessness prevention, which can assist persons that are actually homeless and on the street, all persons that are at risk of losing their housing and becoming homeless.

Currently that grant is funded at a total of $4.6 million, and we have 73 contracts throughout the State of Texas. We obligate those funds through a competitive application. This is the only program in the Community Affairs division that is obligated competitively. The other programs are provided through an
allocation basis on an annual basis.

But the ESG funding is provided competitively.

And we reserve funds in each of the eleven TDHCA planning regions based on the poverty population in each of those regions. And organizations compete only within their region for the amount of money that has been set aside for that region.

Another program that we administer in the Community Services area is a state-funded program, the Emergency Nutrition and Temporary Emergency Relief Program. Prior to state fiscal year 2002, the State Legislature had appropriated amounts of funding including and up to $3 million top rate.

That program -- when they did obligate that money, we had contracts -- we had ninety contracts throughout the state. Every county received an allocation amount under that program. However, in 2002 and 2003, the Legislature appropriated only $355,000 in general revenue money. And so we used that money, instead of attempting to allocate that money in all 254 counties, we used that money to address manmade and natural disasters throughout the state.

We ended up obligating those funds to six different organizations, and we have just about spent all of the $355,000 that we obligated. Just for your
information, we are -- I'm sure this will be discussed more detail at a later date, but we are including an exceptional item to request funding for this program in the next -- for the next biennium.

Let me talk a little bit about the outcomes in the Community Services area before we move to Energy Assistance. And the -- for fiscal year 2001, which is the last federal fiscal year and state fiscal year that we have full performance information on, in the Community Services area, they served 364,106 persons in CSBG funding, 188,223 persons with ESG fundings. So those are persons who were either homeless, or at risk of homelessness, that 188,000.

We served 12,482 persons under the Emergency Nutrition Temporary Emergency Relief Program. And that was the last year that we had allocations in all 254 counties. But it was a significantly reduced amount of money. So typically, if we were funded at, let's say, $3 million in that program, we would be serving approximately 50,000 people instead of that 12,482.

A program that I didn't talk about, the Community Food and Nutrition Program, which addresses statewide nutritional programs, generated 72,000 pounds of meat and two million pounds of produce to distribute to low-income persons, in addition to the other programs that
are administered through other initiatives under that Community Food and Nutrition Program.

We also assisted 1,270 persons to transition from poverty, persons that were low, very low, and extremely low income, when they were determined eligible for programs administered by community action agencies who would -- who achieved employment and maintained that employment for 90 days at a wage above poverty.

And just for your information, I'm not sure if this slide is in there, but the programs in the Community Services area that I talked about are based on the U.S. Department of Health and Human Services income guidelines, which for a family of four, is $18,100 for the year. It's the -- the individuals and families assisted in the Community Affairs division are pretty poor.

Now, let's talk about the Energy Assistance section. In that area, we administer two programs, two initiatives. One is the Weatherization Assistance Program, which includes funding from the Department of Energy as well as the HHS, under the Low-Income Home Energy Assistance Program, and also, funding that comes directly from utility companies under the investor-owned utility contracts.

In addition, the other initiative in the Energy Assistance Program is the Comprehensive Energy Assistance
Program, which is funded with HHS money, and provides
utility assistance to low-income persons.

The energy assistance section administers these
programs through a total of 194 contracts. They have
contracts for the Comprehensive Energy Assistance Program,
Weatherization and System Benefit Fund, and the IOU
Program.

Currently under the IOU Program, the funding
that comes directly from utilities, we have contracts for
$2.5 million. I think there's 21 contracts in that
program.

The Energy Assistance Section administers the
System Benefit Fund, which is a program that was recently
enacted by the Texas Legislature, that provides funding
from utility companies that are participating in
deregulated utilities to the Comptroller. And then those
funds are obligated to contractors throughout the state in
the areas that -- where the utilities are participating in
deregulated electric provision.

The Comprehensive Energy Assistance Program,
which helps low-income persons with their utility bills,
and helps to reduce their utility bills -- there are 51
contractors throughout the state that provide that
assistance, and many of those contractors that deliver
CEAP services are also community action agencies that we
contract with through the Community Services area as well.

Let me talk about -- I'll quickly talk about
the amount of funding under each of those programs
currently. The Weatherization program, which, like I
said, has money from DOE and from HHS, currently $39.2
million under contract. The System Benefit Fund -- we are
just -- we have just finished the first year of
implementation of that program. $7.1 million was
allocated to contractors. We will -- we are issuing
contracts for ten million -- $10.7 million for the next
round of the System Benefit Fund.

And the Comprehensive Energy Assistance
Program, $35,391,000 in contracts that assist with utility
bills. And the -- I mentioned previously I talked about
the income guidelines for the -- for Community Services
area. In the Energy Assistance area, they also use U.S.
Department of Health and Human Services income guidelines.

However, the Weatherization and CEAP programs
use 125 percent of poverty. And so instead of for a
family of four 18,000, it's $22,625 to be eligible for the
Weatherization and Comprehensive Energy Assistance
programs.

That's the end of what I had prepared for you.

So if you would -- if you have any questions about any of
those programs or services that we provide, I'd be happy
to answer them.

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

    MR. FARISS: Yes, ma'am.

    MS. ANDERSON: On the Emergency Shelter Grants Program --

    MR. FARISS: Yes, ma'am?

    MS. ANDERSON: I'm interested in knowing of the 4.6 million that you funded competitively --

    MR. FARISS: Uh-huh.

    MS. ANDERSON: -- how many applications did you get, and what was the aggregate funding, that if we had been able to fund them all -- in other words, what's the demand for that?

    MR. FARISS: I can tell you -- I don't have the exact amount, but I can tell you that we had approximately 120 applicants.

    MS. ANDERSON: Okay.

    MR. FARISS: We funded 73. And however, the aggregate request is probably four times what we have.

    MS. ANDERSON: Okay.

    MR. FARISS: You know, we go through a significantly strenuous process of trying to make those funds go as far as we can. If we funded the applicants at the amount they requested, you know, we might fund about
MS. ANDERSON: Right.

MR. FARISS: So we do -- I think we do a real good job in spreading the funds around and making them useful. We have a $30,000 minimum, $100,000 maximum for those applicants. And I think the average funding is probably around 60,000 of that 73 -- of those 73 contracts.

MS. ANDERSON: Okay. And are most of those contracts with nonprofits or with public sector local --

MR. FARISS: Most of those contracts are with nonprofit organizations around the state. We have a few units of general local government that we fund. Primarily when we do that, they are collaborative applicants. A city or a county will apply on behalf of several nonprofits in their area, and then they subcontract with them.

MS. ANDERSON: Okay. All right. Thanks.

MR. JONES: Any other questions?

MR. SALINAS: Wouldn't it be better for you to contract with the municipalities or counties to --

MR. FARISS: Originally in that Emergency Shelter Grant Program, the rules --

MR. SALINAS: For the organization or bills or whatever, wouldn't it be better to do --
MR. FARISS: The rules originally only allowed us to -- the only eligible applicants were units of general local government. After three years of running that program, since those governments were contracting directly with the nonprofits, HUD decided to change the eligible applicants to include private, nonprofit organizations.

Now, they do have to discuss their application with the units of general local government in which the project takes place.

MR. SALINAS: But you don't have the general community or the general county or city responsible for those nonprofits. Right?

MR. FARISS: When we contract with a nonprofit, the nonprofit is responsible for the funds. And that's generally who -- and the communities offer that type of assistance. So you know, that's why I -- I am sure that's why HUD changed the rules, so that we could contract directly with the organizations that are providing our services.

MR. SALINAS: But if the county has an agency or the city has an agency, or wherever has an agency that -- along the border, or wherever, wouldn't it be better to -- that they would be better accountable for the funds, instead of going straight to the nonprofits...
which -- at one time some nonprofits would like to apply
for funds to get the administration fees. Wouldn't it be
better just --

MR. FARISS: Well, there's not a lot of
administrative fees attached to this.

MR. SALINAS: That's why it's hard to
understand how a nonprofit could survive. But if when you
have a county, especially along the border, that would be
responsible for those funds, at the same time they would
ty to come up with a little bit of money themselves to go
ahead and not make it a $60,000 application, but maybe
100,000. Local funds from --

MR. FARISS: In administering this grant for 13
or 14 years, I've found that most units of general local
government are reluctant to participate monetarily in the
provision of this type of service. This grant does
require a match. And that was one of the problems earlier
on, finding units of general local government that were
willing to participate in the program when a match was
required.

You know, a match will generally come from the
nonprofit that is providing the assistance.

MR. SALINAS: From the nonprofit --

MR. FARISS: That --

MS. ANDERSON: Like from United -- if they are
a member of United Way, or something, they've matched
for future --

MR. FARISS: Of course, and they can match with
the facilities or the salaries and those kinds of things.
MS. ANDERSON: -- kind of match.
MR. FARISS: Right.
MR. SALINAS: How about the utility system
payout, a system that would -- with the bills though. Do
you have other agencies that do that? Or does it come
with the county? Does it come with the --

MR. FARISS: Are you still asking about the
Emergency Shelter Program?
MR. SALINAS: Not the shelter, but also the
people that go to agencies asking for them to get help on
the utility bill. The electric bill, water bill,
whatever.

MR. FARISS: Right. I'm not sure what your
question is. We do administer --

MR. SALINAS: What other agency -- or those
agencies that do the same thing?

MR. FARISS: Some applicants -- some
organizations that receive Emergency Shelter Grant funding
do provide utility assistance. However, they target a
specific population.

Generally the -- that's a population that is
not a priority in a general nonprofit group that's providing utility assistance, or -- so this is -- although the -- you know, the emergency shelter grant money is specifically targeted for a small segment of the population, those that are homeless.

MR. SALINAS: Then you have another program, then, that helps to assist people with their bills -- utility bills. What type of --

MR. FARISS: The Comprehensive Energy Assistance Program, which is funded by the U.S. Department of Health and Human Services. And those funds generally go to private, nonprofit organizations as well.

Certainly if someone that was at risk of losing their house because of their inability to pay utilities, if they went to that organization and were eligible to receive assistance, they could receive assistance from -- through the CEAP program.

The Emergency Shelter Grant Program is so -- has such a small -- is funded at such a low level, that those -- you know, that assistance is not available in every area of the state.

You can go ahead. In fact, we'll see you in three months.

MR. JONES: I appreciate it. Thank you so much.
MS. CARRINGTON: One comment if I might make, Mr. Chairman.

MR. JONES: Certainly.

MS. CARRINGTON: As the board can see, there is a substantial amount of funds on an annual basis that comes through the department related to activities in the Community Affairs division. And we are the Texas Department of Housing and Community Affairs, 91 and a half million through this agency.

We do achieve a substantial amount of our performance measures for our very low income, through the programs that are administered by the Community Affairs division. And what we want to do is bring light to the board on those activities.

MR. JONES: Thank you.

MR. FARISS: Thank you.

MR. JONES: Item 2 on our agenda is the Presentation, Discussion and Possible Approval of the Legislation Appropriations Request.

Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman.

Actually the Legislative Appropriations Request.

MR. JONES: I'm sorry.

MS. CARRINGTON: The LAR. Bill Dally, our chief financial officer, and I will be presenting this
item. I will be first outlining the intents of the LAR. Bill will then discuss the process and summary of the budget numbers.

And then I'll finish up by discussing the exceptional items that we're requesting in the LAR, and then also any additions, changes and deletions to our rider.

The department's 2004/2005 legislative appropriation request is our fiscal framework that supports our work for the next biennium. It contains TDHCA's baseline budget request for fiscal years '04 and '05, our performance measures, and our requested items in our budget riders.

Exceptional items are those funding requests that are actually beyond the department's baseline budget, while riders are very specific legislative mandates that govern certain program funding strategies.

The culmination of these items lays down a targeting funding pattern for many of our programs. Within this pattern, you'll find significant policy directives for the department.

We aim to reach the very lowest income Texas in dire need through our Emergency Nutrition and Temporary Relief Program that Eddie just mentioned, to firm up a consistent source of funding for our colonias programs,
and to improve our compliance monitoring for all of our housing programs.

The strategies that are outlined in our baseline budget will dictate the performance measures established for the department by the legislative budget board. And it's through these measures by which the legislature will ultimately evaluate TDHCA's performance.

It's also very important to note, as the department presents this legislative appropriation request to you, that we are very cognizant and knowledgeable about the budget crisis that looms in the next biennium with our Legislature and in the state in this legislative session.

Given the projected shortfalls that's going to be in our state budget over the next biennium, we believe that it's prudent to submit an austere document, and indeed, I think if you ask the staff that was in the audience, they would say yes, they believe it is very austere.

We will, however, continue to focus on improving the department's efficiencies through our reorganization, addressing outstanding audit findings, and working to implement mandates in previous legislation, which we will -- you will see as we go through the rationale for some of the exceptional items.

With that, I'd like to turn it over to Bill,
who will talk about the process and the summary and the LAR, and actually preparation of the LAR.

MR. DALLY: I'll kind of walk you through the process here. This is about a one-year process. It began with our submission of a strategic plan in June. That plan lays out the various goals and strategies, our first goal being housing and the various strategies being the Housing Trust Fund and HOME and tax credits and stuff.

And then the next group is the OCI and colonia initiatives. We also have the group that Eddie was just talking about, the Poverty-Related Funds, Community Service Block Grant, and Energy Assistance.

That is laid out, and those goals and strategies make the framework for this document. We then -- internally, this summer we would solicit from directors, managers, and the executive group to get their input on this document. So this document is not financial services. This is an effort of the entire department to put this together.

They develop and build their own baseline numbers for their strategies, and set performance targets. We also have an internal discussion of what we're going to have in the way of exceptional items. We then discuss what we may need in the way of changes to riders. And then people make revenue estimates on what they think
their funding will be in '04 and '05.

We then took that draft and developed the draft to this document, and circulated that back to the directors and managers. We got their comments. We then had a final review from the Executive team before this document was submitted. And it was -- this is our initial submission. And it went into the LBB and the Governor's Office of Budget and Planning on September 3.

It is, however -- it's not a final document. And we are currently -- now that they've had it about a week and a half, we're in discussions, and we're going to be making some revisions to this document. And we will then send a revised one. And we can bring that back to you at the October board meeting.

We also have a meeting -- our first meeting, public hearing with the LBB and the Governor's office next Tuesday, where they will go over this -- our request. In particular they will look at our baseline and our various strategies and then ask us questions about our exceptional items.

And they're gathering their input in order for them to make their decisions on their actual proposal and writeup of our request. They'll take this request, and this fall work on all the other requests of other agencies and develop their own bill. And that will come out about
the first of January. And that's what the Legislature will start from.

We will then begin the hearing process in January and February. We'll meet with House Appropriations and that subcommittee, and the Senate Finance. And they'll compare -- LBB will get up and present what they have for their recommendation and budget, and then the -- we will come up and bring our LAR. And they'll make comparisons, and see what those differences are.

And typically, there won't be -- the LBB will just work off that baseline, and exceptional items are then really for the department to discuss and for those committees to consider through the session.

That -- then those two committees will get their own proposals, and we will have a joint committee where they reconcile the differences between the Senate and the House. That's generally in April and May.

And then the final bill is passed by the Legislature, and the Governor looks at it in June. And then based on whatever is left, he has some veto power there, we'll get a final bill about the end of June for the 2004 and '05.

So we'll have in June where we would start that next September in 2004 and '05. If you will, turn to
pages 5 and 6 in this LAR document. And I apologize.
It's a voluminous document. It has lots of detail. We
slice and dice a lot of the same numbers many different
ways. It's built this way for the budget riders and for
the Legislative Budget Board and the Governor's office, so
that they can take this information.

But this is a good summary. Pages 5, 6, and 7
are sort of the top of the pyramid of this set of numbers.
And it's laid out in a five-year format. The two columns
in the far right are the ones that are requests. Then the
next two columns over are the current biennium that we're
in. And so we -- that second column, where we finished up
2002, we have a 2003 to finish the current biennium.

And then it goes back historically, and looks
back at 2001. Like I say, this is laying it out so that
you can see. We have Goal One, and then you have six
various housing strategies.

You have then the Colonia Service Center, which
let me point out here. This is where CDBG and the local
government services were in our bill pattern last year.
And they are actually -- they've been removed from 2001
and 2002, even though in actuality they're really with us.

But for purposes of billing the Office of
Community Rural Affairs LAR, we stripped out our
historical information and put it with theirs.
We then -- then you go through. I think the only -- I talked about poverty-related goal. The fourth goal is our Compliance division. And that's the group that looks at our multifamily properties, that go on site and check for eligibility.

We also have the second strategy there, or the financial document reviews. And these are the groups that will look at the single audits that come in. They can also go out and do monitoring on some of our subrecipients.

The fifth goal is regulated of manufactured housing. This is a little awkward because with our legislation we now have a separate board over this particular area, and they have their own executive director. However, we were still instructed to have a combined LAR. So this is here for information purposes for you guys.

And then that sixth area is our central administration. In that first group it includes Executive, Legal, the board, Government Relations, Internal Audit, Financial Services and Accounting. Then the second strategy there is our information resource technologies. And then we have our operating and support.

If you'll then flip over to -- are there any questions at this point? No?
MR. JONES: Just rapt attention.

MR. DALLY: Okay. Page 7. Bottom line -- what's the bottom line here? If you take the summation of the figures in bold at the top there, you'll see $167,889,160 in '04, a similar figure in '05. That's a combination there of $335,733,316.

And that also -- it's the strategy request you see here. And then there are some appropriations in our riders of a million three-fifty.

MS. ANDERSON: I'm sorry. What page are you reading from? I'm sorry.

MR. DALLY: Page 7.

MS. ANDERSON: Oh, okay.

MR. DALLY: Up at the top. No, there is not a summation figure.

MS. ANDERSON: I'm just wondering -- I'm just not seeing the numbers I heard you say. So I just --

MR. DALLY: Okay. What I do is I combined the numbers under those last two columns up in bold, 167,889,000.

MS. ANDERSON: Okay.

MR. DALLY: And then a similar figure for '05.

MS. ANDERSON: All right.

MR. DALLY: So putting those in -- it's not combined here, but putting those in combination --
MS. ANDERSON: Okay.

MR. DALLY: -- for the biennium, it's $335 million. You then see a breakdown of the financing of those. And that first figure, the General Revenue Fund, that 10.8 million, roughly, in each year -- that represents six-and-a-half percent of this budget.

The next figure, the 130 million each year, is 78 percent of this budget. Appropriated receipts -- those are our fees that are associated with the bond programs and the compliance, and multifamily programs. That makes up eight-and-a-half percent of this budget.

Interagency contracts -- we had some figures in there in prior years. Those were due to some oil overcharge monies that we're not anticipating in the current biennium. So that figure has fallen considerably.

Then we have the System Benefit Fund. That's the one Eddie was talking about that came out of the deregulation of -- in the state. That is six-and-a-half percent of this budget, roughly 10.7 million each year.

And then the last category here, Earned Federal Funds, is a little over half a percent. Those are the funds that the department earned by virtue of having so many in federal direct employees. We then have an indirect cost rate that we can bill the Feds. And so we earn that.
And that covers the cost of indirect groups like Accounting, and Executive, and some of those groups that support the federal programs, their direct salaries.

So this is the summation right here of the budget. It then goes and slices and dices it several different ways. I think I'd point your attention to, if you'll flip over to page 16. This is the area that's gone beyond -- that was the base request.

This page shows our four exceptional items. And I'm not going to discuss them in detail. But I want you to see this page, so that you can see. We've got our first one, which is the ENTERP program that Eddie was talking about. We're requesting $3 million in general revenue each year.

The second is Office of Colonia Initiatives, 15 million over the two years. We then have -- and that's again, general revenue. Third one is a Section 8 and Fair Housing. We're actually asking for another FTE, or I should say there's an FTE added in the OCI request.

But that will be -- when it says under All Funds, that will be funded by the -- we're going to have some compliance fees, because this is related to Fair Housing and those kind of things that are associated with our multifamily properties.

The fourth item is something related to the
Manufactured Housing Division and their request. So if you look at all funds over and above our baseline request, we have 23,271,886. Now, that's including the Manufactured Housing piece in there.

MR. SALINAS: That's part of the 91 million?

Is that the Community Affairs, or --

MR. DALLY: No. No, this is --

MR. SALINAS: That's not part of the 91 million?

MR. DALLY: No, the 91 was back in their baseline.

MR. SALINAS: Yes.

MR. DALLY: That -- back in this first request under that third goal.

MR. SALINAS: Okay.

MR. DALLY: No, this would be over and above that number. Oh, yes, let me point this out. If you flip to page 17 and 18, what they've done is they've taken that same schedule that we had on the first still, where we go by goals and strategies. And you see the first two columns are the baseline.

Then in the second -- I mean, the third and fourth columns are exceptional items. So that's where you can see where these monies are showing up.

I want to point out the OCI -- most of that is
showing up under the Housing Trust Fund strategy. That is a quirk of the system, in that because OCI hadn't had funding to this level, they didn't have measures in their strategy. So in order to have measures to measure this, we had to move this to Housing Trust Fund.

However, I feel like if they do get this funding, you know, dedicated to them, we will develop measures through the legislative process, and that funding will actually come down to that.

And then you'll see -- in Eddie's group, you see down where the 36 million, 178, those were the 3 millions being added there on that ENTERP. So you have a total then, on the 39. And then you combine that with the Energy Assistance figures to get your 92 million.

Another schedule I think it's important for you to see is, if you'll flip over to page 22 and 23. Here again, we go through every one of our strategies. But we break out in that -- in the first two columns, it's the 2004 request. In that first column, it's the total funding for that strategy. In that second column, then, it's the GR, and the GR-dedicated.

So for illustrations, the Housing Trust Fund -- that's entirely general revenue of $5.3 million, and it's 50 percent of our total general request, the 2 million for each year.
You can then scan down the next -- that's ENTERP money that you see, the 376. That would be the baseline funding for Eddie's ENTERP, but we've got a request for more. The next three are the general revenue that's associated with the Manufactured Housing and licensing. Again, it's not very significant with these Housing programs.

Skipping down, there is some money in our Central Administration and Information Resources. There again, supporting the Executive and Information Resources and Financial. I'm going to kind of close here and turn this back to one of the -- this document, like I say, is our first submission.

And my prediction here is that this is the high-water mark of funds. But it will be reduced, as we go through this process. And as a matter of fact, and I'll fill you in, in our discussions right now with the LBB, we're going to be moving off about two-and-a-half million of general revenue off the base request over to an exceptional item.

This is all being reclassified. We're still going to be asking for it, but it will reduce our base requests and general revenue by that amount. With that, unless there are some questions here, I'll turn it over to Edwina.
MR. JONES: Questions?

MR. SALINAS: Has it increased overall for 2002? 2000 -- yes, 2002? How much is the percentage of the increase of asking for more funds?

MR. DALLY: Actually, it's decreased, in the sense that we've moved off of the CDBG and the local government services. So we had, in combination, we had $210 million each year, in '02/'03 --

MR. SALINAS: And how about --

MR. DALLY: -- in our requests, so we're --

MR. SALINAS: How much do you have in '01? 127?

MR. DALLY: No, that's representative of our actual expenditures. Our budget was higher than that. And the reason -- if we want to go back, the reason that is so low is if you'll go to the second line in the HOME Program, they did not make their cycle with their 2001 funds.

That cycle came at the very first part of 2002. And so that -- their normal deal of 40 or $41 million shifted to 2002. That had another effect. And if you look in 2003, where we have 2002 money in 2003 is going to go out as a two-year cycle. And so we've got a blip there at 78 million.

So you've really got three years of funding.
stuffed into '02 and '03, and it decreased from 2001. So if you move that 40 million back, a more typical number would be about 167 in 2001, if you move that HOME money back.

MR. SALINAS: Well, I just feel we need to do a realistic budget, but that might not have -- what we really asked you for right now, because we -- because of what is happening in the shortfall.

MR. DALLY: There is exposure to this being cut. And it's generally in those general revenue areas.

MR. SALINAS: How much?

MR. DALLY: I've heard talk of the Governor's office wanting us to take this and shave it to maybe 95 percent, to a 5 percent cut. That wouldn't achieve a lot if you're just cutting your general revenue. It wouldn't be a lot of money.

The other thing to point out here too, is our resources are not all appropriated. They are not all on this budget. We still have the private capital markets where we can go out and issue bonds for multifamily and single family. So that's $150 million.

We still have tax credits to allocate. We will have those fees that are associated with those programs. So there is some exposure for us -- this being trimmed a drastic amount, not really, because it doesn't help the
general revenue cost of the state.

MS. ANDERSON: I have just a couple of questions. You just mentioned that about two-and-a-half million of this is going to be reclassified as -- and identified as an exceptional item. Can you tell me the nature of those expenditures that we're being asked to reclassify?

MR. DALLY: Yes. There is going to be $200,000 that's related to the rider for the Housing Trust Fund. That's our estimate of an increase in repayments. And then there's a million dollars each year that was associated with consumer claims in the Manufactured Housing Division.

So that's going to go back to the number of 50,000 each year, which is what they have had in the last biennium. And it will be an exceptional item to add the other $1.9 million in the biennium.

MS. ANDERSON: Second question. On page 23, in the far right column that talks about cumulative percentage of 2002-03 general revenue funds, this is 109.61 percent. Can you define that number for me?

What is -- are we -- does that mean we're asking for a 109.61 percent of what we actually spent in the 2002-03 biennium? Or what's that number? What does the 109 mean?
MR. DALLY: Yes. It's an overage.

MS. ANDERSON: Okay.

MR. DALLY: So, basically reducing that, reclassing that two-and-a-half --

MS. ANDERSON: Right.

MR. DALLY: -- million will bring that back down under 100 percent.

MS. ANDERSON: Oh, it will. Okay. Okay.

MR. SALINAS: How much under? How much under?

MR. DALLY: A little bit.

MS. ANDERSON: That's a 95, but it will make it 98, 99, something like that?

MR. DALLY: Correct. And then we will -- there was a request for us to take this set of numbers and shave it a little bit more. So that's not the LBB's request on this particular one, but from the Governor's office. So there will be another.

MR. JONES: Other questions?

Ms. Carrington?

MS. CARRINGTON: Thank you. As staff worked on the requests for the LAR over the last two or three months, we did start out with a number that was much, much greater than this, like 200 million.

We struggled with the question of what do we really need to be able to do our business, and what do we
know is reasonable to request from the Legislature?

So we did quite a whittling down and quite a prioritizing job to come down, basically about 21,400,000, that then, as Bill said, these exceptional items -- these four exceptional items that are over and above the baseline.

And the way we determined what would be included in that was looking at any mandates we had in legislation that we did not have funds to pay for. And also with the --

MR. JONES: No, that doesn't happen, does it?

MS. CARRINGTON: Well, Homer Cabello would tell us that it happens quite frequently in legislative sessions. And several of the items, as Bill has mentioned, are related to OCI mandates that we are looking to satisfy.

The first one we listed was ENTERP, which is the Emergency Nutrition and Emergency Relief Program. This program serves very, very, very, low income. In the past the state's had about $3 million a year in oil overcharge funds to fund this program. We're basically down now to 3-, 400,000 -- 700,000, a very small amount of money.

So that was our first request. So it was six million over the biennium to fund that program, really,
very low poverty program. Also some colonia
initiatives -- I think, Homer, your office has the biggest
requests. And we have about a $15 million request in OCI.

It's actually broken up into money for
contract-for-deed conversions for a program -- a model
subdivision program that was mandated with the last
Legislature and did not have any funding attached to it,
and also our Texas Bootstrap Program. So those are the
three areas we're looking at, the 15 million and OCI going
into.

And the Section 8 monitoring tenant occupancy,
and the Fair Housing Officer, those were mandates in
Senate Bill 322. We borrowed an FTE from another section
of the department to put it in the compliance area to
start to comply with that mandate. But the funding, about
324,000, is related to those mandates that we are doing
right now, and we're looking to find funding to be able to
do it.

So that's how those exceptional items got
identified in actually our request over to the LBB. And
of course, any questions on exceptional items? The last
thing I will touch briefly on are budget riders. And if
you're interested in following along on this, this is on
page 70 of your LAR. There is actually six riders that we
are recommending deletion of.
And primarily the reason for the deletion of these riders were that they either related to the Community Development Block Grant Program, which has gone over to ORCA, or one or two of them that was related to Sunset, and contingencies, and what would happen if TDHCA went away. And so that's no longer necessary.

Rider 21 relates to ex parte contacts with board members. It's already established in statute and our code, and so is unnecessary. We've updated seven riders, and basically, what we've done through these is look at them and done cleanup, or we're recommending some language that we believe works better in taking out some redundancy in those.

We have three riders that are OCI-related. And then we have two new rider requests that I believe Bill mentioned. One of them is the ability for the department to contract -- to do third-party contracts for services that we might need, and to not have that apply against our FTE cap.

One of the things I don't think I've heard this morning is the department does have an FTE cap of 323 employees. Eighty-seven-and-a-half of those are in the Manufactured Housing Division. And so that makes 220 --

MR. DALLY: And a half.

MS. CARRINGTON: -- and a half for the other
part of TDHCA. So the first part of this allow us to contract for some services and not go against our FTE cap.
And then the second part of this is to allow the department to retain professional services, or to retain professional fees that we have collected in relation to our programs.

And with that, Mr. Chairman, I'll turn it over to the board for any questions that you all might have of Bill and I.

MR. JONES: Any questions?

(No response.)

MR. JONES: I hear none.

What's the board's pleasure?

MR. CONINE: Mr. Chairman, I move approval of the legislative appropriation request.

MR. SALINAS: Second.

MR. JONES: We have a motion by Mr. Conine. It was seconded by the mayor to approve the legislative appropriations request.

Discussion, debate, questions, comment?

(No response.)

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

(A chorus of ayes.)

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

(No response.)

MR. JONES: The motion carries.

It might be an appropriate point, since we're talking about the Legislature, to introduce our legislative guests today. Ms. Julie Street is here from the House Committee on Urban Affairs.

Ms. Street?

MS. ANDERSON: She was.

MR. JONES: She was. Marcelo --

VOICE: There she is.

MR. JONES: Oh. Excuse me. I'm sorry. I apologize. Okay. Marcelo Guevara is here from the Sunset Advisory Committee. Nice to have you. Johnnie Morales is here. Good to see you, from the Speaker's office. And Perla Cavazos, from Senator Lucio's office. Nice to have you. Thank you for being here.

All right. And with that, we will then turn our attention to Mr. Gonzalez from the Audit Committee.

MR. GONZALEZ: Okay. We'll call on David Gaines.

MR. GAINES: Good morning, Chair.

MR. JONES: Good morning.

MR. GAINES: Good morning.

MR. JONES: It's good afternoon.
MS. ANDERSON: Afternoon.

MR. GAINES: Good afternoon.

MR. GONZALEZ: Auditors should know that.

MR. GAINES: It's been a long day.

MR. GONZALEZ: You ought to give them the long version.

MR. GAINES: Actually, I'm debating that as I sit here. I've heard rumors that there's board members that need to leave early today, and we've got a full agenda. The committee did meet. We discussed the status of prior audit issues. We discussed the status of central database. We got a good demonstration by the functional user group, discussed survey results from operators out in the field using the system. We discussed a new project that Internal Audit has undertaken, pursuant to a request by Ms. Carrington relating to tax credit inspection fees.

And with that, I'd be glad to elaborate on any of those issues.

MR. GONZALEZ: I think one of the main things to touch on is the review of the inspection fees, or just touch on that for the board, please.

MR. GAINES: Okay.

MR. GONZALEZ: I mean, if that has any other requests, we'll go there.

MR. GAINES: After the last board meeting, Ms.
Carrington contacted me and other appropriate staff to
discuss the status of the situation that had come to our
attention just recently.

This related to the department's payment of
inspection fees on tax credit properties. While these
fees should be -- were to be reimbursed to the department,
adequate procedures had not been established to properly
account for and collect these fees.

And accordingly, Ms. Carrington contacted me
and appropriate staff, specifically requested me to
conduct a review of the circumstances surrounding this.

And to date, the Tax Credit staff has provided
me and my staff an accounting of the related fees and
collections that it's maintained on a central-access
database. And according to these records, as of
yesterday, Tax Credit has billed 107,779 -- or excuse me, $703,000, rounded.

MR. CONINE: How much? You're going to have to
repeat that number.

MR. GAINES: It billed 703 --

MR. CONINE: Okay.

MR. GAINES: -- for inspection fees. The
department has collected $402,000 of that, of which
236,000 has been collected in the last 30 days. That
leaves a remaining balance of $203,000. And this is kind
of a net figure, because there is like, 33,000 in
overpayments. And so considering that, it nets out or
grosses out, if you will, at a remaining balance of
$237,000.

According to the tax credit staff, all the
inspection fees have been billed. And again, this is as
of yesterday. And the internal auditing division is in
the process of reviewing the completeness and accuracy of
the information that they've brought forward.

The division anticipates they will be able to
provide you a report next month at the October board
meeting, assuming no unanticipated obstacles surface
relating to the objectives of the review, which is again,
the completeness and accuracy of this report.

Upon completion of the report, Ms. Carrington
has also requested that the division review other fees
that the department collects, just to ensure that we do
have reasonable -- that a control is in place to provide
reasonable assurance that all such fees that should be
collected are in fact being collected and properly
processed, reported, and accounted for.

As we move forward with those that I see as a
subsequent project or projects, we'll of course keep the
board apprised of progress being made on that.

MR. CONINE: Mr. Gaines, can you express an
opinion on the -- whatever is left outstanding, 237
million? Is that what you said?

MR. GAINES: That was a thousand.

MR. CONINE: Or excuse me. As to the age of
those particular receivables?

MR. GAINES: No, I'm not able to speak to that
right now.

MR. CONINE: Will you be able to next month?

MR. GAINES: Yes. I can -- I'll certainly get
that.

MR. CONINE: Okay. And can you give me your
thoughts on the fact that, I guess, 703,000 that's been
billed -- can you give me your thoughts as to -- my
understanding is, the department had third-party
inspectors. So we got bills from those third-party
inspectors?

MR. GAINES: Yes, sir.

MR. CONINE: How close does the 703 that we
billed approximate to what we paid for those inspections?

MR. GAINES: One of the objectives will be
determining completeness. And we'll be making that
comparison between what we've actually paid, what we've
actually billed, and what we've collected and set --

MR. CONINE: So you'll have that for us next
month as well?
MR. GAINES: Correct. Now, I understand that the information provided has been reconciled to the accounting records as to the amount paid on inspections. So it's been represented that that question has been answered. And yes, all inspections that we've paid have been accounted for and reconciled to the accounting record -- accounting records. And we will be independently verifying that.

MR. CONINE: Do you want to weigh in on that?

MS. CARRINGTON: Yes, I do. One thing that I do think is worth mentioning, even though we maybe can't answer the first part of that question of aged.

What I think is important to say is that the department billed these fees on August 22 of this year -- this past August. And that we gave the deadline to the development community of August 29th. So we gave them really a very short period of time to pay.

And we have had a substantial amount of money come in during that period of time. And one of the questions that came up in the audit meeting from Ms. Anderson was that, you know, are we going to follow up, or when are we going to follow up?

And our thought is that we get this, we get the 30 days behind this from August 22 to September 22, and then we will bill again on any remaining fees that may
still be outstanding.

MR. CONINE: Okay. All right. Well, we have a lot of our friends in the development community here today to talk about the QAP and I'm sure they'll spread the word on getting those in. Thank you.

MR. GAINES: I believe the word's out there.

MR. SALINAS: I think we've had that today. They have any outstanding balance, it might be --

MS. CARRINGTON: No, it's not in there.

MR. SALINAS: Well, we will put them in there.

MS. CARRINGTON: Well, we are looking at that --

MR. SALINAS: But it did have the outstanding --

MS. CARRINGTON: Yes. It didn't address -- I mean, it's not going to address the current amounts on here for future -- yes.

MR. JONES: Is there discussion, questions?

Yes, Mr. Gonzalez?

MR. GONZALEZ: No, I was just going to see if Beth had --

MS. ANDERSON: No, I have no --

MR. GONZALEZ: Okay.

MS. ANDERSON: I will say that we had a good Audit Committee meeting this morning. Good set of reports
from David. And I think our decision to have the Audit Committee meet monthly has been a good decision, and we've seen good progress there.

MR. JONES: And I would like to say too that I was very encouraged by the staff's prompt response to the situation and activities and progress. It's just not only activity that result. And I want to say that's very impressive.

Why don't we take a five-minute break. We've been going quite a while. And then we'll crank back up in five minutes. Thank you.

(Whereupon, a short recess was taken.)

MR. JONES: I call the meeting back to order.

Are we finished with our Audit Committee report, Mr. Gonzalez?

MR. GONZALEZ: Yes, sir.

MR. JONES: Okay. Great. Well, I want to thank the audit committee. They had a wonderful meeting this morning, and they're doing great things. So we appreciate it.

I would then turn our attention to Item 4 on the agenda.

Ms. Carrington?

MS. CARRINGTON: Item 4(a) is the review of the Draft Qualified Allocation Plan for 2003.
MR. JONES: If I could, could I suggest perhaps how we proceed? I mean, we have the suggested plan that's been submitted to us by staff in writing. So we all know that that's staff's recommendation. I know that we had a number of questions for board members.

But prior to the board member questions, I'd like to give the people who would like to speak an opportunity to comment on the staff's proposal.

Ms. Talerico?

If you would, I do know we have some time constraints today. We have a number of people that want to speak to us. I'm going to try to have a loose three-minute limitation. So we'll work from that, and go where we need to go.

MS. TALERICO: Good afternoon.

MR. JONES: Thank you.

MS. TALERICO: If you had called John Garvin up first, mine would have been a ten-second presentation.

But --

MR. CONINE: We can do that. I think I understand Garvin.

MS. TALERICO: Oh, okay.

MR. JONES: We are not -- we are not listening to Garvin. I tried to get him to fill it out right twice. He refused to do it. He lost his chance.
MS. TALERICO: He blew it. Okay. My name is Jeanne Talerico, for the record. And I'm the director of the Texas Association of Local Housing Finance Agencies. We had one comment that we wanted to make on the proposed QAP.

And that has to do with the restriction or change in the limitation on the unit size on the construction from the 280 units down to the 250.

Our request is that you defer this to the 2004 program year, primarily just because of timing. The Bond Review Board begins accepting application for private activity bonds on October 10, excuse me, which means that the local Housing Finance agencies are in the process right now of inducing these projects for their application to the Bond Review Board. If they're lucky enough to get a reservation, they will be coming to you for 4 percent tax credits.

These deals have already been structured and sized, and the land contracted. And many of them have already been induced because of deadlines at the beginning of September from the issuers.

If this is in its place, and the developer has a 280-unit project that he's applied for at the local level, it's been induced, it's gone to the Bond Review Board, it's getting a reservation that may not be until
February or March, then the 2003 QAP would apply, and they're now ineligible.

And so what we were asking, instead of changing the rules after the game has already started, because of other agencies, that we defer this and discuss it during the year and perhaps apply it to the 2004 program year.

MR. CONINE: Could I ask a question?

MR. JONES: Yes, you surely may.

MR. CONINE: We're also changing several other rules of the game with -- relative to the QAP, more than likely. How do the local Housing Finance corporations feel? If anything else, I guess nothing else upsets them in there, other than the size limit to some of these?

MS. TALERICO: This is a test to see how well I've read it, isn't it?

MR. CONINE: Yes.

MS. TALERICO: And I'm failing the test, Mr. Conine. I'm sorry. This is our primary concern.

MR. CONINE: Okay.

MS. TALERICO: Is that we would be inducing projects, or applying for a volume cap with the Bond Review Board on something that would ultimately be ineligible once it gets to TDHCA.

MR. CONINE: I would suggest, I guess, that your group keep a close watch on the QAP as it goes
through the public comment and final approval period. There may be -- are other things that would be in there that might have some influence over projects that would, quite frankly, if they submit them as of October 10 to the Bond Review Board, there may be certain things in the QAP that come along ultimately in November, or whatever month we approve this thing. And it would make them ineligible as well. So --

MS. TALERICO: We are sending out a postcard on Monday with the dates of all your public hearings on it to you --

MR. CONINE: Great.

MS. TALERICO: -- to get our members to be sure to participate in those public discussions.

MR. CONINE: Okay. Thank you.

MS. TALERICO: Thank you.

MR. JONES: Don't feel bad about it. Some of us flunk his tests repeatedly.

MS. TALERICO: Someday I'm going to be up there and pass his test.

MR. JONES: I'll teach you.

MS. TALERICO: Thank you.

MR. JONES: I never have.

MR. CONINE: You went to Baylor.

MR. JONES: Ms. Bast.
MS. BAST: Good afternoon.

MR. JONES: Good afternoon.

MR. CONINE: Good afternoon.

MS. BAST: I may slightly exceed my three minutes loosely, but I do have several others here who could yield some time.

I am Cynthia Bast of Locke Liddell and Sapp. And I am here today representing four development companies that are experienced and respected developers in the Texas tax credit industry.

I first want to say that we appreciate the work of Brooke Boston in revising the QAP, and of Tom Gouris in preparing the underwriting guidelines. We sincerely appreciate the many opportunities we have had for public comments, and the ways in which the staff has tried to incorporate public comment in their revisions.

We will be participating in the process, attending the public hearings, providing written comments. But we wanted to take this opportunity today to address the board with regard to a few of the issues that we think are most important in the QAP.

The QAP is clearly heading in the right direction, and some positive changes are apparent. For instance, the proposed changes to the threshold criteria regarding zoning, requiring that evidence of rezoning be
submitted earlier for certainty is very beneficial.

We do want to point out though, that having that evidence submitted in advance of the June board meeting may be problematic in rezoning situations, in that land sellers may not want to have their land rezoned, unless they know for certain that there is going to be a sale and a tax credit development on their site.

We have proposed that the date for the final zoning evidence in a rezoning case should be that the date that the tax credit recipient pays its commitment fee. This gives TDHCA enough time to reach deals on the waiting list, if it needs to do so, and provides enough certainty to the process as to the zoning availability.

We definitely support the idea that the forward commitment be used flexibly to meet important housing needs. However, we would note that the industry has long relied on the department's forward commitment of 15 percent of the credits.

To reduce the forward commitment dramatically next year, if you would choose to do so, would be a large, one-time hit. So we would like to recommend that at least 10 percent of the forward commitment be utilized within that discretion in 2003, and then at least 5 percent be used in years thereafter.

We appreciate the staff's proposal to allow the
portfolio of social services offered to tenants to be flexible. That's very good. However, we think it's important that the applicant have some sort of contract in place at the time of application.

This shows that the applicant has carefully thought through the role of social services on the site, has considered the various social service providers, the cost of those social services, and has made that a part of the application's overall plan.

We do oppose the omission of points from mixed-income transactions. We understand your difficulty with this issue from an underwriting perspective, that the market rate rents can be hard to analyze. But there are market studies available to support those rents.

And we believe that mixed-income projects have an important public purpose, in that they reduce the concentration of low-income people, and provide social benefit. They are often preferred by local governments and by neighborhoods for that very reason.

Mixed-income transactions can be complex, and very well may not be done without a point-driven incentive in the QAP. We also note that applicants may struggle to combine the points with mixed income with the points for deep skewing.

We hope that the department will reconsider its
position on mixed-income transactions and find ways to address the underwriting issues without eliminating the incentive from mixed-income projects.

We recognize the troubles that TDHCA has had this year with regard to noncompliance issues in other states. We do have a concern that applying Texas standards to compliance issues in other states may create an incompatible comparison that is ultimately subject to interpretation.

MR. JONES: Why?

MS. BAST: Because if, for instance, there is an event of noncompliance that would be noncompliance in Texas, but would not be noncompliance in another state, and you're abiding by the rules of the other state, you're doing everything you're supposed to do in the other state, but yet, what you're doing in the other state might be a noncompliance event in Texas, that could create a situation where the Texas rule --

You have to look at the Texas rule and say, Well, is this event, even though it's not considered noncompliance in the other state, is this really a noncompliance for Texas, and therefore, does it cause a problem for the applicant here? And their concern that there could be an apples and oranges situation in that circumstance.
MR. JONES: Well, why wouldn't it be a good policy idea, though, to have developers meet certain standards in all their projects and developments? Why wouldn't it be a good idea for us to only want to do business with developers who set certain minimum standards that we find to be very important here in Texas?

MS. BAST: As long as there are certain minimum standards that are clearly achievable across 50 states, then I think that that potentially could be fine. I think where we get concerned is that if there -- something beyond that that may not be applicable, appropriate, or otherwise --

MR. JONES: What would that be? I mean, give me an example.

MS. BAST: To be honest, I don't have an honest example on that.

MR. JONES: Okay.

MS. BAST: We just want to express a concern at this time, and we want to, perhaps in our written comments, flesh that out a little bit more with you. We just want to make you aware of it at this time.

MR. JONES: Thank you.

MS. BAST: Finally, I know this is Item -- Agenda Item 5, but if I could speak very briefly regarding the underwriting guidelines. One thing we do want to
reiterate is the position of many others in the industry
with regard to the valuation of existing properties in
identity-of-interest transactions.

We're concerned that using a holding-cost
concept is too subjective, and allows staff to decide what
should go into the calculation and what should not. We
recommend that a third-party appraisal be used. Lenders
and investors are comfortable with this.

If TDHCA is uncomfortable with third-party
appraisals, then we would hope that you would address the
issue of appraisals head-on, rather than trying to come up
with another valuation mechanism.

We appreciate that you want owners to keep as
much equity in these transactions as possible, to enhance
their financial feasibility. However, we believe that the
policy may be a disincentive for owners to improve the
quality of their older properties, and that the Internal
Revenue Code already provides restrictions as to the
amount of profit that an owner can take on any related
party acquisition.

Again, I appreciate the opportunity to bring
these points to your attention today. You will be hearing
from us throughout the process. And thank you very much.

MR. JONES: Thank you, Counselor.

MR. CONINE: Could I ask? You represent four
independent developers. Is that correct?

MS. BAST: That is correct.

MR. CONINE: Okay. Thank you.

MR. JONES: Any other questions?

(No response.)

MR. JONES: Thank you so much.

Mr. Deyoe?

MR. DEYOE: I'll try to be real brief.

MR. JONES: Thank you, sir.

MR. DEYOE: And in fact, what I will do is just kind of go down Brooke's outline, and just touch on some of the points that I think are important.

My name is Rick Deyoe. I'm President of Rural Texas Development Corporation. And I appreciate the fact that the QAP is being redone, because hopefully, it will be easier for us to read, and be able to interpret.

A couple of things that I think are good items, and then I'll talk about some of the things that I think might -- could use some additional change. The unit cap -- the reduction in unit cap from the 250 to 200, I think is a good item, because it allows the credits to be spread a little more between developers.

The development experience in eliminating the general contractor, in the development experience I think is also a good item, because the general contractor is
only in the process during the construction period.

The zoning -- I agree with what Ms. Bast was
talking about on zoning. And that is, as a developer,
nine times out of ten, if you've got a piece of property
that's not zoned properly while you're in the zoning
process, it's very -- most times, you can't get a city to
make the zoning change contingent upon an allocation of
credits.

And so the landowners, as Ms. Bast said, would
not like necessarily to have their land rezoned to
multifamily, unless they know that they're going to --
unless they know that you're going to complete the sale.

I do want to touch briefly on the points for
elderly developments. There is -- the elderly
developments, the points have been eliminated in the
proposed draft. I think that those points ought to be
added back in, because I think it's important for an
elderly development to compete head-to-head with a family
development.

It's mentioned in here that the elderly
development is -- it's a set-aside that's not
necessarily -- that used to have points, and the rural
set-aside and the nonprofit set-aside did not get points
if you were in those set-asides.

The elderly set-aside, however, as you know, is
an overall set-aside. It's not a specific set-aside as it was in the past. And the only way that elderly projects competed head-to-head with Family was to -- was through the points.

The mixed-income points -- I think that we probably could keep mixed-income points in. However, the staff's got a real challenge on their hands if you're going to do mixed-income points and also do deep-skewing points.

We're finding in the industry that very few lenders and syndicators are able to -- the appraisals that the lenders and syndicators are getting are much different than the projected performers that were sent into the state at the time of the allocation, because it's hard to get a market-rate unit rent when it's next-door to a 30 percent unit rent. And so there's some -- I think there is some work that could be done there.

Which brings me to the low-income targeting points. And that kind of goes along with the geographic dispersion, as well as the location in a QCT. I think that it was good that the QCT points be eliminated, because we're getting pretty concentrated in the QCTs.

However, the geographic dispersion being very low on the list of the evaluation factors, the low-income targeting points are 37 percent of the total point
structure still, if you looked at the maximum amount of points.

And what's going to happen is, you're going to continue to see deals done in QCTs, because those are the areas where you can do more deep skewing, because you've got the 30 percent boost in the credits, versus other areas.

And so if you're going to continue to leave the points in in the amounts that they're in for the low-income skewing, I think you've got to do something regarding geographic distribution of the credits amongst regions, because there is going to be areas such as this region here in Austin where other cities aren't going to be able to compete equally on a point structure with Austin, because of the QCT and the amount of low-income units that you could do here. And so I think that that still needs a little work.

Other than that, I think that -- I think everything else is in pretty good order. And I appreciate the work Brooke's done. I appreciate the work Tom's done. And I think we can get through it and have something ready by November.

MR. JONES: Thank you, sir. Questions?

Comments?

(No response.)
MR. JONES: Thank you.

Mr. Saling?

MR. SALING: I'll pass.

MR. JONES: Thank you, sir. Mr. Stewart. How is the baby?

(Pause.)

MR. STEWART: Thank you for the opportunity. Normally, I would not be here commenting on a draft document that's going out for public comment. But the issue that I want to speak on is very important as it relates to the allocation of the bonds that's coming up at the end of October. And it solely relates to the unit limitation on the size of the developments.

I've been working on pieces of dirt to submit into this year's bond lottery since, you know, March and April of this year. And I think what we have is a timing difference that's created by the Legislature on how the bonds are allocated, and the process by which the QAP goes through an approval.

So I would just propose that we defer the discussion on the size limitation on the bond deals, take that up and consider it for the QAP for the subsequent year, and let the 280-unit cap stay in the 2003 version of the QAP.

And I certainly will participate in the rest of
the public comment process on the QAP, but I just felt
that was a big-enough issue to come today with.

    Thank you, ma'am.

MR. JONES: Questions? Comment?

(No response.)

MR. JONES: Thank you, Mr. Stewart.

MR. STEWART: Thank you.

MR. JONES: Last, and certainly least -- now, who can I be talking about?

MR. GARVIN: I'm the weakest link.

MR. JONES: You're something. Counsel has informed me I have to let you speak.

    VOICE: Oh, we have it in writing, so we can --

MR. GARVIN: Good afternoon. My name is John Garvin. I'm with the Texas Affiliation of Affordable Housing Providers. And I'm just here basically to reiterate what Jeanne Talerico and Brent said.

    We have a letter that we drew up this morning on taking the 250-unit cap out of this QAP. And we'll discuss it. I mean, just for confusion sake alone, I've gotten a lot of members' comments saying that a lot of the applications will be ineligible if this stays.

    If at all possible, we request you take it out of the Draft 2003 QAP. And if you have to leave it in, look at it for program year 2004.
TAAP will be holding a meeting in September in Houston to go over the entire QAP with a fine-tooth comb, so that if you're having more than one comment. We do want to thank Brooke and Tom Onion for a great job, getting everyone in to talk about this -- all these issues.

And we'll also be going through at that September meeting the Section 2306 of the Government Code on tax credits, too. So we're doing it all at once, and giving our QAP comments to you, and our legislative comments to the Legislature.

We thought we really would appreciate it if you would pull that 250-unit cap out of this draft QAP. Any questions?

(No response.)

MR. JONES: Thank you.

MR. CONINE: Do we have an opinion on the 9 percent cap?

MR. GARVIN: I'm only allowed just one opinion today. We'll discuss that at the --

MR. CONINE: Okay. And what rule is that?

MR. GARVIN: We do it as a big group. So I can't -- I'll get in trouble if I say what I think.

MS. CARRINGTON: Probably his board's rule.

MR. GARVIN: I would say we're not that far along yet.
MR. JONES: You can't speak your own mind. I understand.

MR. GARVIN: They won't let me.

MR. JONES: What else? Anything else?

(No response.)

MR. JONES: Mr. Garvin, thank you for being here.

MR. GARVIN: Thank you.

MR. JONES: And we look forward to more opinions.

MR. JONES: As they are so authorized. All right. That takes us through all the public comment, I believe, on Item 4(a). So we have staff's recommendation, and we've gone through public comment.

Ms. Carrington?

MS. CARRINGTON: I think, Mr. Jones, it would be for the board to discuss this draft and look to make any revisions, recommendations. The process from here will be the document that the board approves today will be published in the Texas Register.

And a series of public hearings are in the process of being scheduled, if they're not already scheduled. Brooke's shaking her head. They are already scheduled. And then of course, the board will approve the final document in November of this year.
And what we are asking -- and then of course, go to the Governor for his approval. Staff is asking the consideration of the board today for a couple of items.

As we look to being very expeditious in getting the draft ready to go into the Texas Register, what we would like to ask the board to do today, is if you do propose to make changes in what's in the draft, that you all would give us that suggested language. And Brooke will be our scribe.

And then we will read that back to make sure that we have accurately captured what it is the board is intending for that language to be. So what this will do is allow us to get a draft ready prior to the full ten days in getting the transcript back. So it basically will speed up the process for us.

MR. JONES: Can I raise two issues? The first is one that I thought I overheard you and the mayor talking about, which would be putting something in the QAP with regard to the payment of all fees that might be due.

MS. CARRINGTON: Uh-huh.

MR. JONES: And I frankly think the mayor's idea is a good one, and would wonder how we would go about adding that in if we wanted to? And my second thing that I would raise is that I personally would like to see the points put back in for elderly developments. But you
know, again, how would we go about that? And what opportunities are you suggesting?

MS. CARRINGTON: In addressing the first question, and that is timely payment of fees, in Section 49.31, that provision is in there that says if you have unpaid fees, it will cause an applicant to be ineligible to apply for additional credits, and ineligible to submit extension requests, ownership changes, and application amendments. So that provision is already in the draft.

MR. JONES: Could you -- and Chris -- excuse me, you know, I'll lead this because essentially, it's already handled. Do you feel comfortable that this is strong enough, that if we disqualified somebody on this basis, and they turned around and sued us next year, that we'd be a winner?

And I know I'm putting you on the spot, but that's what we need to think about, don't we? Because as soon as we disqualified somebody for this, that's the first thing they're going to do.

MR. WITTMAYER: I'd like to take a closer look at it before I --

MR. JONES: Okay. Would you do that for us?

MR. WITTMAYER: All right.

MR. JONES: Okay. Because I think that's where we want to go.
MR. CONINE: We wouldn't --

MS. CARRINGTON: Certainly.

MR. JONES: Yes. You know, we want to -- okay, excuse me. I didn't mean to interrupt.

MS. ANDERSON: That would be true of any -- that's frankly true -- I'd like to ask Chris to, you know, look at the whole document from that perspective.

MR. JONES: Right.

MS. ANDERSON: I mean, any of these conditions are things that we would want to be worded to, you know, minimize any ambiguity, or any other kinds of issues that would cause us and our constituents to end up in a litigation situation, I mean.

MR. JONES: I interrupted you. I'm sorry.

MR. GONZALEZ: I have a question. How would we handle a case where someone maybe knows that they owe the money, but haven't been billed?

MR. SALINAS: Or that is out, but they know they owe the money and they --

MR. GONZALEZ: But they may need to pay it.

MR. SALINAS: They don't have to get a bill.

They know the responsibilities of what they have with the agency --

MR. GONZALEZ: But they may not know how much they owe, but they know that they haven't been billed, I
guess. Now, I'd be curious to --

MR. SALINAS: That's our answer to everything down where past -- I mean, I didn't get a bill. But we know if we owe it.

MR. GONZALEZ: I know, but I guess we would have to change that.

MR. JONES: I mean, I guess what I envision is there just ought to be something on your checklist when you're going to turn in your application, as Okay, I'm going to make sure all my fees are up to date, because if they're not the first thing that's going to happen is then it comes right back at me. I mean, I think that's where we're trying to head.

MR. SALINAS: The other one that I think we need to be strong about is the zoning. That if the city does not have a zoning in place, then I don't think we should take time to look at it until we get an okay on the zoning.

And I understand what they mean, but if we go ahead and give them some tax credits, and then the city is not going to give them zoning, then we waste our time of our staff.

And then we get -- we let somebody else get in those tax credits. And we lose probably a year or maybe half a year, for them to go back to the city and get
zoning and then they deny them.

And we've accepted those, even with zoning, and they've beaten us -- on defending us on the Review Board on -- like the McKinney case.

We want to be very careful that we do have everything in place. But we'd also -- even though we had everything in place, and the McKinney case, we spent a lot of time, a lot of money on that deal. So did the developer by going through the whole process. And they had the zoning in place. And even though they had the zoning in place, they still had problems.

And I would hate to see something that is not zoned and I was giving them some tax credits. Then the worst thing is having that help somebody else that probably has everything in place.

MR. JONES: I agree with that. And I just want to make sure I'm reading it -- the draft right. I think the draft is as the mayor suggested to the -- or I'm almost --

MR. SALINAS: I think we need to be very careful with that. And every city should have a comprehensive plan, and every two or three years to be eligible for federal funds. And they should have that in place to be eligible for our funds and our tax credits.

And they should do that every three years, to
be able to change their zoning and to change what they have through a comprehensive plan every three or four years in their own cities.

And I can understand Houston does not have zoning. Right? How would we address that?

MR. CONINE: That means you can do anything anytime. So it would be eligible already, I would -- or automatically, I would say.

MR. SALINAS: Yes. Exactly. But if you have a plan in zoning in the city, I mean, you have to respect those board members that serve in that city.

MR. CONINE: Is there a -- can I ask a question on the procedure here for just a minute?

MR. JONES: Certainly.

MR. CONINE: My understanding is that once we publish the draft, comments that are made at this meeting, any subsequent public hearing meetings are eligible for change incorporation into the final QAP? Is that correct?

MR. JONES: The qualitative -- a qualified yes. Would that be fair, Chris? He gave me a -- about as definitive statement on this as you're going to see. But basically --

MR. CONINE: Here's where I'm driving. Ms. Carrington suggested we have specific language and changes today. And what I'd like to do is to be able to, I guess,
mention some items that I have concerns about, but not have the specific language, but have them on the record, so that when we do the subsequent change ultimately in November, any of those items would fall into the qualifying scenario of being able to change them. Is that appropriate?

MR. JONES: You know, we're I think, off in some gray areas here. I would say this. If we could make as many changes today as we could, we would probably be better off doing that.

And let me ask this. If the board -- and I guess it depends on what the suggestions are. You know, my hope would be that Brooke could help us, and that if the board had a consensus about changes that need to be made, we would go ahead and take a stab at it.

MR. CONINE: I'm trying to admit I didn't do all of my homework, you know.

MR. JONES: I understand. But -- and I'm trying to be very serious, though, in responding, because I think that we're -- we would like to make as many changes as we could today that the board desires to make.

I understand there may be further, based upon additional public comment after today it will have to make. And if public comment is going to be meaningful, we have to take the opportunity to do that.
But having said that, I think we want to go forward and make as many changes as we could today. And that's been the suggestion that I've received from my counsel.

I was going to -- I think -- and before we jump to your comments, could we go -- I think Ms. Carrington wanted to finish answering a question she was asked. And then I'll come straight back to Mr. Conine.

MS. CARRINGTON: And the question was on zoning. Now, the way the draft QAP reads right now is that at the -- and we actually do specify the June board meeting. And if that stayed in, I was going to recommend that the language to the specific month come out, because that board meeting might be June, it might not be June.

But it is at that board meeting where the board approves the recommended list. But right now, the QAP says zoning must be in place. So they've gone through the tax credit round. They are recommended per staff's recommendation.

And so it's at that point we've said we want zoning to be in place. What we've heard today is that it's difficult to get an owner to be willing to zone the land when you don't know the tax credits are in place. And so the recommendation that you heard from, I think, a couple of folks testifying, is that at the time the
MR. CONINE:  Which is how many days after we issue the commitment letter -- the reservation letter?

MS. BOSTON:  This year it's September 12, so it's about a month.

MR. CONINE:  Okay.

MS. CARRINGTON:  So it's about a month for -- if you all didn't hear that.  It's about a month after the issuance of the commitment notices, they must pay their commitment fee.  So it is prior to the carryover time, and prior to the meeting the 10 percent test time.  So it's an interim date between those times.

MR. JONES:  You know, I understand the issue.  I guess I still agree with the mayor, and I like it better the way you all had it drafted.

MR. SALINAS:  There is a map in every city --

MR. JONES:  Yes.

MR. SALINAS:  -- that zones their property.  That property owner cannot build anything -- if it's for apartments or for housing, that's all they can build there.  A first-time homebuyers, a family house -- affordable-home programs, or whatever, that's shown by the planning and zoning.

The property owner has no other choice but to sell that kind -- to have those kind of tenants there.  I
don't see why -- how the tax rates have to do with the property owner. And I can understand somebody trying to buy a piece of property, and the right zoning, it says, Well, if you get the tax credit, then I'll sell you the property. That's fine.

But then you don't have to go back to the planning zoning and city council, public hearing, and say, Well, we're going to have affordable homes here.

MR. JONES: Right.

MR. SALINAS: I clearly think that those people have to go back to their cities and get approval from their city leaders or county leaders as to where that project is going to go. And if I was in their case, I would do that first before I came down here.

I mean, I will not waste our time and the staff's time by getting the tax credits and going back to there and saying, Well, that's not zoned, and then having those cities to have a battle between themselves and fighting between themselves, like we had that big fight in McKinney.

And having to rent at the Hilton where we could accommodate 300 people there that were opposed to our tax credits, which had already been approved, we ended up not helping that developer over there. So I think we need to very careful over how we do the zoning.
MR. CONINE: May I speak to the issue, Mr. Chairman?

MR. JONES: Mr. Conine, sure. Certainly.

MR. CONINE: I have softened my opinion on this particular issue. And let me explain why. And let me see if I can suggest a compromise that may make this where we might want to be.

Most of these properties are held under control by a contract of sale. But most of them have to last for a year. Between the time, like now, they've been out, as Brent testified earlier, he's been out looking for land since March.

And it will take him till next March to get things done and closed, or longer than that. So by its own definition, there are not people running over these land sellers to try to buy these properties. They are very patient sellers in the marketplace out there.

They are dying for someone to come along and buy their dirt, or they wouldn't let them tie it up for that length of time. So we're not in a market where you have to move quick and respond quickly to be able to buy a piece of land.

Secondly, I think in undeserved areas in, let's call it the poorer sides of town, where some of these projects end up going, a lot of the zoning and land use
plans were developed years ago. And those changes --
those communities go through change and metamorphosis over
the years.

And part of the projects that we bring to the
table with these tax credits actually participate in some
of that change. The in-between that I think might be
something that I would at least be palatable with is most
of these municipalities have both a planning and zoning
commission, and a city council process that they have to
go through in order to change the zoning.

MR. JONES: Uh-huh.

MR. CONINE: If we could have some indication
from the planning and zoning process prior to the -- and
approval, if you will, from the planning and zoning
commission, that they would recommend to the city council
that that project -- that piece of land be rezoned.

And then subsequently require that the city
council approve that zoning change again by the payment of
the commitment fee, which would be within the 30-day time
frame later.

I think I would be comfortable enough to know
that the local citizens and communities could rally behind
the meeting at the planning and zoning level, so that that
particular approval or denial would take place before we
get it to this board.
MR. JONES: Yes, I have no problem with this.

MR. CONINE: And then the land seller would not be at risk of rezoning his property and not getting the credits, which I think is something we really don't want to get in the business of.

MR. SALINAS: I agree.

MR. CONINE: So I would suggest that change, and would make that, I guess, as a motion to change the QAP just to get this ball rolling.

MR. JONES: Okay.

MR. SALINAS: We don't have any problems, as long as we let the community involve in what they are going to be having there. If they go through the zoning and they get the -- they have public hearings and everything, and you don't have anybody at the public hearings. Well, nobody showed up. Everybody is going along with the system.

But sometimes you have problems like the one we had in McKinney, which then created a big hassle. This way, if everybody knows that they have to go through the public hearings to the -- through the planning/zoning, and the city council. And then once they get their opinion in, they can come over here. I have no problems with that. As long as everybody knows that they're here.

MR. CONINE: Well, again, this is a -- most
cities it's a two-step process.

MR. SALINAS: Yes.

MR. CONINE: P and Z and council. What I'm suggesting is they go through the first step now, or before we get it.

MR. SALINAS: Yes.

MR. CONINE: We can then approve it, and the council can either accept the zoning change or not accept the zoning change.

MR. SALINAS: I agree.

MR. CONINE: And then we get -- we would have enough time left over to be able to do that. Now let's talk, Brooke, about the time in the timeline when the P and Z approval needs to be had, so that underwriting doesn't waste a whole lot of time on it.

MS. BOSTON: Okay. That was actually going to be my question, was when you said when we get it, do you mean the agency on March -- or February 28 or March 1? Or do you mean meet the board at the first meeting where you see our recommendations?

MR. CONINE: I don't know.

MS. BOSTON: Obviously, Underwriting all spent the time by June.

MR. JONES: I would say March 1.

MS. ANDERSON: I think it might be July.
MR. CONINE: I think it might be too early.

MS. ANDERSON: So --

MR. JONES: If you've got it --

MS. ANDERSON: Thirty day before we --

MR. JONES: We're going to save staff being on this. Your counterpart will have it easy.

MS. BOSTON: Well --

MR. CONINE: Then determine threshold --

MS. ANDERSON: They're underwriting them in March. Right? You're scoring them first, before underwriting gets them. So underwriting is scoring them in what? Late April and May?

MS. BOSTON: Correct.

MR. JONES: So you want to line it up. That's when it would get kicked over to underwriting.

MS. BOSTON: We could pick a date and not have it be --

MR. CONINE: We still have -- we have March 1 as the --

MS. BOSTON: -- any number of days prior to anything else.

MR. CONINE: -- the submittal date?

MS. BOSTON: This year it's February 28. But yes, it's no later than March 1.

MR. CONINE: All right.
MS. BOSTON: We -- you could just do it as May 31.

MR. CONINE: I'm thinking more along the lines of April 1. Because they would have had to tie the project up, let's say in -- let's say if they're not doing a bond application, they're just strictly doing 9 percents. Okay?

So they have to tie the land up and have enough time to prepare their submission, their application, which, granted, takes a few days for most of them to do it in a professional manner. And they could submit zoning application at that time. And there's generally a 30-day wait for staff to review it and get on the docket of the agenda.

So we need to allow enough time for that. I would -- my gut feel is that April 1 would be plenty of time. And then if they don't achieve a P and Z approval by that time, you could just kick it back to them and say, Sayonara, or whatever.

MR. JONES: Any other thoughts on that?

MS. BOSTON: Yes?

MS. ANDERSON: Brooke, do you have a date certain that you release the scoring before anything goes to underwriting?

MS. BOSTON: No.
MS. ANDERSON: Okay. So that's not --

MR. SALINAS: They give you 30 days to go to planning and zoning and city council. Thirty days.

MR. JONES: Right. So we're looking at a April 1 date in connection with your motion?

MR. CONINE: Yes.

MR. JONES: By way of housekeeping, is there a second to Mr. Conine's motion?

MR. SALINAS: I'll second it.

MR. JONES: Okay. The motion's been made and seconded. Further discussion?

MS. BOSTON: Can I ask a clarification?

MR. JONES: Certainly.

MS. BOSTON: If I heard you correctly, you're suggesting that at application, you would have to have proof that you had applied for your zoning, is what I think you just said.

MR. CONINE: That's fine.

MS. BOSTON: And then at -- by April 1, you'd have to have proof that it had been a pre-fab T and Z. And then by the commitment fee being turned in, you would need to have actual zoning approved by the city council? Is that right?

MR. CONINE: Yes. What kind of -- refresh my memory on the commitment fee. I know the time frame. But
extensions of family commitment fee? Is there any -- does this come back to the board for extension?

MS. BOSTON: Yes.

MR. CONINE: Okay.

MR. JONES: And Brooke, I'm going to trust you to be our scribe, to carry forth your revisions that are contemplated by these motions.

MS. BOSTON: Okay.

MR. JONES: Thank you. Further questions, comments, discussion on the motion? I assume we're then ready to vote on the motion. The motion is to amend the draft as suggested by Mr. Conine. All in favor of the motion to amend, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. I think I promised I'd go back to Mr. Conine for his list of comments.

MR. CONINE: On the subject of the unit caps, I tend to agree with those who have testified here today. On actually -- under the 4 percent and the 9 percent, I'm having a little trouble understanding this, since we have dollar limits, why we need unit limits reduced at the same time.
On the other hand, on the rules side, I think it's important that we release the restriction on the 76 units there, because there may be a situation pop up in a rural area that demand is just, you know, so and so moves to town, and they're creating a thousand-employee population. And it would be beneficial to have something there.

So I'd like to see the QAP amended to release the restriction on rural development caps, but keep the 250 and the 280 limits on the nine and the 4 percent bond developments. And I make that as a motion.

MR. SALINAS: Just for 2003?

MR. CONINE: Just for the -- yes, just for the '03.

MR. SALINAS: Well, '04 would be there? We would literally try to --

MR. CONINE: I would think on '04, we needed to -- you know, the problem was some of the suggestions in '04 is that we're on -- first, we're going to talk about this this time next year.

MS. ANDERSON: Right. So we --

MR. CONINE: And we have to, as a board, figure out how to talk about this sometime before this time next year, so that we give adequate notice --

MR. SALINAS: But we sent the notice that we're
going to cut it back to two --

MR. CONINE: Yes, maybe this public testimony is adequate notice. I don't know. But --

MR. SALINAS: But I was -- think that we need to send a message now that 2004 would be different. That we would probably do this in '03 because of their comfort level.

MR. CONINE: I think you just did that fairly well, Mayor.

MR. SALINAS: Yes.

MS. ANDERSON: Yes, I agree with the mayor on that.

MR. CONINE: Okay.

MR. SALINAS: So we're hearing the message from -- and the lady that can help that much going to happen with it, in terms of --

So I am seconding his motion.

MR. JONES: Okay. We have a motion's been made and seconded. Further discussion, question, comments, arguments?

MS. BOSTON: Clarification again?

MR. JONES: Yes.

MS. BOSTON: You don't want us to refer in any way, though, to an adjustment in 2004? Just --

MR. SALINAS: 2004 means that we're going to be
cutting the QAP [phonetic] funding.

MR. JONES: Not in the QAP.

MS. BOSTON: And so do we -- okay. That's what I was told.

MR. CONINE: They've done it by public testimony.

MS. BOSTON: Okay.

MS. CARRINGTON: May I have a clarification?

MR. JONES: Edwina?

MS. CARRINGTON: So rural, we would eliminate the cap at 76.

MR. CONINE: Correct.

MS. CARRINGTON: And it would just fall within the caps for the 9 percent and the 4 percent?

MR. CONINE: Right.

MR. JONES: I'll speak against the motion. I'd go ahead and do it this year. But that's just me. Are we ready to vote?

MS. BOSTON: I -- yes.

MS. ANDERSON: I agree, and I think maybe that was the mayor's intent.

MR. SALINAS: Yes, the QAP, not 2004.

MS. ANDERSON: That the QAP language ought to say that the cost next year at this time will be here, and we'll have to defer it again, because next year's Bond
review will be the same.

MR. CONINE: Can we make the language ambiguous enough? Because I'm not sure the numbers suggested are the right numbers. And I don't want to get into that argument or debate today. But I think there are some mathematical calculations that can go -- that can help me understand whether they're the right numbers or not.

For us to say that in '04 the board has been contemplating reduction of these numbers is fine. But to what level? I'm not prepared to say those are the right numbers.

MS. ANDERSON: I think you have to make the -- make it specific, though, so that then in the subsequent 30 days of public comment, we get some industry input on what the number ought to be.

MR. CONINE: Yes.

MS. ANDERSON: They can still change it. Right? I mean --

MR. CONINE: Yes, we --

MS. ANDERSON: From 250 to 262, or whatever in 30 days, when we do a final approval?

MR. SALINAS: But that's what '03 is planning. Because there's some people that are already on board.

MS. ANDERSON: Right.

MR. SALINAS: But the first -- the best in '04
will do it the way the QAP says right now. And I'm --

MR. CONINE: I hear what he's saying. And I vote for that motion. That's fine.

MS. CARRINGTON: May I -- do you have five -- tax exempt bond and 4 percent credit transactions to vote on today? All of them local issuers? Of those five, there is only one that's the maximum 280 units. There are some others that are actually, you know, 150 and 180.

So I haven't looked at, you know, what comes through here, and how many of them are the max. But if today you have us all looking at it as an example, yes.

MR. CONINE: We'll have another shot at that.

MS. CARRINGTON: And staff did have some language on that that we could --

MR. CONINE: May I make a motion again?

MR. JONES: Yes, because we do have --

MR. CONINE: I need to amend that motion --

MR. JONES: Yes.

MR. CONINE: -- to help them.

MR. JONES: Well, let's make it clear. Yes, both of them help you.

MS. CARRINGTON: Yes.

MR. CONINE: '03, we're going to get -- we'll keep them at the '02 limits, which is -- and we're going to release the restriction on rules. And we create a sentence in here that indicates to the development community that in '04, we're going to cut them to 200 for 9 percent, and 250 for 4 percent.

MR. SALINAS: Okay.

MS. ANDERSON: And we'll get comment on that.

MR. CONINE: And get comments on that, and then we can --

MS. ANDERSON: Come back next year.

MR. CONINE: Come back in November and manipulate or change it, as the case may be.

MR. JONES: And again, not to be argumentative, but to make my position clear, I would leave the draft the way it was. But that's just, again, me speaking to the motion. It has nothing else to do --

MS. ANDERSON: May I ask a question of staff? Is there any other remedy -- you know, because a lot of these bills that are being prepared now to hit this October 10 deadline may not be subject to this cap because they're below -- they're at 250 or below.

So I mean, is there any other room in these that could be worded in the QAP that would let us go ahead and cut the numbers to 250, except for where somebody
already had a deal in process before we vote the final QAP? Do we have that as a remedy?

MS. CARRINGTON: When staff talked about what the remedy was, we looked at just excepting -- E-X-C-E-P-T, excepting the 4 percent bond transactions out of this requirement.

As with TDHCA, I mean, our deadline for the applications from the developers was Monday of this week. So it's too late for them.

MS. ANDERSON: Right.

MS. CARRINGTON: I don't know what other local issuers deadlines are. And we received, I think 114 applications. So we have our pool. And that pool is based on different numbers, so we could except -- of that 114, we could just except or exempt, or --

MR. SALINAS: Not a problem.

MS. CARRINGTON: The ones that were at 280 for this year's --

MR. SALINAS: Did we grandfather that? That actually what you --

MS. ANDERSON: And then you -- that has the practical effect of implementing it this year.

MR. JONES: Exactly. I understood.

MS. CARRINGTON: But it gets Mr. Stewart and others relief that are already in the process.
MR. SALINAS: Okay.

MR. JONES: I think where we're at then, is we do have a motion on the floor. It has been seconded. And I understand -- and I didn't mean to cut Ms. Anderson off. I mean -- okay.

MR. SALINAS: Well, I want to be able to get everybody some consensus for what we really want to do here.

MR. JONES: And don't --

MR. SALINAS: I agree with staff. I also agree with the person who has testified that there are some people there that if you don't give them an exemption, they won't come back -- they'll be thrown out. And I really don't want to be --

MS. CARRINGTON: That's not what we want to do.

MR. SALINAS: This is not what we really want to do. This is why -- Mr. Conine on probably doing some changes on this QAP for 2002, but I really don't want to do anything against staff's recommendation. And I also don't want to give the implication to the people that already spent so much time and so much money into their application. We have a chance to change it in '04. That's what I -- that's my -- at the end of '03, we'll say, well, we talked about it last year. And we said that that no more; this is the QAP now. Now, how do we get
everybody to agree?

MR. JONES: Well, I -- then we're going to -- I think we're very close. I really think it requires we try to deal with the staff, even intending to do two. So maybe -- you're very persuasive; you're convincing me. I think the motion sounds like a good one. It's probably as close to a bright-line way to do this.

The exception being, the only thing that concerns me about that is being that's really vague. I think we're putting staff in a really tentative position, although I know that was you all's first inclination anyway.

But unless Ms. Carrington thinks I'm way off base, I think we're still pretty close to what staff talked about here.

The question has been called. I assume we're ready to vote, if anybody chooses not. Okay. I assume we're ready to vote.

All in favor of the motion please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MS. CARRINGTON: May I ask that you all clarify for Ms. Boston -- yes, she has that look on her face like,
I'm not quite sure here.

MR. JONES: Well, I think -- I would like to say this. You know, we are making these motions. And then she can, you know, put the language in. And then we are, I think, based on public comment, that we have to fine-tune language. We can't -- yes, please, ask for clarification.

MS. BOSTON: So your motion approved it with a clause at the end of it saying this way it would iterate it as the 280 and the 250 with the clauses referring to, it would be reduced in 2004 to 200 for 9 percent and 250 for 4 percent?

MR. JONES: Exactly. Thank you. All right.

MR. CONINE: Could we talk, Brooke, about the mixed income points again, please? And refresh my memory, because we've had this discussion before. And I'm sorry I can't remember what the outcome of it was.

MS. BOSTON: As to why we removed it?

MR. CONINE: And the problems that staff has.

MS. BOSTON: Okay. One of our goals this year was to make sure that we removed as much as possible any subjectivity and any correlation between scoring and underwriting evaluation.

And this was one of the exhibits it was a real difficulty to administer in both of those things. The
evaluation by the tax credit staff involves looking at the market study, and confirming that the rents that they're attesting that will be the market rents, are supportable.

The calculation of those was often disputed. And there was also concerns from the development community that we heard about on our Friday open forum, that different market analysts are willing to say different things, depending on, you know, the relationship they have with the applicant or developer.

And so some people felt like, Well, I picked, you know, an upstanding, you know, whatever. And someone else -- and I'm not trying to cast aspersion or say anything, but there is concern about that.

Then likewise, once the developments got to underwriting, Tom also may -- Tom or his staff may have adjusted rents and not found the market rate rents acceptable as portrayed in the market study. And again, we would need to adjust.

So at several different points, we will be potentially adjusting those scoring points, which is problematic for our staff, that -- it was very hard on the developers, because after they thought they knew what their score was, it would be adjusted again.

I think there is merit to keeping some approach to mixed income, but it needs to be a way that doesn't
open the door for so much subjectivity. And I don't know exactly right now what that solution would be. So I think the public comment we would get on this -- I know even just some of the people here today have indicated to me that they plan on making quite a bit of comment at the public hearings.

MR. CONINE: I don't know what the right answer is yet, either. And I'm -- but I'm in agreement with mixed-income projects are desirable for us to be supportive of.

Where I think I want to come down in the future -- I need to look and think about this. So Mr. Chairman, we're going to leave this kind of as an open item to get back to, but --

MR. JONES: Certainly.

MR. CONINE: But in some cities, market rates rents and tax credit rents could be close to being the same, or even in some cases, market rate would be under tax credit. And where these projects do the most good, in my opinion, is where market rate is substantially higher than tax credit rents.

And I think maybe a percentage of market rate rents might be worthy of looking at in order to create a point score. And that -- so that's really all I'm going to say. I'm not going to propose anything right now. But
at least we can think about that between now and November.

MS. CARRINGTON: And I do think, Mr. Conine, that one of the things that we will work to do is figure out how we get those points in the application -- in the tax credit part of the review, as opposed to the two areas that we have that, as Brooke has already mentioned, when they go to underwriting, there is an opportunity then for points to be adjusted a second time.

And that we need to be able to give the development community some assurance that the points they have -- you know, there needs to be a stopping point for when they get points added and subtracted. And so that's what we will struggle with also.

MR. JONES: While we're on the points issue, elderly points -- could you address that?

MS. BOSTON: Yes, we felt that it would be a time to just make a -- one of the steps in cleaning up the QAP was that if we had a set-aside for something we did not feel that it also needed points. And we had -- we were trying to apply it universally. And since there is an elderly set-aside, that was our rationale.

MR. JONES: Okay.

MS. ANDERSON: Sort of like giving them a double credit, which we didn't do for the nonprofit and the rural set-aside?
MS. BOSTON: Right.

MR. JONES: And we did that with regard to every set-aside?

MS. BOSTON: Correct.

MR. JONES: Okay.

MS. BOSTON: As proposed through no points in the QAP for any set-aside.

MR. JONES: Okay. Excuse me, sir.

MR. CONINE: While we're on the points issue, I notice on -- in my board workbook, on page 9 of nine, there is that chart that I don't think was circulated with the QAP, draft QAP. Was this -- was that in the draft QAP or not? I don't believe it is.

MS. BOSTON: The breakout of the scores is not part of the QAP, but it's in everyone's board book.

MS. CARRINGTON: It's in the board book.

MR. CONINE: It's in the board book.

MS. BOSTON: Yes.

MS. CARRINGTON: It is on the website. Yes.

MR. CONINE: Mr. Chairman, I think I'd like to make a motion that this chart be put in as a part -- circulated as a part of the draft QAP, so that we can get some public comment back on the weighting of all the points.

And this is -- thank you for doing this, by the
way. But I'd like a little more public comment on the record, on the weighting of how many of these particular issues get certain points.

And if there's no public comment, you know, by the time he gets back, then wonderful. And if there is, we can address it at that point in time. But I think it would help for the public to see this chart, if we could include it as circulated in the draft QAP. And I so move.

MS. ANDERSON: Second.

MR. JONES: Motion has been made and seconded. Is there any problem with that, Ms. Carrington? I would think not.

MS. CARRINGTON: No.

MS. BOSTON: Actually, it -- I don't know why I'm offering to do this because it's a bunch more work, but I think it might have a proposal going out be more helpful for the public is, if it's okay, if I could also amend this to include an evaluation of the 2003 deals --

MS. CARRINGTON: Side by side.

MS. BOSTON: And potentially maybe by set-aside.

MR. CONINE: That would be helpful if you had another column in there.

MS. BOSTON: Which would capture some of your comments I've heard from you before about rural, we'd be
able to see that.

MR. CONINE: I think you were offering to do that, weren't you?

MS. CARRINGTON: Yes, because this is, of course, projected. This is '03. It's not what it looked like in '02.

MR. CONINE: Again, this will allow the board and the public to have some good public policy debate on how much weight we give each of these particular items, which we haven't had for a long time.

MR. JONES: Yes, it helps the cause and effect analysis.

MS. CARRINGTON: One of the things we did go back and look was at the '02 applications, and to see what was the average score on the '02s. As you can see in '03, we're looking at an average transaction of being able to score about 118.5. And for the '02 transactions, that average score was actually 122.

And some of the difference, of course, is because we've taken out some items that were point items.

MR. CONINE: Right.

MS. CARRINGTON: And so there is not as much of an opportunity to score as high next year.

MS. BOSTON: And interestingly, I was looking this morning at some of the higher-scoring developments from 2002, and what person the -- the low-income targeting had portrayed on a specific project basis.

And even though on the averages here it comes out, you know, in the 19 percent area, on those higher-scoring deals, it came out in the high 30 percents. So I think that I'll use part of my comment in wanting to use the 2002 deals under the 2002 scoring breakout, because the averages may be a little different.

MR. JONES: Okay. We have a motion on the floor that's been made and seconded. Further discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries.

MR. CONINE: Another item that I guess I brought up in the workshop last time was the elimination of the eligibility of four-bedroom units in our calculations. Again, I -- as a real estate professional for many, many years, do not see a tremendous demand for four-bedroom units across the state. And I think it tends
to skew some of the score and the eligible basis
calculations that are going on relative to the cost of the
projects and the tax credits that they're eligible to
receive.

And I just don't think it's good public policy
to have a concentration of a family that size. And
admittedly, the demand is very low. Everyone I've talked
to that has four-bedroom units has a hard time renting
them.

You have to have families double up in some
cases. And I just don't think it's good public policy for
this department to encourage that sort of development. So
I would move to add the elimination of four-bedroom units
in the QAP.

MR. SALINAS:  Second.

MR. JONES:  Motion's been made and seconded.

Further discussion?

Excuse me, Brooke, you had a question?

MS. BOSTON:  I have two questions. One was I'm
guessing the best place for that would be under an
eligible building types, no building would be eligible if
it had 4 percent [sic] units. It --

MR. CONINE:  Four bedroom.

MR. JONES:  Four bedroom.

MS. BOSTON:  Four -- I'm sorry. That's what I
meant. My other question is, are family points that we give, discussed, you know, three and four-bedroom units. Do you want to -- and maybe this needs to be discussed as a separate item. But do you want to change anything having to do with family points? Or still just keep it there, but it would only be for three-bedroom units?

MR. CONINE: We'll get those comments to the point process, the charts you're going to put in there. I think we'll get some of those comments. And we'll get some comments on this, I'm sure.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MR. CONINE: The only other thing, I guess, I would bring up right now, Mr. Chairman, is the wonderful paragraph about -- in 49.12(d) about the ability to increase credits for 4 percent bond developments. I think maybe we'll do it. And I know it's on our agenda later on today, but if it's just going to be in the QAP, we ought to, I guess, address it now.
MR. JONES: I think we should.

MR. CONINE: Again, I guess I've softened my stance a little bit on this, since the -- I've discovered since our last meeting the '01 and '02 QAP had provisions allowing increases in there.

And I guess after debating several folks about the subject, and I've asked Ms. Carrington to supply some more information, not only from other states around the country, but also our tax counsel in Washington, D.C., to write me, I'll ultimately formulate the decision.

The only change I'd like to recommend as this QAP then goes out for comment would be to include some language, and you may or may not have this language in this, but I'm going to refer to Mr. Nwaneri's memo that he drafted to the board members earlier this week, where you would have a carve-out, if you will, or an exemption from this particular provision of the QAP on projects -- and I'm going to read his words. I guess it would be the opposite of this.

His description of projects that would qualify for this are which "projects that demonstrate that increases in development costs were beyond their control, were not foreseeable at the time of application, or were not preventable during construction."

And I think that's good policy for the
department to have on these issues as it comes down, because if you can find a project that didn't meet that, then staff would, I'm sure, recommend or reject any increases in tax credits at that time.

So again, I don't know that I would -- I'm not going to make a motion to change anything at this time, but I'd like for staff to take that particular sentence, and see if we can incorporate it into some of the language, or maybe into some public comment, as we go forward. And then have something ready when we come back in November.

MR. JONES: Can I ask why we wouldn't go ahead and make that change, as suggested by that sentence, and let Brooke come up with the exact language, and then get the input back on the proposed change? I would encourage you, as Chairman, to make -- go ahead and make the motion, myself, because I'm in total agreement with you.

MR. CONINE: Well, I -- okay. I'll so move that we draft language that would be to that effect.

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

MR. SALINAS: I'll second.

MR. JONES: Okay. Second. I'd like to say this. I -- you know, this is a policy, this -- as you draft it, you know.

Obviously, as a policy, I think if we approve a
development, and we all believe we're going forward with it, and then thereafter, we find out, Well, it really wasn't -- you know, there were other things that needed to happen in order to really make it a go, and if that happened, great. And if they don't, then we -- you know, that's the thing I think we want to avoid as the board.

We want to know that if we approve these things, and they were in place, you know, it's not contingent on some other things coming down the pike later. And I think that's what's as a policy matter, disturbing to the board, that you know, we don't like to hear that, well, that deal that you approved, really, as you approved it, wasn't a doable deal.

It -- you know, we were contingent on these other things, and now they've happened, and now we'll put it together. Do you understand what I'm saying?

Okay. I probably said it very, you know, inartfully. But that's what I think concerns the board. And I think Mr. Conine's motion makes progress in that area.

MR. CONINE: Yes. And I -- you know, again, this is stuff that came up after our last board meeting and some of the decisions we made there. But it appears to me that we made a decision that might be in conflict with our QAP. I don't think that's good for the board to
be doing. And we probably need to take a look at that, and I've gotten a little education along the way.

   MR. JONES: Yes. Sure.

   MR. CONINE: I think we ought to have, again, a carve-out for those people who can't control construction. That things were in their control that they weren't able to do, just for the ability to run up the eligible basis and get more tax credits.

   MR. JONES: Any further comment, questions, discussion?

   (No response.)

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

   (A chorus of ayes.)

   MR. JONES: All opposed, nay.

   (No response.)

   MR. JONES: Motion carries. Great.

   MR. CONINE: I think I'm done, Mr. Chairman.

   MR. JONES: Okay. We've had several amendments. Mr. Gonzalez, do you have anything for us?

   MR. GONZALEZ: No, I have not.

   MR. JONES: Ms. Anderson?

   (No response.)

   MR. JONES: Mayor?

   (No response.)
MR. JONES: Ms. Carrington?

MS. CARRINGTON: I do.

MR. JONES: Thank you. Okay. I'm sorry --

MS. CARRINGTON: Okay. These are two or three -- actually about four, I think, that staff would, if we can go ahead and get them read into the record and get them in the draft.

One of them is on Section 49.9, which relates to points for public housing authorities. And this is on page 5 of 9 of your book. This is proposed -- "Currently the QAP does not award points for Public Housing Authorities, unless they have HOPE VI funds."

What we've said is those are points for developments that are owned by public housing authorities. Typically, what happens is the public housing authority creates a nonprofit, and that nonprofit is actually the owner in a transaction. And so that's really what we meant. And so what we would like to do is say, "Owned by Public Housing Authorities, or a nonprofit controlled by a PHA."

MR. JONES: Move for approval.

MS. ANDERSON: Second.

MR. JONES: Motion's been made and seconded.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MS. CARRINGTON: These are two global issues, and that is references that are in this draft QAP. We make reference several times in the QAP to the underwriting market analysis appraisal and environmental site-assessment rules.

And we've used a little bit different name, because it changed during the process, and so we'd like to use the name that you all are going to be looking at today. So that would be global through the QAP.

MR. JONES: Move for approval.

MS. ANDERSON: Second.

MR. JONES: Motion's been made and seconded.

Further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.
MS. CARRINGTON: Another cleanup in the QAP. We interchanged the words allocation and commitment. And what really mean is the commitment notice. That's the board -- that's the action that you all take on that board meeting when you say these are the allocations of tax credits.

And our proper term is really commitments. So we want to go through the QAP, and make sure that we use the word commitment and not allocation.

MR. JONES: Move for approval.

MS. ANDERSON: Second.

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

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries.

MS. CARRINGTON: And the last two we have relate to compliance items in the QAP. And our general counsel has suggested some change in language.

And Section 49.5(b)(6), that I won't read to you, but we basically want to be consistent, and we want
to say, "On the date the application round closes." And then on material noncompliance, we would also add the same language, and say, "On the date the application round closes."

MR. JONES: Move for approval.

MS. ANDERSON: Second.

MR. JONES: Motion's been made and seconded. Questions, discussion, arguments?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. Anything, Ms. Carrington? At this time, we would entertain a motion to approve the draft as it has been amended by the various motions.

MR. CONINE: So moved.

MS. ANDERSON: Second.

MR. JONES: Motion's been made and seconded. Further questions, comments, discussion of the QAP?

(No response.)

MR. JONES: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.
(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. And I think that then will bring us to Item 4(b) on our agenda.

Ms. Carrington?

MS. CARRINGTON: Yes, sir. We have five tax exempt bond applications with local issuers, actually six. The last two on your agenda had been withdrawn, 02-434 has been withdrawn; 02-435 has been withdrawn. So you will be considering six of these applications today.

The first one is the Park At Shiloh Apartments. It's located in Tyler. This is a local issuer. It's 176 units. Total development cost on this transaction will be over 4 million. The unit configuration is one, twos and three bedrooms. There are no compliance issues.

The eligible basis amount, the amount that we've allocated, we recommend in credits on this, based on our three methods, is $420,543. This is a priority 2 tax exempt bond allocation. And there are some conditions that had been placed on the development. None of them -- all of them were basically our standard conditions, and those are listed on page 2 of the page that's in front of you.

MR. JONES: Move for approval.
MR. GONZALEZ: Second.

MR. JONES: We have a motion's that's been made to be approved, and has been seconded. I think it's Mr. Gonzalez. It may have been the mayor. I think it was kind of tied. You can take your pick.

We do have two people that would like to speak to Item 4(b) on the agenda.

Mr. and Mrs. Moore, would you all care to speak? Can I ask you, which development are you speaking to?

MS. MOORE: Spring Hill.

MR. JONES: Spring Hill? I'll tell you what --

MR. SALINAS: I have a question on this one.

MR. JONES: Yes. Okay. We'll go ahead and vote on this one, and I'll call you up and we'll do Spring Hill. Excuse me.

All right. Are we ready to vote on the motion? I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. Why don't we --

MS. CARRINGTON: We'll put the development number in here.
MR. JONES: Yes, please.

MS. CARRINGTON: I would like to read for the record the development number. TDHCA Number 02-420.

MR. JONES: I'll tell you what. By way of timing, why don't we move then next to the Spring Hill matter. And we already have in written form staff's recommendation.

Would you all care to comment? We'll take up the Spring Hill matter now, if you'd care to comment.

MR. CONINE: Is there anybody else to speak when they're done?

MR. JONES: No.

MS. CARRINGTON: Uh-uh.

MR. JONES: I got you. I agree.

MS. MOORE: I'm Carol Moore, President of Partners Prospective Development. And I am the co-developer for Spring Hill Apartments in Nacogdoches, Texas. The other co-developer is Piney Woods Home Team Affordable Housing. And they are a nonprofit located in Nacogdoches.

Sorry. Thank you. We are here to not only ask for the approval of the project, but also to request that the full amount of tax credits that we submitted in our latest sources and uses and documentation that was sent in on September 4 be awarded.
We received a phone call from Raquel Morales on September 4, asking us to increase our applicable percentage from 3.54 percent to 3.67 percent, which we did. And we -- those requested tax credits were 712,683, at which point, we submitted all of that to our syndicator, as we are on a tight time frame on this. It is set to close 12 days from now.

So we've had a lot of work from the syndicator being done this week. And we were shocked to see that when we were -- it was printed, that it was reduced. So I must commend staff. David Burrell and Tom Gouris and Mr. Hoover have been very helpful for us, to talk to us today, and try to get some of our concerns straightened out.

But that is the bottom line. We misunderstood. We thought that when we sent in that final sources and uses, those were going to be the tax credits that would be awarded. And there was a significant difference.

Jerry Moore, who is senior partner for Moore Building Associates, can address questions concerning any construction questions you have.

MR. JONES: Thank you, ma'am.

MR. MOORE: Yes, I'm Jerry Moore. And I would like to make one correction. What we're really requesting today is that the requested amount of our application be approved subject to a final approval of underwriting and
staff on the amount.

The real issue today is one of timing. We received a letter from the agency last week, whereby we had actually slightly increased what our original request had been. The application was submitted in May. We had comments with the underwriting staff in July and possibly early August.

We had not heard anything else from underwriting until last week, when the credit amount was actually increased. And so we've been working -- actually this is the third bond application in east Texas. The previous two were -- we were unable to do with Piney Woods Home Team. It's very difficult to do a bond transaction in an area where the rents are so low.

This one is ready to go. It is set to close in -- before the end of this month. And so really what we're asking you to do is to approve the full amount that we had requested, subject to approval by staff, and so that we can stay on track to get the project closed by the end of this month. And if anyone has any questions, I'll be glad to answer them.

MR. CONINE: I've got one.

MR. MOORE: Yes, sir.

MR. CONINE: If staff recommended a lower amount now, why are they going to change their mind in 12
days?

MR. MOORE: We had the opportunity. I didn't really explain the timing issue. We found out late yesterday, about 4:30, the actual amount that had been recommended. And so in the -- we set up a meeting immediately this morning with staff, and had an opportunity to review in depth how they came up with their number.

And there are some issues there that they agreed to that did exist. However, they don't have the time today, in that short amount of time, to change it. And all we're asking for is the time for staff to look at that more in depth.

And in other transactions that we've done, where staff had issues and brought them to us and we corrected maybe minor errors or misunderstandings to correct it to get it to the actual -- what is actually being submitted, those changes have been permitted and been made.

And now, that's really all we're asking for, is that we let staff look at it and then make their final recommendation.

MR. CONINE: Could we get staff response, Mr. Chairman, either from Ms. Carrington or Mr. Gouris?

MR. JONES: Certainly. Does anybody else have
any questions of our speakers? Thank you all so much. We appreciate it. And we -- let staff address that, if you would --

Tom, come on up and -- I presume that's who you want, Ms. Carrington?

MS. ANDERSON: Yes.

MS. CARRINGTON: Yes. I -- yes.

MR. JONES: My only comment as you dive off into Mr. Conine's question is this. You know, you're really making this board's action pretty superfluous, if you say, you know, I mean, I don't even know why we're bothered to vote, if what we're saying is that, you know, well, staff can work it out. Whatever staff does, it's okay. I mean, you know, it --

MS. ANDERSON: Well, I know --

MR. JONES: If you don't --

MS. ANDERSON: This recommended amount has been posted on the website since last Thursday. So I --

MR. JONES: So I -- yes, but that's -- and I'd like staff to address that comment, because it makes me feel very uncomfortable as a board member to be going -- you know, I don't have any idea what I'm voting for, but whatever you all end up agreeing to, I hope it's good. So anyway, if you'd address that question, too?

MS. CARRINGTON: Tom, may I lead in first?
MR. GOURIS: Yes, ma'am.

MS. CARRINGTON: Give you few minutes to -- a few seconds to think anyway.

I think, as you know, we have said to the board time and time again, in that underwriting is not precise and exact, and sometimes can end up being somewhat of a negotiative process. And yes, it has been on the website for a week.

When Tom spoke to me a little while ago, he did have a chance to talk to Carol and Jerry this morning, and believes that what they have brought to him is perhaps reasonable.

We have obviously not had a chance to underwrite what -- and I don't say new information, but the information that they discussed this morning. So with that, Tom, I'll turn it over to you.

MR. GOURIS: I think that that issue at hand is really -- has to do with these bond transactions and how they do fluctuate over time, and the timing issues that are associated with them. And there are certain pieces of information in the application that change.

MS. CARRINGTON: They change over time.

MR. GOURIS: They change over time. And while we try to catch those inconsistencies and address them and ask for that type of information to be brought to -- to be
verified, to be clarified, in some cases, you know, we
don't even know that that change has occurred.

And in the case today, there are a couple of
issues that, you know, had we known, you know, we would
have made the adjustments. And I feel like it's strictly
a timing issue as to why we didn't know about it.

MR. JONES: There's -- that would be a time
when it's, you know, done. Unless you just don't want
this board to act, which you know, maybe our action in
this matter is not necessary.

But I just feel very uncomfortable, number one,
basically we don't even have a recommendations from staff
at this point. And number two, just saying, you know,
Good luck, staff. Hope you do it right.

I don't -- and I have every confidence in the
world that you would do it right. But I would prefer the
board not to have to act in those instances, because if
you keep saying, Well, it keeps changing, it keeps
changing, it keeps changing, you know, this board -- you
know, it may change after we act today. It may change,
you know.

MR. GOURIS: I think that staff's
recommendation here is to look at the adjusted amount as
the maximum, and look at the staff's original
recommendation as a minimum. And that's a pretty good
range. But I think that's where we are. I think we'll get pretty -- we will -- we would be able to recommend additional credits based on the information that I was -- that we talked about this morning.

But having -- not having had time to review that, and for that matter, for you all, we wouldn't be able to consider it anyway, because it's not been posted --

MR. CONINE: I'm going to move that on the 02-424, Spring Hill Apartments in Nacogdoches, that we recommend approval on a range of the -- being a minimum amount of 646,069, and the top end of the range as being 712,683, providing that staff work out the discrepancies and come to a satisfactory staff approval.

And also I noticed in here that the developer fees exceeded 15 percent of the -- our normal 15 percent standard, that that particular provision remain intact in your analysis.

MR. JONES: Okay. I've got a motion. Is there a second?

MS. ANDERSON: Second.

MR. JONES: Motion's been made and seconded.

Remind me again, what did we post? What figure did we post?

MS. CARRINGTON: We posted 646,069.
MR. JONES: We're -- you know, can you help me, Ms. Carrington, and tell me where I'm wrong in my analysis of this -- these kind of situations where we -- you know, I mean, really what we're doing is the board is never approving the exact deal that's going to be done. Correct?

MS. CARRINGTON: That is correct.

MR. JONES: Do you feel comfortable with that? I mean, is that what our rules and our statute contemplates?

MS. CARRINGTON: Having been on the other side of these transactions, and on these bond transactions, they get a reservation. They have 120 days. It's my understanding from Tom, and Carol and Jerry, you can kind of tell me that your syndicator changed a week or so ago. And that maybe your lender changed also?

And you know, unfortunately, it's the nature of these transactions.

MS. ANDERSON: And so Tom didn't know about those changes until this morning?

MR. CONINE: Let me remind the board that we just talked a few minutes ago about these bond transactions having the ability to come back again after they are all built and cost-certified, and have the ability to go up and down anyway.
And so the firmness of our decision on these 4 percent bond transactions are -- is not as great as they should be on the 9 percent, where there is a competitive situation.

These things are very, very fluid, and our QAP for the last two years has allowed these people to come in and readjust up or down these tax credit amounts at the time that cost certification takes place. So you know, in essence, it's not -- you shouldn't get too burned up about a $50,000 discrepancy on the front end, because it's going to change on the back end anyway.

MS. ANDERSON: May I have an answer to my question, which is when did you hear about the change in the lender and the syndicator?

MR. GOURIS: This morning.

MR. SALINAS: The legality of changing something that's on the agenda at 646,000 -- that's what it -- is it legal for us, and I ask the bond counsel -- our counsel if it's legal for us to change the figure today simply because they got a different opinion this morning, that they could go up to 712. Is it legal for us to do that, being that the agenda says -- our post agenda says in our website -- it says 646.

Now, we ask -- doing everything legally, is it legal for us to do that? To --
MR. WITTMAYER: Would you prefer me to address that during the executive session?

MR. SALINAS: I mean, I would want it right now, because the motion -- you have a motion and second.

MR. JONES: Yes, I don't think so. I mean, I think the question that's being asked Chris, you know, by the mayor, is, you know, are we somehow in violation of the Open Meeting Act?

MR. WITTMAYER: Our posting doesn't list a specific amount.

MR. SALINAS: It doesn't?

MR. WITTMAYER: Because I am looking at the agenda for today.

MR. JONES: Okay.

MR. SALINAS: So it doesn't? So that's the answer? I mean, it's not illegal to change this -- that we had no numbers on the agenda, on what you were recommending? Right?

MS. CARRINGTON: Yes.

MR. JONES: We have a motion --

MR. SALINAS: See, the motion is in between. No more than 712?

MS. MOORE: Could I make one comment in response to Ms. Anderson's question about the change?

MR. JONES: You can answer Ms. Anderson's --
you can answer Ms. Carrington's question. Excuse me.

   MS. MOORE: We faxed a commitment letter back
to our syndicator last night about 12:00 p.m. with my
signature on it. So it wasn't final, the decision --
final decision for the change, until I signed that
commitment letter, which we did at midnight last night.

   So this morning was the first opportunity to
tell you for sure what we were going to do.

   MR. JONES: Thank you, ma'am.

   MS. CARRINGTON: And I will be sure and convey
that to Ms. Anderson.

   MR. MOORE: One other comment. The syndicator
that we signed with last night is the syndicator, and the
proposal that was submitted with the original
application -- the syndicator changed during the course of
the negotiation from the one we had originally, to a
second one. And then we changed back to the initial
syndicator that -- whose letter was in the application --
in the package that was submitted to the agency.

   So technically, at this point, we have not
changed the -- changed and back.

   MR. JONES: Okay.

   MR. MOORE: So -- and -- or we changed twice.

   MS. CARRINGTON: Or you changed twice.

   MR. JONES: We've got a motion that's been made
and seconded on the floor. Any further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

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

(No response.)

MR. JONES: Motion carries.

Before we leave this, though, I -- yes, and this may be for future years QAP, because I know we've already done our draft. But if these deals were like this, to me, it seems like we need to take them out of the board's hand and put them in some kind of ministerial hand, so that the staff can do that as a ministerial matter.

I mean, I just do not feel comfortable with the board acting upon things that, you know, nobody's telling us what we're acting on. And there can't be recommendations because staff looks at us and says, you know, we can't know. We haven't checked it out.

We're hearing this is the very nature of the transactions. Nobody can give us any, you know, real figures. So it seems to me like it's something we ought
not to be acting on. We ought to change the rules accordingly.

Mr. Chairman, until last -- after last month's meeting, I felt the same way. It's just that I was pointed out a policy provision within our QAP.

I understand.

And I think the very issue you touch upon will be subject to the final outcome of next year's QAP. And it's going to be a wonderful policy discussion by this board, because we're going to get comment on the particular issue you're talking about. And it will come back to us.

I see.

But for right now, I see us having to operate within the rules of the game as we have them published today.

I understand. I agree with you.

All right. Thank you.

Item -- it's been suggested by a board member that we deal with the next ones, Ms. Carrington, collectively, if you wouldn't mind. So make your recommendation as to the remainder that we still have on our list collectively, if you wouldn't mind.

Staff's recommendation on the remainder of the requests for the allocations of 4 percent
credits are to approve the requests for the 4 percent
credits on each of these. And the credit calculation is
based on the eligible basis amount.

And Mr. Chairman, if you would like, I would
read each of the names of the development and the TDHCA
development number, and the amount of credits that are
being recommended.

MR. JONES: Thank you. Please do.

MS. CARRINGTON: TDHCA Number 02-422,
development location is Amarillo, Rosemeade Apartments.
The eligible basis amount that's being recommended is
$384,427.

The next is Town Vista Apartments, located in
Austin, TDHCA development number 02-425, eligible basis
amount, $917,733.

The next TDHCA Number, 02-426 Blanco Falls
Apartments, to be located in San Marcos. Eligible basis
amount $820,213.

And the last, Heatherwilde Villas, TDHCA Number
02-433, to be located in Pflugerville, eligible basis
amount $704,917.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MR. JONES: Motion's been made and seconded.

Further discussion, questions, comments?
MR. CONINE: I'd like to just point out one item to staff and Mr. Gouris and Brooke. I continue to have concern about these local issuers and issuing inducements for projects in markets that are saturated with multifamily units. And Austin is a prime example of that.

I would highly encourage a strict review of the market studies on these projects from this point further, until we have evidence that this -- that the market is straightening back up. You know, I just -- local issuers have, you know, quote, no risk here.

And we're dependent upon this department to look at them and underwrite them. And I have great concerns about continuing to build into a market that's got so much vacancy in it.

MR. JONES: Are we ready to vote on the motion?
(No response.)

MR. JONES: I assume we are. All in favor of the motion, please say aye.
(A chorus of ayes.)

MR. JONES: All opposed, nay?
(No response.)

MR. JONES: Motion carries. We then will turn our attention to Item 4(c) on the agenda. And we have staff's recommendation. We do have some people that like
to speak to 4(c).

    Mr. McCalley?

MR. McCALLEY: Yes, sir. Well, actually, I

    didn't know I would have the opportunity to speak here.

    But I think I've had time to get prepared.

    MR. JONES: I'd say, you don't have to.

    MR. McCALLEY: I filled out the witness thing

    in case there were specific questions to ask me.

    MR. JONES: Okay.

    MR. McCALLEY: And I'm available for that.

This is the situation where we had cost --

    MR. JONES: Yes, go ahead.

    MR. McCALLEY: We had cost overruns and -- on a

    large project, which you've just been talking about. You

    just left talking about one that had a change in pricing

    before they've even begun. So this is not unusual.

    Mr. Conine came up with a solution of wording

    which I agree with should be put into the QAP. Basically,

    this was a situation where I was awarded bonds in -- at

    the last minute. I got my award date on September 24,

    1999.

    And I had to close the bonds by year end, which

    means I had to have the credits approved by the December

    board meeting. So I effectively had 30 days to put my

    application together.
Because of that, and that was part of the reason that I had the cost overruns. In addition, part of this process I purchased two additional buildings that were within the parameter of this project, or that I actually had owned and had under contract. It took two years -- two years, two different bond lotteries before this project was approved.

Those two buildings were occupied and full. And with 30 days to put together and close, I didn't -- I made assumptions, since they were occupied, that the condition of the buildings was better than it actually was.

Without wanting to pad the costs in order to get more credits going in, I made those assumptions. I would -- addressed in detail, item by item, the cost overruns with the staff. And I believe they are satisfied with it. I am available to answer those questions with the board. But I think the costs should be approved, because they were above and beyond my control.

The QAP for those years has allowed for this. And I'll answer any questions for you if you wish.

MR. JONES: Thank you, sir.

Mr. Mitchell.

MR. MITCHELL: Thank you. I am Ken Mitchell from Fort Worth. I have a presentation and two projects,
two senior citizen's projects, Country Lane in Kenny, and
Stoneybrooke in San Marcos.

MR. CONINE: Wait a minute. It's not on our
agenda.

MR. MITCHELL: This is for general comments.

MR. JONES: Okay. I had you down for 4(c).

MR. MITCHELL: Yes, this is on 4(c).

MR. JONES: Okay.

MR. MITCHELL: This is about initial costs.

I'm also with Heather Lane.

MR. JONES: Okay.

MR. MITCHELL: So I am on 4(c).

MR. JONES: Okay.

MR. MITCHELL: Sorry about that. I'd like to
pass these out.

MR. SALINAS: Could I have -- what's the
recommendation of the staff on this matter?

MR. JONES: Ms. Carrington?

MS. CARRINGTON: Yes, we do.

MR. SALINAS: I've always believed that I like
to have the recommendations of staff before the hearing to
testify. It really confuses me to have somebody else come
before it, before you, and see how you recommending this
issue to us for this line item. And I think it's the
request to increase the tax credit for some of these
projects. What does the staff say?

    MR. CONINE: Can we get a staff recommendation
    on it --

    MR. JONES: Yes. And then --

    MR. CONINE: -- specifically on all three of
    these transactions, I guess at this point, so we know --

    MR. JONES: So we know where we're at.

    MR. CONINE: -- where we're going from and to?

    MR. JONES: That would be fine.

    Ms. Carrington?

    MR. CONINE: And I'm curious what these two
    have to do with what's on the agenda.

    MS. CARRINGTON: What you're being asked to
    consider today is an increase in the allocation of tax
    credits, the 4 percent credits on three prior tax exempt 4
    percent credit transactions.

    These transactions -- the first one was a 1998
    bond allocation, an allocation of tax credits. And that
    one is Brisbon [phonetic] Hickory Limited Partnership,
    Greens of Hickory Trail, located in Dallas. They are
    requesting an additional amount of credits. Staff is
    recommending an additional allocation of $194,244 on that
    particular transaction.

    The second one is a 1999 bond allocation and
    credit transaction filed with Houston Limited Partnership.
This one is located in Houston. This is the one that Mr. McCalley just spoke to a moment ago.

This is an acquisition rehab of an older property. Staff is recommending an additional allocation of $96,790 of tax credits on that particular transaction.

The third one, a 1999 allocation of bonds and credits, Heather Lane Apartments. It's located in Terrell, and staff is recommending an additional $18,164 in tax credits.

The QAPs for the department for 1998 and 1999 and 2000 were silent on how the department would handle additional requests for tax credits on 4 percent transactions. We first started addressing this in our 2001 QAP.

MR. SALINAS: This is your recommendation on those three items?

MS. CARRINGTON: Yes, it is.

MS. CARRINGTON: Can I make a motion to accept the recommendation?

MR. CONINE: I'll second.

MR. JONES: Motion's been made and seconded.

Mr. Mitchell?

MR. MITCHELL: Oh, thank you.

MR. SALINAS: Do you have anything to do with those three items?
MR. MITCHELL: Heather Lane.

MR. SALINAS: Heather Lane?

MR. MITCHELL: Yes.

MR. SALINAS: Well, do you think we're going to change the recommendation?

MR. CONINE: Do you have a problem with the motion that's --

MR. SALINAS: Do you have a problem with that motion?

MR. CONINE: Yes, oh, my gosh.

MR. SALINAS: And why do we have to --

MR. MITCHELL: Well, I wanted to present some information real quickly about the additional costs that was occurred -- incurred.

MR. SALINAS: But is that supposed to increase the recommendation from the staff? I don't think it is.

MR. MITCHELL: No, these are projects that are waiting to be presented.

MR. SALINAS: Okay. Why don't we just go ahead and act on --

MR. MITCHELL: Okay.

MR. SALINAS: -- the business today. You know, I don't want to get confused here.

MR. MITCHELL: I --

MR. SALINAS: You know, and this is why I like
to get the staff recommendation, and I would like to see
that we do away with the business today.

MR. JONES: Okay. And I understand that. And
let me rule as the Chair on it, because the issue has been
taken by Mr. Conine.

It's the same issue you're raising, Mayor.

MR. SALINAS: Yes.

MR. JONES: Is that in light of the fact that
the testimony is going to deal with other matters besides
this agenda item --

MR. SALINAS: Yes.

MR. JONES: -- that the testimony is improper.

As I understand the law, it is not. As I understand the
law, if Mr. Mitchell wants to speak on this, even though
the board does not think it's on its agenda, and even
though the board does not care to listen to it at this
time, they probably -- as I read the law, he is still
entitled to make a public comment to the extent of the
three minutes that he has available to him.

The Chair's already ruled. Having said that,
that's the way the --

MR. CONINE: Excuse me, Mr. Chairman, but how
would -- and my opinion would be, and I'm not a lawyer
like you are. My opinion would be that he deferred from
the public comment period at the beginning of the agenda
to a specific item on the agenda.

And for him to deviate from that would require him to do that in the public comment area at the beginning of this meeting.

MR. SALINAS: Exactly.

MR. JONES: Let's do this. I think we have a motion that's been made and seconded that's on the floor.

MR. CONINE: Correct.

MR. JONES: I think it -- my interpretation of the board members' comments are, they're calling the question. Hearing the question called, the Chair first will call for a vote on that question, unless some board members object.

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. I then will as chairman, say this. In accordance with the law as I understand it to be, if Mr. Mitchell wants to speak the three minutes, he certainly may.

According to this chairman's rule, that's the --
MR. SALINAS: That's fine. I just want to get our business out of the way, and then we could stay here another hour, if you wanted, we could do that.

I do not agree with putting aside our business and then listening to something that's going to happen in --

MR. JONES: Thank you, sir.

MR. MITCHELL: I agree with that. If I could just pass out my information, and you can read it at your leisure, would that be acceptable?

MR. JONES: It certainly will be.

MR. MITCHELL: Okay.

MR. JONES: The Chair has ruled that you have three minutes.

MR. MITCHELL: Please. If I could leave two for the board members who are not here.

MR. JONES: Thank you.

MR. MITCHELL: Are they here? I mean, and I would like Tom -- Tom Gouris and Charles Nwaneri to have a copy.

MR. JONES: All right.

MR. MITCHELL: And thank you very much.

MR. JONES: Thank you, Mr. Mitchell. Now, again, the Chair is going to follow the same ruling it's already followed, unless it's overruled by the board.
There is another person that would like to speak to this agenda item. And I will give them three minutes. And that's Ms. Cheryl Potashnik.

MS. POTASHNIK: I think my issue has already been addressed. Thank you, though.

MR. JONES: Okay. Thank you. I appreciate it.

I want to comment, too, on your wisdom.

MR. CONINE: Unlike some of those in Fort Worth.

MR. SALINAS: And let me tell you how I feel about this public comment.

MR. JONES: Sure.

MR. SALINAS: And I -- this is certainly an idea that none of our line item actions do we have on our agenda should be addressed by anybody. I think we should have public comments at the beginning, and let everybody speak at public comments.

And I also think that they should not speak on any items on the agenda, and let the board members and staff do the work. We have too many people coming up on line items. And I don't agree with that.

I agree that everybody that needs to speak to speak at the very beginning of the agenda, whether it's on the bottom area of the agenda, the beginning of the agenda. But that is my opinion. And I wanted to be on
record that I don't agree with anybody speaking on the
line item of the agenda. I think public comments is just
strictly for that.

And I'll go a little furthermore that I don't
think that anybody should speak on anything that's on the
agenda. And I don't know how else to tell you that I do
not agree with the form that we're having right now. And
I think that legal counsel should look at it.

But this is why we have a public comment. We
could take every day on public comments. But I just
wanted to make those comments and put them on the record.

MR. JONES: And I appreciate those comments,
Mayor, and I appreciate where you're coming from. And let
me say this. Senate Bill 322 expressly states by law that
public comment will be taken after the agenda item.

Quite frankly, I will follow the law as I
understand it to be. And so no, I just want the board to
understand that that's what I think I'm doing. Further,
as I understand the Open Meetings Act requirements, I
don't think there is a relevancy objection to public
comment testimony.

I have yet to find one. I don't think one is
there. So again, as Chair, that's the way I will always
rule. But now, I also want you all to know that as a
board, you all have the ability to overrule the chairman.
I think I have the obligation --

MR. CONINE: Yes.

MR. JONES: -- to try to enforce the rules as I see that they should be enforced, and as I believe them to be enforced. And then you all, when you see me go wrong, certainly have the opportunity -- you are encouraged to overrule me. If you vote to overrule me, I will be delighted to abide by your wishes.

So having said that, we then can move to Item -- and Mayor, I want you to know I take your comments in the spirit in which they are intended.

MR. SALINAS: And I really would like our counsel to send me a memo to that effect. That -- and the question is, Can anybody address this board and debate the project and the agenda, or can they just go ahead and debate it at the beginning of the meeting and public comments?

I will follow the law. But I would like it in writing, because I run City Council business, and I do not let anybody talk to us about anything on the agenda, even on the public comments. And that is the law.

I don't know if state law has changed. And if it's changed, I'd like to have something in writing, because anybody that addresses the council -- or the City Council needs to address us on anything else, except
Now, I would like to get that in writing, so I will feel more comfortable to go ahead and discuss the items in the agenda with anybody that comes forward to this board.

MR. JONES: And I join the mayor's request. I think it's a good idea. With that, we'll turn to Item 4(d) on the agenda.

MS. CARRINGTON: Thank you, Mr. Chairman. What we have on 4(d) are two 2002 9 percent tax credit allocations that were both in the at risk set-aside. These are fairly difficult transactions to put together. They have Housing Assistance Payments contracts. And what the developer is requesting on both of these -- they're identical, is an extension on the deadline to submit their carryover allocation documents from October 11 of this year to December 11 of this year.

And staff is recommending that the board approve these extensions for the carryover allocation on both of these transactions.

MR. CONINE: So moved.

MR. SALINAS: Second.

MR. JONES: Motion's been made and seconded.

Further discussion?

(No response.)
MR. JONES: Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. Item 5.

MS. CARRINGTON: Thank you, Mr. Chairman. We have taken, as you all are aware, the underwriting -- the market study, the appraisal, and the environmental site assessment information out of the QAP. These items were previously included in our Qualified Allocation Plan.

And we have taken them out of the QAP, and we are proposing them as a separate document that will be our underwriting market analysis appraisal and environmental site assessment rules and guidelines.

And one of the primary reasons we're doing this is because we anticipate using these rules for all other financing programs within the department. So they would apply to our own multifamily programs. They would also apply -- some of them would also apply to our single family programs.

And so we believe that it -- from a policy standpoint, that these need to come out of the QAP and become a separate document. And I will note that in the QAP, they were four pages. And you will now note that
they are at 19 pages.

So we didn't shorten anything. However, we indeed truly believe that what we've done here is clarify. We've provided expanded language. In areas that were problematic in interpretations, we now believe that we have made quite a bit of improvement on understanding -- being able to understand the requirements that we're asking.

The underwriting staff did have an industry group that they put together that was 22 members, made up of syndicators, lenders, et cetera. And they met five times. They had an all-day meeting with a set of -- with market analysts, the 28 market analysts.

They also participated in the three round tables that were held in the tax credit area. And they also participated, of course, in those eight weekly open forums that we had. So there has been quite a bit of industry input, as we have expanded, and refined and defined these guidelines.

What we've done in the presentation for you is, say that there is eleven items that there was consensus on with the ad hoc group and others. We had two items that had a mixed amount of support. And then we had two areas that are being proposed that basically there was not agreement, and staff's recommendation is very contrary to
what we heard from the industry.

MR. GONZALEZ: So moved.

MR. JONES: We have a motion for approval. Is there a second?

MR. SALINAS: Second.

MR. JONES: Motion's been made and seconded.

Further discussion, questions, comments?

MR. CONINE: I've got some questions, I guess --

MR. JONES: Sure.

MR. CONINE: -- of either Ms. Carrington or Mr. Gouris, whichever one wants to take them. The -- I'm on page 2 of the memo, I guess, where you've synopsized everything that was agreed upon --

MR. JONES: Yes.

MR. CONINE: -- by the groups.

MS. CARRINGTON: Uh-huh.

MR. CONINE: On the second one there, Maximum Allowable Debt Coverage Ratio to 1.3. Could you comment on that?

MR. GOURIS: It had been 1.25, and that has caused a lot of concern about the department underwriting deals that -- too tight, in a too-tight manner. And at 1.3, we allow -- it will allow transactions to be a little healthier, and not have to adjust to a debt amount
upward in order to reduce the credit amount.

MR. CONINE: Why would we be concerned about the topside ratio?

MR. GOURIS: We have been concerned about the topside ratio for as long as I've been here. And the reason we're concerned about that is we're trying to ensure that we try to earn only enough credits or funds that are necessary. And if they can get funds from a conventional process, then they don't need the department's funds.

MR. GAINES: Okay. The next one, where it talks about looking at these things on a 3 percent increase, and then count on 4 percent increase and expenses, the industry groups went along with that okay?

MR. GOURIS: Again, that's a -- that has been what the practice had been, with 3 and 4 percent. There had been some discussion of moving it to 2 and 3 percent, or two-and-a-half and three-and-a-half, or something of that order.

I think in the final analysis, the reason we do this analysis at all is to determine if the deferred developer fee can be repaid. And using a 3 and 4 percent gives a better -- it typically provides a little bit more availability or ability for the deferred developer to be repaid in a timely manner.
MR. CONINE: Okay. I would love to debate the issue of are the numbers correct or not? And we probably will when this thing comes back for final approval.

MR. GOURIS: Sure.

MR. CONINE: Secondary income limits in the range of five to $15 per unit per month -- the -- obviously, there were some questions about that. And again, I'm referring to -- kind of the new-found cable t.v. income, and telephone income and the like that are out there now, relative to the way it was five, ten years ago.

MR. GOURIS: Yes. I think we're still allowing for levels above 15, if they're well documented and well substantiated. But our standard line will be five to 15. And 15, you know, would be what we would standardly accept as the max, unless they can really substantiate more than that in the entire amount.

So for example, garages, or cable revenues -- if they had contracts to that effect.

MR. CONINE: Do we have language in this that would -- and the case -- garages are a great example.

MR. GOURIS: Right.

MR. CONINE: Because they're going for -- you know, if they're attached, they're 75 bucks a unit or better. You do have allowances for a separate line item
other than miscellaneous, I guess. Or you call it secondary. And I -- that kind of gives me a little --

MR. GOURIS: It would be based on the entire amount. They wouldn't be able to start at 15, and then tack on garages on top of that. They would have to prove up the entire amount. And that might exceed 15, if they can prove up the entire amount.

MR. CONINE: Well, I -- I guess I have a problem with the $15. We'll let the public comment on it as it comes through.

MS. CARRINGTON: Although, Mr. Conine, may I? What I'm looking at, what we've done on miscellaneous income, which is what we call it, exceptions -- maybe they've made for special uses, such as garages, congregate care, assisted living, elderly and child care. Exceptions must be justified by operating history.

Any estimates for secondary income above or below this are only considered if they're well-documented by financial statements. So we do provide a pretty good description, I think, of the fact that we recognize there might be exceptions, and then what kind of documentation we want to back that up.

MR. CONINE: And I guess I just take issue with the fact that in today's world, someone has to have an exception as opposed to within a range that's a tolerable
range.

You know, I -- I could easily see a range of 15 -- of five to $150 a unit, depending on what is a tolerable range and acceptable product out there. And I don't -- to require the development community, both for-profit and non-profit to have to jump through hoops when they get over $15, to me is not acceptable. But that's just one board person's opinion.

We've already discussed the Identity of Interest Transfers. And I think we'll have plenty of public comment on that in addition to what we've had today. I'm not going to -- I don't want to belabor that at all.

I'm going to refer you to page 9 of 19, under an issue that's near and dear to my heart, called Direct Construction Costs. We've had discussion about the Marshall and Swift usage, and the category of usage. And I have, I guess, a concern about the overall way that we're using that as an underwriting guideline.

And specifically, as I've mentioned in the past, when we have a Phase II application that comes in after a Phase I application, it demonstrates that construction costs were a lot less than what Marshall and Swift would quote.

And I would strongly urge us to come up with
some language that would be better than what's here, where it says, "the underwriter will attempt to reconcile this concern, and ultimately identify as a cost concern in the report."

Which generally gives a developer the ability to say, Look, Phase I cost me X. And I'm going to put X plus 3 or 4 percent, whatever the inflation factor might be.

And that should satisfy us as an underwriting department that if the product is similar, and apples are to apples, then we would be a little higher in what -- then -- our methodology here would be higher than what is experienced in the marketplace.

And I think we ought to let the marketplace supersede what's in some handbook somewhere, when we have a direction connection with Identity of Interests of people who have just built one particular product and are contemplating building a second product.

Again, I didn't do my homework appropriately enough to suggest some language here. But I will raise that concern, and I guess reserve my option to raise that concern when it comes back with some specific language if it's not in there when it comes back.

MR. GOURIS: If I might, that last sentence is -- was intended to address that concern and address
that issue. And the difficulty and the reason why it's maybe more vague than you'd like is maybe --

MR. SALINAS: Do you want to wait for the next board meeting?

MR. CONINE: Yes. I'm going to wait until the next board meeting. I'm not going to change anything here, but I just wanted the board --

MR. SALINAS: We have a motion and a second to approve this.

MR. JONES: Uh-huh.

MR. SALINAS: We would like to --

MR. CONINE: I'm done.

MR. SALINAS: But do you want more time on this item? We can -- can I -- who made the motion on it? Did I?

MR. JONES: I think it was Mr. Gonzalez made the motion, and you seconded it, Mayor.

MR. SALINAS: Ms. Carrington, do you want to give us more time? Or is it important that we approve it today, or, are we meeting some kind of deadline?

MS. CARRINGTON: We would like to ask board approval of the draft rules today, because it needs to track -- this document needs to track the same public hearing process as our Qualified Allocation Plan, because these rules will accompany the QAP, and will be what every
developer needs as they are applying for tax credits.

So we do need approval of the draft so it can track our QAP. And as we have the public hearings, folks can comment either on a QAP or on those draft rules also.

MR. JONES: Okay. Question's been called for.

Are we ready to vote? All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries.

MS. CARRINGTON: I'd like to go on the record in saying on our definition of NOI, that there was a consistency in what was published, and that staff would like to have the ability to correct that inconsistency.

MR. CONINE: So moved.

MS. CARRINGTON: Thank you.

MR. SALINAS: Second.

MR. JONES: Motion's been made and seconded.

Are we ready to vote? I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. Turn to Item 6 on
the agenda. Mr. Conine.

MR. CONINE: These are a couple of extensions of our Single Family Mortgage Revenue Bond Program. Do we have Mister -- are you going to do it, Ms. Carrington?

MS. CARRINGTON: I'm going to do it, yes, sir.

MR. CONINE: Good.

MS. CARRINGTON: The first one is the extension for Program 55A, which was Series 2000A. It currently has a little bit over a million left of lendable proceeds in this transaction or in this bond issue.

We have a call provision of May 1, '03. So what we're asking the board to approve today is an extension for the origination of loans under this program to April 1, 2003.

MR. CONINE: So moved.

MR. SALINAS: Second.

MR. JONES: We have a Motion made and seconded. Any discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries.
MS. CARRINGTON: Do I need to read the resolution number into the record?

MR. JONES: Please do.

MS. CARRINGTON: Resolution Number 02-44.

MR. CONINE: Thank you. Item B?


This has quite a bit more lendable proceeds in it. This is a newer program, 17,000 -- 17 million six hundred. These programs have a call date on the bonds of April 2004. So what we're asking is an extension on these programs to February 2004.

MR. GONZALEZ: So moved.

MR. SALINAS: Second. And this is resolution 02 --

MR. CONINE: 02-45, correct.

MR. JONES: Motion made and seconded. Any discussion?

(No response.)

MR. JONES: Hearing none, I assume we're -- okay, the motion was made by Mr. Gonzalez, and the mayor seconded it. Hearing no further discussion, I assume we're ready to vote. All in favor of the motion, please say aye.
(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries.

MR. SALINAS: We need to vote on the resolution, I would think, to make it --

MR. JONES: Okay.

MR. SALINAS: Thank you.

MR. JONES: Is it --

MR. CONINE: 02-45, I think.

MR. JONES: 02-45.

MR. SALINAS: All right. That would be that we need to approve the resolution, which it was approved.

MS. CARRINGTON: Okay.

MR. JONES: Do we -- I think we approved that resolution, is what I understood the motion to be.

MS. CARRINGTON: Yes.

MR. JONES: Okay.

MS. CARRINGTON: Okay.

MR. CONINE: I'm okay.

MR. JONES: So Resolution 02-45 has been approved. Let's turn to the Executive Director's Report.

See how smart you are.

MS. CARRINGTON: I don't have one today.

MR. JONES: Great. Good.
MS. CARRINGTON: The first item that I'd like to bring to your attention is information on increased Purchase Price Limits for Single Family Mortgage Revenue Bonds. TSAHC requested and did receive from the Internal Revenue Service a private letter ruling allowing for the increase of purchase price limits on the -- on Single Family Mortgage Revenue Bond Programs.

And what our Bond Finance Division has provided for the board today is information only. It's background on that, and also a chart that shows what those income limits will be.

What we will be doing in October at the October board meeting is bringing some recommendations to the board on considering -- perhaps adopting some of these higher limits for our programs.

So it's really information for you all only today, to let you know that this private letter ruling has been received, and to give you an idea of what those new limits are that are allowed under TSAHC's program.

MR. JONES: And we're planning for that October board meeting being in Corpus Christi. Correct?

MS. CARRINGTON: That is correct.

MR. JONES: Okay. Thank you.

MS. CARRINGTON: Correct. We have had our first visit from the Sunset Advisory Commission staff.
And I see Jeremy Mazur [phonetic] still in the audience with us this afternoon.

They came over en masse. I think there were five of them. They outlined for us what the process was going to be for them through this fall. And then staff did a presentation on our activities to date in implementing Senate Bill 322.

Also addressing management recommendations that Sunset had made, which were not part of our legislation, but were items that in many instances we had been addressing as a department.

They are now back in our offices meeting with individual staff on particular items, and will be there probably for the next two to three weeks, and looking at documentation. And they anticipate a draft report -- their draft report about the 23rd or 24th of October.

Probably the report finalized sometime in November, and then our hearings in December. Reorg is still in process. We hope to report to you at the October board meeting.

MR. CONINE: Could I stop you there for just a second, and back on that issue of Sunset for just a second? We -- I think all the board members got a letter about participating in that process with the Sunset staff, and I guess I'd like to express the ability to do that at
some point in the future.

And I know we all had some tense moments over the last two or three years, and love to share, at least our ideas and concepts directly with staff whenever that's appropriate. Thank you.

MS. CARRINGTON: Okay. Thank you. Reorg is in process. We'll have a report for you in October of what our organization looks like. I went last week to HUD, Forth Worth. Spent about three hours meeting with the regional director up there. And I was out of the room this morning when you all were talking in Audit about some of the issues with HUD.

I certainly had a good reception with them, had a good meeting with them. They are very willing to work with us as we move forward to resolving our issues with our various programs that HUD monitors.

And with that, Mr. Chairman.

MR. JONES: I think we need to go in executive session. Do you have the executive session binder?

We do need executive session, do we not?

MR. GOURIS: Yes, we do. Yes.

MR. CONINE: Ask her nicely. She's -- please.

May I?

MS. ANDERSON: I gave her her sugar pill.

MR. JONES: Oh, really? All right. At this
point in time, we'll go into the executive session of the Board of the Texas Department of Housing and Community Affairs. On this September 12, 2002, the regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, the Board of Directors adjourned to a closed executive session as evidenced by the following:

The Board of Directors will begin its executive session today, September 12, 2002 at 2:33 p.m. The subject matter of this executive session will be Litigation and Anticipated Litigation, Cause No. GN-202219, Century Pacific Equity Corporation versus Texas Department of Housing and Community Affairs et al. in the 53rd Judicial District Court of Travis County and Sheltering Arms Apartments litigation.

Number two, Consultation with Attorney Pursuant to Section 551.071(2), Texas Government Code and discussion of any item listed on the board meeting agenda of even date.

And we will now go into executive session. Where are we going to be? Are we going to be here?

(Whereupon, at 2:33 p.m., the hearing was adjourned, to reconvene this same day, Thursday, September 12, 2002.)

MR. JONES: I will call us back into open

ON THE RECORD REPORTING
(512) 450-0342
session. The executive session of the Board of Directors of the Texas Department of Housing and Community Affairs for September 12, 2002, was concluded.

The subject matter of the executive session was litigation and anticipated litigation, Cause No. GN-202219, Century Pacific Equity Corporation versus TDHCA and the Sheltering Arms, litigation action taken, none; consultation with attorney pursuant to Section 551.071(2), Texas Government Code, action taken none; and discussion of any item on the board meeting agenda of even date, action taken none.

The Board of Directors has completed its executive session of the Texas Department of Housing and Community Affairs on September 12, 2002, at 3:47 p.m. I hereby certify this agenda of an executive session -- or 2:00. Oh, I'm sorry, 2:47.

MR. GONZALEZ: We're not going to be here that long.

MR. JONES: I hereby certify this agenda of an 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 the Secretary of State's Office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, and that all members of the Board of
Directors were present, with the exception of Shadrick Bogany and Beth Anderson. And that this is a true and correct record in proceedings pursuant to the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, as amended. Signed by Michael E. Jones.

We will then turn our attention to action taken on matters that we dealt with at the executive session. And I would like to read the following statement that the chairman will recommend that the board adopt.

The board would like to make this statement concerning Century Pacific. Century Pacific submitted four applications to the department, the low income housing tax credit applications numbers 02-019, 02-020, 02-021, and 02-022.

On June 10, 2002, the department disqualified Century Pacific's four applications based on material noncompliance related to health and safety on other low-income rental property owned by Century Pacific.

Century appealed its disqualification to this board. And after hearing Century Pacific's presentation, the board denied Century Pacific's appeal on June 24, 2002. Century Pacific, however, sought judicial relief. And by order dated July 22, 2002, the 200th District Court of Travis County temporarily enjoined the department and the board from disqualifying Century Pacific's
applications.

Finding that Century Pacific met the requirements for issuance of a temporary injunction, the Court's ruling effectively precluded the department and this board from considering Century Pacific's material noncompliance relating to health and safety and from disqualifying their applications.

Therefore, the department processed Century Pacific's application following the Court's temporary injunction order as if the material noncompliance did not exist. And on July 29, 2002, as the Court ordered, this board approved the department's recommendation allocating tax credits to Century Pacific's four applications.

This board's approval was as ordered by the Court. And as the Court's temporary injunction order states, it's conditioned on final Court determination.

If the Court's temporary injunction order of July 22, 2002 -- excuse me. But for the Court's temporary injunction order of July 22, 2002, this board would not have changed its decision of June 24, 2002, denying Century Pacific's appeal, the department's disqualifications of the applications for Century Pacific's material noncompliance relating to health and safety.

After the board's action on July 29, 2002, and
in accordance with the department's Qualified Allocation Plan rules, the department's staff properly issued four commitment notices to Century Pacific with two amendments to each, the second amendment, using language and condition number three, that Century Pacific agreed to at a Court hearing on September 6, 2002.

These commitment notices accurately reflect that the board's action on July 29, 2002 was as ordered by the temporary injunction, a condition of the final Court decision.

The board's position today remains that Century Pacific's four applications were legally, correctly and appropriately disqualified, based on material noncompliance relating to health and safety on other low-income property owned by Century Pacific.

The people of Texas rightly expect that the state will not allocate scarce, public low-income housing resources to owners that have an unsatisfactory record of managing and maintaining their properties.

Mr. Gonzalez, do you agree with this statement?

MR. GONZALEZ: Yes.

MR. JONES: Mr. Conine, do you agree with this statement?

MR. CONINE: Yes, Mr. Chairman.

MR. JONES: Mayor, do you agree with this
statement?

    MR. SALINAS: Yes, sir.

    MR. JONES: And I would like to note for the record that the chairman agrees with this statement. And all the board members, four of which are attending this meeting, all concur with the statement individually. And I will sign it Michael E. Jones, as chairman of the board. Thank you.

    With that, I believe we've concluded our agenda. Is that true?

    MR. CONINE: Move for adjournment.

    MR. GONZALEZ: Second.

    MR. JONES: Motion has been made that we adjourn. All in favor, say aye.

        (A chorus of ayes.)

    MR. JONES: The meeting is adjourned.

        (Whereupon, at 2:55 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: September 12, 2002

I do hereby certify that the foregoing pages, numbers 1 through 170, 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.

09/16/02
(Transcriber) (Date)

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