TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

9:15 a.m.
Thursday,
October 10, 2002

City Hall
City Council Chambers
1201 Leopard Street
Corpus Christi, Texas

COMMITTEE MEMBERS:

KENT CONINE, Vice Chairman
VIDAL GONZALEZ
NORBERTO SALNAS
BETH ANDERSON
SHADRICK BOGANY

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
RUTH CEDILLO
CHRIS WITTMAYER
BILL DALLY
DAVID GAINES
ROBERT ONION
ELIZABETH RIPPY, Bond Counsel

ON THE RECORD REPORTING
(512) 450-0342
ITEM 1 - Presentation, Discussion and Possible Approval of Minutes of Board Meetings of August 29, 2002, and Sept. 12, 2002

Item 2 - Presentation, Discussion and Possible Approval of Report from the Audit Comm. on Internal Audit Annual Report, Prior Audit Issues and LIHTC Inspection Fees

Item 3 - Presentation, Discussion and Possible Approval of Financial Items:
   a) Approval of Fourth Quarter Investment Report
   b) Approval of Resolution No.02-04820 Authorizing the Increased Purchase Price Limits for Single Family Mortgage Revenue Bonds
   c) Approval of One or More Inducement Resolutions Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Projects Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2003 and Other Related Matters (listed on agenda)
   d) Approval of a Proposed Issuance of Multifamily Mortgage Revenue Bonds for:
      1) Hickory Trace Apartments, Dallas
      2) Green Crest Apartments, Houston
      3) Mark IV Apartments, Fort Worth

Item 4 - Presentation, Discussion and Possible Approval of Proposed Amendment for the HOME Program Regarding Biennial Funding

Item 5 - Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:

ON THE RECORD REPORTING
(512) 450-0342
a) Approval of Issuance of 4% Tax Credit Determination Notices with TDHCA as the Issuer for Tax Exempt Bond Transactions (listed on agenda)
b) Approval of Issuance of 4% Tax Credit Determination Notice with Other Issuer for Tax Exempt Bond Transactions (as listed)
c) Approval of Request to increase Amount of Tax Credits for Tax Exempt Bond Transactions (as listed)
d) Approval of Extension Request (as listed)
e) Approval to Reallocate Returned Credits to 2002 Tax Credit Program Applicants (as listed)

Item 6 - Presentation, Discussion and Possible Approval of Revised Legislative Appropriations Request

REPORT ITEMS
Executive Director's Report

EXECUTIVE SESSION

OPEN SESSION  None

ADJOURN
MR. CONINE: If you'll take your seat, we'll try to get started here shortly. We've got one more board member en route; he's probably out in the parking lot right about now. Let me go ahead and call roll right quick. Mike Jones is absent.

Beth Anderson?

MS. ANDERSON: Here.

MR. CONINE: Shad Bogany?

MR. BOGANY: Here.

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

MR. GONZALEZ: Here.

MR. CONINE: And Norberto Salinas is probably going to be here shortly. We do have a quorum.

It is a pleasure for us to be here in Corpus Christi today and good to see everyone here and appreciate the City of Corpus's fine hospitality, both last night and again this morning. I understand the mayor is here and would like to address the board.

Mayor, would you like to say a few words?

MAYOR NEAL: Yes, sir, Mr. Chairman. I'll just take a moment again to thank you for coming to Corpus Christi and meeting, and I thought we had a real enjoyable evening last night and we appreciate the fact that you and
so many members of your staff are here. And as we know, when the boards move around the state of Texas, you also have others come in who have business before the board so that is good for us.

Our council chambers are available for you, make yourself at home. I'll offer you the staff and the mayor's office. If you need anything, they're right across the hall; we'll be glad to help you do whatever is necessary -- as is the city secretary's office. And if you've figured out all those buttons up there, Mr. Chairman, it took me two years to do it.

MR. CONINE: It's the fanciest setup I've seen.

MAYOR NEAL: Don't press the wrong button; one of them is eject.

MR. CONINE: Probably so.

(General laughter.)

MAYOR NEAL: But seriously, we're just glad you're here, welcome you back any time, and our facilities are at your disposal as long as you need them. Thank you very much.

MR. CONINE: Thank you, Mayor. You know, our interest and our mission actually is helping to provide affordable housing for the citizens all across the state of Texas, and it's wonderful to come to a city which has a positive attitude about providing that sort of housing in
a partnership effort. So just from our side of the table -- and I hope I can speak for the rest of the board up here -- we appreciate your willingness to work with us on various projects within your city, and again, your sharing your wonderful facilities, we really appreciate it.

MAYOR NEAL: When I got to be mayor about six years ago, Tom Utter indoctrinated me in this process and explained to me the importance of working with agencies not only at the local but the state and national level, and we are a city that gets it; we understand the importance of affordable housing. In fact, sir, we have an initiative on our November ballot that if we can get approval of the voters for a one-eighth-cent sales tax for job creation, and an approval of one portion of that is $500,000 a year for the next 20 years to assist in affordable housing. So our community understands this need and we are working in a lot of different venues, none quite so important as the relationship we have with your group, and we appreciate it.

MR. CONINE: I live in a city which just recently did the same thing in Texas, and I would encourage you to look, once you get that done, there's multiple ways to leverage those dollars.

MAYOR NEAL: Well, we're trying to sell it on
that basis and a lot of our citizens don't understand that this is seed money, it's not just money that we'll go build a roof or something else, but you can take that one dollar and sometimes make it five. I spend a lot of my time talking about collaboration and leveraging and those kinds of things, and we're down here sort of by ourselves now in Corpus Christi and it's important that we learn how to do this. Thank you very much, all of you.

MR. CONINE: Thank you, appreciate your hospitality. Thank you very much.

Tom Utter is also here. Tom, would you like to say anything? We, again, appreciate you taking care of us.

MR. UTTER: Thank you very much. The mayor is always eloquent. Thank you.

MR. CONINE: Thank you very much.

Moving to the public comment portion of our meeting, I have three, it looks like, public comments, and as customary, we'll give you a chance to either speak now or if it's a particular agenda item that you're concerned about, we can move it to that agenda item. The first one I have is Willie Vaden.

MAYOR VADEN: Good morning, sir. I'm the mayor of Ingleside, a little bedroom community just on the North Bay area. We've had a tremendous amount of expansion and
you folks have given us a lot of help in bringing in affordable housing -- matter of fact, I believe there's a housing project going to be speaking before you today.

The reason I came, we had an exacerbating situation here lately when we had the mosquito infestation and my wife and some of the other people had noticed the terrible conditions that some of our citizens were living in in slum housing, and so being a mayor and a husband too, I got it from both ends, and basically she said, You got elected; you do something about it.

Well, I got to looking into the legal aspect of it. We don't have an ordinance or any type of a law that I could force these people through legislative measures through the legal system to bring these houses up to I would say even Third World country conditions -- I work in Third World countries all over the world in my daytime job -- and so I believe a commissioner from Mission that said he did a lot of things, maybe through you folks you can let me know how to draft some type of a guideline to where I can draft some legislation that I can make these -- I call them slum lords, that may be a bad term, but anyway, they're slums -- to make them bring them up to acceptable housing where the roof isn't caving in on a kid or you don't fall through the porch and there's screens on the windows, especially like on these mosquito situations,
you know.

We don't have the law and maybe you folks do have that or know where I could get that so that I might draft some type of legislation in council and get an ordinance set down so that I can put a stop to this deplorable housing situation.

Other than that, we've received a lot of attention from you folks in helping us bring affordable housing to Ingleside, because we're the most progressive community for our size in the state of Texas and we've doubled our population over the last four years, went from 5,000 to about 11-1/2 thousand people, and getting good housing for people coming in to work and stuff is a major aspect, along with the Navy, because you know they don't make a lot of money for off-base. You folks for us and Aransas Pass have been a great shot in the arm to give people decent housing, and I'd like to take the time to say we're really appreciative, all the citizens of my town are. Thank you.

MR. CONINE: Ms. Carrington, do you have a specialist on your staff on local code compliance or ordinance issues?

MR. WITTMAYER: Ms. Carrington, Chairman.

Having spent a few years in the City of Dallas, I'll be happy to get with the mayor of Ingleside and assist him in
the statutory language that he can adopt for the city to
be able to enforce their codes and address the situation.

MR. CONINE: There we go. Comes in handy every
now and then. Thank you.

Mayor, I've got you written down here, and let
the record show that Mayor Salinas has now come to the
board meeting.

The other two public comments I have are for
the agenda items only, Larry Stevens for Item 3(d)(3) and
Brent Stewart to 3(c). Are there any other -- there's one
other one coming and another agenda item, Ms. Nicole
Flores speaking at 3(d)(3).

Any other public comments that need to get in?
(No response.)

MR. CONINE: Okay, we'll close the public
comment, and move to Item 1 of the agenda which is the
presentation, discussion and possible approval of the
minutes of our meetings on August 29 and September 12. Do
I hear a motion?

MS. ANDERSON: I move approval of the minutes,
subject to discussion.

MR. BOGANY: Second.

MR. CONINE: Motion by Ms. Anderson, second by
Mr. Bogany.

MS. ANDERSON: I think this may just be a typo,
but at least the version that's in my book throughout the
minutes, and these are the minutes of the August 29
meeting that are in my book, and it doesn't show Mr.
Bogany as having attended. In fact, it says Shadrick
Bogany was absent, yet throughout the minutes there are
references to Mr. Bogany making motions, so I think either
what's in this book was in error, anyway, we have a
little -- so maybe I should withdraw my motion, and we
ought to defer approval of the minutes to the next
meeting. I don't know, Mr. Chairman, what your pleasure
would be.

MR. CONINE: It sounds like we need to doctor
them up.

Delores?

MS. GRONECK: I'll get with my [inaudible].

MR. CONINE: Why don't you withdraw your
motion.

MS. ANDERSON: I withdraw my motion.

MR. CONINE: And is the seconder okay with
that?

MR. BOGANY: Yes.

MR. CONINE: We will defer any action on that
item until our next meeting.

Item 2, presentation, discussion and possible
approval of a report from the Audit Committee.
Mr. Gonzalez.

MR. GONZALEZ: Yes, sir. We will call on Mr. David Gaines.

MR. GAINES: Good morning, Chairman.

MR. CONINE: Good morning.

MR. GAINES: Members of the committee, Ms. Carrington.

The Audit Committee met this morning at 8:30 and we had three agenda items being: the Status of Prior Audit Issues, the Annual Internal Auditing Report which is a required report of the division under the Texas Internal Auditing Act, a report due to the Governor's Office, the Legislative Budget Board, Sunset Advisory Commission, and the State Auditor's Office, describing our activities over the last year; and then we had an agenda item, Status of the Low Income Housing Tax Credit Inspection Fees project that we've been working on.

I'll be glad to go into any and all of these; I'll leave it to the pleasure of the board.

MR. CONINE: Any recommendation from the Audit Committee members of the board?

MR. GONZALEZ: No, not at this point. We had a real good meeting and we want to commend Mr. Gaines on the work that he's doing, and I think we can go on from there, unless there's any questions.
MR. CONINE: Any other questions?

(No response.)

MR. GAINES: Thank you very much.

MR. CONINE: That's a good report; that's the way to have them, as opposed to the alternative.

Item 3, presentation, discussion and possible approval of some financial items. We're going to combine Item 3(a) which is the approval of the Fourth Quarter Investment Report along with Item 6 on our agenda which is the Revised Legislative Appropriations Request, and ask Mr. Bill Dally to come forward and make those presentations.

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

If you'd turn under Tab 3(a) you'll find the department's Public Funds Investment Act Report for the period ending August 31. This, again, is a report that's required by the Public Funds Investment Act, that we bring this to the board quarterly; it's laid out in the format prescribed. What it does is it shows you a quarter's worth of transactions from the period ending May 31 of this year to the quarter ended August 31, basically showing you the carrying values and the fair values of purchases, sales and maturities that occur within our portfolio.
Overall the portfolio decreased by $27.7 million and it is now at $1.2 billion. It's made up of:
62 percent is mortgage-backed securities; 29 percent are the guaranteed investment contracts and investment agreements; 4 percent is repurchase agreements; and then 5 percent represents the other investments.

We did have activity this quarter of purchases in the mortgage-backed securities of $32.7 million, so that's a representation of taking our bond money and turning those into the mortgage certificates and stuff in loans. Those ranged from 4.95 percent to 6.45 as a pass-through rate. We also had maturities in this particular quarter of the mortgage-backed securities in the amount of $22.85 million. That's a representation of some of the refinancings and payoffs that are going on at this time.

Overall, if you look in the third column from the right-hand side, you'll see that overall the market value increased $21.2 million, that being the difference between the fair value and carrying value. That's not a reflection on our investment genius, it's the mere fact that mortgage-backed securities and those rates are down as low, I think about a 40-year low, and so as those rates drop, it increases the price in our portfolio, and so that's the reason for the gain. So when interest rates begin to go back up, this thing will reverse itself.
Now, the key thing with our mortgages is that they stay in parity, that the assets stay in parity with the bonds and that the cash flows pay for those bonds and rates, and that's why when we underwrite a deal, we look to see that cash flows are run under very stressed situations, and at the moment, that's in good shape as far as the cash flows.

If there are any questions regarding the report?

MR. CONINE: We need to approve this so we need a motion.

MS. ANDERSON: I move approval.

MR. GONZALEZ: Second.

MR. CONINE: There's a motion on the floor from Ms. Anderson, a second from Mr. Gonzalez. Any other discussion with Mr. Dally? Seeing none, all those in favor, say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion passes.

Do you want to go to Item 6, Mr. Dally, and get the Revised Legislative Request.

MR. DALLY: You should have received a copy of the Revised; it's dated September 24. If you recall, at
the last meeting we made a presentation and that was our initial submission. Subsequent to that board meeting, in the next week we had a public hearing with the LBB and the Governor's Office and representatives from the House Appropriations Committee and Senate Finance, and subsequent to that they had some questions and we made a presentation; we followed up with responses to that, and we also -- I think I indicated at the meeting last time that in our initial discussions we would be changing the presentation. Basically, we reduced our baseline request strategy because we were moving -- there were Manufactured Housing rider requests in there that really needed to be moved to Exceptional Items; there was a request for a million dollars in 2004 and 2005 for Consumer Claims, that was moved off the baseline request and added as an exceptional item.

So to summarize, if you look at the biennium, the baseline request from that initial submission to the book you see today was reduced by $3.2 million -- 884,545. So that was in fact the high-water mark that cleared submission and has been reduced. That came in the areas of: General Revenue was reduced by $2.7 million; the Earned Federal Funds were reduced by $332,000; and our Appropriated Receipts were reduced by $481,000.

If you look to page 16, the last submission had
the first four exception items, there have been two more added: the Manufactured Housing Consumer Claims for a million dollars each year; and then we've added one in here which is to allow us to add $200,000 to our Earned Federal Funds to this appropriation.

And then if you'll look at page 22 and 23, I think Ms. Anderson had some questions last time about this schedule shows you in that first column the All Funds that are in this request and then in that second column it shows the GR and the GR-Dedicated, and if you go down to the bottom line on page 23, you'll see that our Overall Request in 2004 is for $166,294,060, of which about 10 percent is $10,461,286 is General Revenue. And there again, if you take the two figures of 10 million 461 and 10 million five they are exactly what is in that little box for 2002 and -3, which is the baseline GR-Dedicated $20,967,303.

Also, you'll note that it goes down and you'll see that almost 50 percent of our general revenue is going to the one strategy of the Housing Trust Fund which is a state-funded housing program. It then descends and shows you the various places where we have General Revenue and it's primarily either in the Housing Trust Fund or it's in the area of central administration and some of our overhead costs. And on page 23 that does now total out to

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100 percent as opposed to the 109 we had last time.

The riders and most of the other schedules, Capital Budget, all of those things stayed the same. It was really the major thing was to move that Consumer Claim thing from the baseline request to an exceptional item. Are there any questions? Oh, I should say with this I believe the department is through with our submission and request; however, this now will be in markup by the LBB and the Governor's Office as to what their request will be, and that will be balanced against what the Comptroller has in revenue assets and stuff, so my best expectation is that this probably will be trimmed but I don't know how much or exactly where.

MR. CONINE: Let's get a motion on the floor first and then we can go into any discussion.

MS. ANDERSON: I move adoption of the Revised Legislative Appropriation Request submission.

MR. GONZALEZ: Second.

MR. CONINE: There's a motion by Ms. Anderson, second by Mr. Gonzalez. Any discussion with Mr. Dally, any questions? Does everybody understand what we're doing here?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.
(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Ms. Carrington, are you in good shape, no comment? Okay.

Thank you, Mr. Dally, appreciate it.

MR. DALLY: Thank you.

MR. CONINE: I know that was a difficult chore. Probably be some difficulty before we get done with it.

Item 3(b), Approval of Resolution Number 02-048, authorizing increased purchase price limits for Single Family Mortgage Revenue Bonds. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. The Texas State Affordable Housing Corporation conducted a study which documented the justification for an increase in average purchase price limits for all statistical areas in Texas for our Single Family Mortgage Revenue Bond programs. These purchase price limits had not been updated since 1994 and don't accurately reflect the average purchase price of homes in Texas. The department is proposing to implement the purchase price limits set forth by TSAHC for current and future Single Family Mortgage Revenue Bond issues subject to actually three areas of the state where we are proposing that we use a lower purchase price limit.
What we did was take the limits that the TSAHC study supported, and behind Tab 3(b) to look at what those are, it is Exhibit A which are the purchase price limits, and this is per the Internal Revenue Service ruling that TSAHC did receive. What they did was do a study on documentation data, sent it to the IRS, and then the IRS did a private letter ruling that was addressed specifically to TSAHC.

What we're saying is we believe that there's three areas of the state that the limits are higher than what we would want to implement, and those three areas would be Austin, Fort Worth, and San Antonio. What we're proposing to do is in nontargeted geographical areas that we would recommend implementing a formula that we have created, and it would either be the lower of the TSAHC study price or the product of our above formula.

If you want to see what the numbers are that we're actually proposing, go to the last attachment in this section, so it's the last piece of paper behind 3(b) and it's Attachment A. The left-hand column at the very top are the limits that were produced with the IRS ruling for new construction in the various MSA areas of the state, so we would propose that we would be using all of those with the exception of three areas: the Austin-San Marcos MSA, so instead of using $205,677, we'd be using
$183,971; Fort Worth, instead of the $189,109, we'd be using $158,614; and San Antonio, instead of $135,432, we'd be using $132,998, and that's for nontargeted areas. For the targeted areas we would be using all of the numbers that were produced in the TSAHC study.

Our bond counsel has taken a look at the methodology that TSAHC used in collecting the information, they've also taken a look at the IRS ruling, and Elizabeth Rippy and I have discussed it at Vinson & Elkins. She does tell me that a couple of other firms in Texas are basically taking the opinion with their issuers that they believe that the methodology is appropriate, can be defended, and so there are several other issuers around the state that are also looking at adopting these higher limits. And it is staff's recommendation that we do adopt the higher limits with the exception of the three that I have pointed out to you.

MR. CONINE: Motion?

MR. BOGANY: I have a question.

MR. CONINE: Question? Do you want to get the motion on the floor first?

MR. BOGANY: I so move.

MR. GONZALEZ: Second.

MR. CONINE: Mr. Bogany moves; Mr. Gonzalez seconds; now further discussion.
Mr. Bogany?

MR. BOGAN: Did we actually go and look, Ms. Carrington, at what the MLS data stated in Austin and Fort Worth and in San Antonio? Did we get information from the Multiple Listing Services for those three associations to see how it reflected with this study?

MS. CARRINGTON: What we are basing our recommendation on is the Internal Revenue Service ruling. We have not as a staff looked at the data that they used or the data that was used or the data that was collected. I might ask Elizabeth Rippy to perhaps respond to that because I think Vinson & Elkins did take a look at the data that was used for the justification of the increase, Mr. Bogany.

MS. RIPPM: Good morning. I'm Elizabeth Rippy with Vinson & Elkins, bond counsel to the department. And yes, our tax attorney has reviewed the data. I don't know if you have a specific question about --

MR. BOGAN: What my specific question is is that I realize that home prices in Houston have really increased and the home prices in Austin have always been higher than everywhere else in the state, just about, so TSAHC does their study and comes up with a ruling that has it raised -- which we have House Bill 951 that should have been passed a long time ago, we can't get out of Congress,
now we've been able to get these raised which would make
the monies more available to people. And I realize I
guess people will say if you're in a $200,000 tax bracket
that it's not what I would consider affordable but it is
depending whether or not you're in San Francisco or in
Austin versus some other areas. And my only question is
did you guys look at the MLS data on sales, sold data for
those three areas to make this decision, because I don't
think you can really make this decision without looking at
the sold data to see what the average or the median price
for a sold home in San Antonio is, and the same way in
Fort Worth and in Austin.

MS. RIPPY: I believe the basis for the TSAHC
letter ruling was some information that Freddie Mac had
compiled that they used, and the IRS reviewed that
information and made a determination that it was more
accurate. The test here is is the information on prices
more accurate than the information that the IRS published
in '94, and that was the information that was provided.

I think what you're asking is about Austin, San
Antonio and Fort Worth was there some comparison of that
data to MLS sales to come up with this reduced number. I
don't believe that's the case.

MR. BOGANY: And I'm not trying to make this
complicated, but I just want to make sure that if staff is
recommending us not to go to what TSAHC recommended, then
I want to know why staff is recommending this and what
data is that based on, because the only data really is the
sold data, and so to me that is how you would make this
decision that, okay, we can go up higher but it looks like
the median price for a house in Austin is only $166-, and
so I'm trying to get an idea because this would affect --
and prices are constantly rising, and we've not been on a
housing bubble in this state because prices have been
gradually increasing not just jump straight up, so my
thought is that to make a decision that would affect
Austin, Fort Worth and San Antonio, did we look at that
sold data. That's the concern: how did you come up with
this decision.

MS. CARRINGTON: Okay, I can answer that;
that's not a bond counsel answer, that's my answer. As we
looked, Mr. Bogany, at what the maximum amounts were in
the areas, we also considered -- staff also considered
what it is we have a mission to do which is serving low,
very low, and moderate income households, and felt that
the purchase price limits in those three areas were
perhaps higher than what we wanted to have as maximum
purchase price limits in our Single Family Mortgage
Revenue Bond program.

So staff made a decision to put this formula
together that you see on the first page and that was to
take the 2-1/2 times which was 2-1/2 times income, times
115 percent, the area median family income, and the 90
percent of the average area purchase price, and that we
would do that calculation, and then as we determined which
limit we would take, be it the TSAHC limit or if our
calculation produced a lower limit, we would take the
lower one. So it's a policy recommendation on staff's
part that we felt that those income limits were perhaps
higher than what we wanted to go and needed to go.

MR. BOGANY: I have one other question. Could
it possibly be because of -- on three or more people I
think the income is $65,000, somewhere in there -- are
they saying that if you made $65,000 in a family of three
or more combined income that they could not qualify for a
$200,000 house anyway? Is that some part of that?

MS. CARRINGTON: What we would be saying if
they were using a Tax Exempt Mortgage Revenue Bond program
and it was new construction in the Austin area that the
maximum purchase price of that home would be $183,971.

MR. BOGANY: Okay, I understand that. I don't
know, I just see prices constantly increasing across and
it looks like we'd have to come back and do this later,
because we have income limits on this also that would cut
out this going to somebody who makes $100,000 a year, and
it just seems like the income limits would also be the
safety net here, and prices are constantly rising and it's
just amazing to me that it looks like we would try to
orchestrate what these areas' home prices are going to be,
and that's why I asked for the sold data for those areas
because if the sold data says that the median price is
$183-, then that's great.

MS. CARRINGTON: If I might, Mr. Chairman, I do
have a copy of the private letter ruling that might
address Mr. Bogany's issue on the sold data, and this is
in the first paragraph, and they're referring to TSAHC as
the Authority. "The Authority submitted data concerning
sales of new single family residences for certain
statistical areas and for all other areas for the 12-month
period from January 1, 2001, to December 31, 2001. The
Authority also submitted data concerning sales for
existing single family residences for certain statistical
areas and for all other areas of the same period." So
they were looking at sales over a 12-month period, this
most recent 12-month period.

MR. BOGANY: Okay.

MR. CONINE: My question concerns the number
2.5. From an underwriting standpoint, my experience tells
me that people are getting approved with mortgages as high
as 30 and 35 percent of their monthly incomes, and so I
guess I would wonder where the 2.5 number came from relative to a policy that the department determined was necessary when in actuality underwriting standards are probably closer 3.5.

MS. CARRINGTON: I think it was a conservative estimate on staff's part.

MR. CONINE: We had the pleasure of meeting with the assistant secretary of Tax Policy at the Treasury on Monday and sitting in her office advocating a 3.5 multiple, and for me to put a cap at 2-1/2, it is conservative, it pushes the numbers down, but in actuality if the median incomes in a particular area can justify the higher price, then this whole bond program is generated primarily off the median income side and then of course on this house price limit, and I'm not sure -- again, pulling 2.5 out of the air obviously unfairly punishes Austin, San Antonio and Fort Worth relative to what they deem house prices have gone up since 1994.

Any other thoughts from the board?

MR. BOGANY: Based on what you just said, Mr. Conine, I would suggest that we -- I think the 2.5 would be too conservative, and maybe 3.5, if that's what the -- getting a feel of what's happening out in the real world, and that's my concern is what's happening in the real world, not so much what we think may be.
MR. CONINE: I don't think there's any -- let me ask a question, Ms. Carrington. If we approve this today, would this be retroactive to our existing bond portfolio that's unused out there, would the price spec go into effect immediately or is this just for our future bond program? Here comes the answer.

MS. RIPPY: All of your programs allow you to adjust the purchase prices, so you can put this into effect with respect to your existing programs immediately.

MAYOR SALINAS: Would it cause us any problems if we do this, to change it to 3.5?

MS. RIPPY: No, it doesn't. I mean, it's purely a policy decision. The letter ruling allows the maximum numbers and we are willing to deliver our tax opinions with the maximum numbers, so it's purely a policy decision for the board if you want to reduce some of the numbers and how much you want to reduce them.

MS. CARRINGTON: So the board could, if you all chose, to just adopt the maximum limits that are justified in the IRS private letter ruling. As I said, the 2.5 and that calculation is something that came up from staff because we had a concern about the very high limits.

MR. CONINE: We have a motion, I think, on the floor to approve this staff recommendation, so if there are going to be any changes or amendments, we need to do
it that way.

MS. ANDERSON: I have an amendment, please.

MR. CONINE: Okay.

MS. ANDERSON: I amend the motion to just adopt the TSAHC limits in total.

MR. CONINE: Does the maker of the motion accept that amendment?

MR. BOGANY: I accept that.

MR. CONINE: Okay, so we would then adjust back to the original Treasury ruling sales price limits. And this probably merits some further discussion about staff recommendations and we can always put it on next month's agenda if it should change next month, but for right now I think I would agree with the amended motion. Any other comments?

MS. ANDERSON: I'm sensitive to staff's interest in being conservative and wanting to make sure that the mortgage money is used by the populations that this agency seeks to focus on, but I'm also sensitive to the chairman's comment about the 2.5 and how using that figure in the formula may have sort of overly caused a downward adjustment in the prices for those three MSAs, and so therefore, I think that just adopting the numbers from TSAHC -- which are the approved numbers in the private letter ruling -- might just be the best course of
action at this point.

MR. CONINE: Mr. Bogany?

MR. BOGANY: The other comment is that we have income limits on this also, so the income limits is the safety net that you can only qualify for so much based on the income limits, so I really don't see it as being that big an issue.

MR. CONINE: That's correct. Any other comments? We have an amended motion on the floor; all those in favor of the amended motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item 3(c).

MS. CARRINGTON: Thank you, Mr. Chairman.

MR. CONINE: I'll bet I've got some public comment. Do we want to hear those first, or do you want to go ahead and make your presentation first?

MS. CARRINGTON: I would think maybe you want to take the public comment.

MR. CONINE: Okay. Brent, do you want to make any public comment at this time?

MR. STEWART: Only if there are questions.

MR. CONINE: Okay, we're not going to ask you
any questions. That was the only one on Item 3(c).

MS. CARRINGTON: Mr. Chairman, Robert Onion will be making this presentation on the inducements for our Multifamily Mortgage Revenue Bond Program for fiscal year 2003.

MR. ONION: Good morning. We started with 114 applications; we are now down to 103 applications for a total of $1,427,800,000. We have 30 Priority 1 applications and we have 73 Priority 2 applications.

I would like to read into the record the correction to the inducement resolution for 2003 applications on page A-16 of the Exhibit A. For Primrose at Hickory, the location of the project should be changed to Hickory Street and Preston Road in Frisco, Collin County, Texas, from Highway 67 and Pentagon Parkway in Dallas, Dallas County, Texas.

Also, I would like to make a correction on Application 003-044, Riverbend Apartments, increase the amount of bond request from $10,700,000 to $12 million; and also on 003-046, The Peninsula Apartments, increase from $10,700,000 to $12 million.

Within this application there are three applications in the McKinney area and the department has received a considerable amount of e-mail requesting that the board not induce these transactions. We did receive
verbal confirmation that two of those projects will be pulled by the applicant; however, until we receive written confirmation of that, my recommendation is to leave them in the inducement and should we receive the written confirmation, we just simply will pull those and not submit those to the Bond Review Board.

Also, there are two applications in Frisco, Texas. One of them, Frisco Villas, has been pulled, so we're looking at --

MS. ANDERSON: What's the number of that? Do you know the numbers of these?

MR. ONION: Which ones?

MS. ANDERSON: Frisco Villas.

MS. CARRINGTON: Frisco Villas is 003-067, and it's at the bottom of your first page, Ms. Anderson.

MS. ANDERSON: Okay, thank you.

MS. CARRINGTON: And Robert, that was the one that's been pulled, Frisco Villas has been pulled?

MR. ONION: Yes, ma'am. So we have now one in Frisco, and should we receive written confirmation on Primrose Villas and Primrose Broadway, there will only be one in McKinney, and that would be Stonebrook, which is a project that went before the board sometime in April or May of this year.

If you have any questions, I'd be happy to
answer them.

MS. CARRINGTON: Robert, you might mention the
date of the lottery.

MR. ONION: The date of the lottery for the
Texas Bond Review Board is on Halloween, October 31.

MAYOR SALINAS: The ones in McKinney, are those
two going to be pulled, the two of them? They have
three.

MR. ONION: Excuse me?

MAYOR SALINAS: McKinney.

MR. ONION: Yes, there is three and we have
verbal confirmation that the applicants want to pull two
and the one that would be remaining would be Stonebrook
Villas.

MAYOR SALINAS: Primrose?

MR. ONION: Primrose Villas and Primrose
Broadway we have verbal confirmation that the applicant
wants to pull those, but for inducement purposes we're
including it on the list. Also, I've just received a
correction on 003-048, Coughtrey Estates in Grand Prairie,
not in Houston.

MR. CONINE: Do I hear a motion from the board?

MAYOR SALINAS: So moved.

MR. BOGANY: Second.

MR. CONINE: Motion to approve the inducement
resolutions on the amended list that Mr. Onion has just amended for our consideration, motion was made by Mayor Salinas and seconded by Mr. Bogany. Any discussion?

MS. ANDERSON: I have a question for Mr. Onion. The Frisco project -- I think there are two projects in Frisco, I just want to make sure I understand where these verbal indications are to withdraw two in Frisco and two in McKinney. Is that right?

MR. ONION: Two in Frisco, three in McKinney.

MS. ANDERSON: Three are being withdrawn in McKinney?

MR. ONION: Two are being withdrawn.

MS. ANDERSON: And one is being kept. So in terms of the ones that are proposed verbally to be withdrawn, pulled, it's two in Frisco and two in McKinney.

MR. ONION: One in Frisco, two in McKinney.

MS. ANDERSON: Okay.

MR. CONINE: Leaving one in Frisco and one in McKinney.

MS. ANDERSON: One in Frisco and one in McKinney. And your recommendation is that we approve the inducement resolution as written leaving these in, and I guess I"m trying to understand if someone is proposing to withdraw them verbally and there has been some public comment about at least some of these -- or public input
about at least some of these that we're talking about that
are proposed to be withdrawn; then if we leave them in the
resolution the developer, I assume, it's perfectly within
their rights to decide after we vote the full amount in
the inducement resolution not to move forward with their
verbal stated intention to pull them. Right? So they can
change their mind and not pull them?

MR. ONION: That is correct, however, the
reason why Primrose Villas and Primrose Broadway, one of
the reasons I think they are considering pulling it is
that currently they have reservations with the McKinney
Housing Finance Corporation for these projects, and under
statute we cannot sponsor an application to the Bond
Review Board if there is a reservation, within 150 days of
receiving a reservation.

MR. CONINE: I'd like to speak editorially
about the whole process, in that, again I would beg the
legislature to make some changes to this process. This
ping-pong-ball system just denies all intellectual
capacity to put projects where they need to be put, and
this agency and this board sometimes get tagged with
projects put in particular areas that are left up to a
ping-pong-ball lottery system, and I for one don't believe
that's appropriate and it's hard to live with as a board
member.
That being said, it would be a deviation from what this board has done as a standard policy over the past years to start pulling these things before inducement resolutions are issued and they actually win the ping-pong-ball list, but I'd like to go on record, at least from this board member's perspective, and tell the projects' developers that are in the room and that may get a chance to read this transcript that by this board receiving some public comments already from certain city officials, by the number of projects, as a for instance, that are located in Austin in a market that we believe is overbuilt and that probably doesn't need any more multifamily in it, that this board member is going to look particularly hard to the market studies, this board member is going to look particularly hard at the community interaction, and to blame it on a ping-pong-ball system and to try to do it just because that's the system in place, as we know it today, will not affect this board's complete discretion and scrubbing, if you will, of all these particular projects.

I don't want anyone to leave this room thinking that they will automatically have a deal if they happen to get lucky in the ping-pong-ball system because that's not going to be the case this time around. But I'm willing at this point to let the projects go forward just to see how
the ping-pong lottery comes out.

Any other comments from the board? If not, we have a motion on the floor to approve the amended list that Mr. Onion has put forward. All those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Do you want to go ahead and make this presentation, Ms. Carrington?

MS. CARRINGTON: Yes, I will, Mr. Chairman, thank you.

Item 3(d) is three Tax-Exempt Bond transactions: Hickory Trace Apartments in Dallas; Green Crest Apartments in Houston; and Mark IV Apartments in Fort Worth. And this part of the presentation will be approval of the issuance of tax-exempt bonds. We do have a little bit later on the agenda the approval of the Low Income Housing Tax Credits, the 4 percent credits for these transactions.

Behind 3(d) each of these developments actually has seven tabs behind that, so I can walk you through briefly a synopsis of the transactions.

Hickory Place Apartments is located in Dallas -- this is behind Tab 1. There's a copy of the
transcript of the public hearing; there was no opposition to this transaction. It's 180-unit multifamily transaction at the intersection of West Wheatland Road and Westmoreland Road in Dallas -- there's a map behind Tab 5 if you're interested in where it is located -- and the bond amount on the issues would be $11,920,000, and the interest rate on those bonds is 7 percent and the closing date is scheduled for November 8, 2002, and this is a Priority 2 transaction in the bond lottery, and staff is recommending approval of the issuance of tax-exempt bonds for this transaction.

MR. CONINE: Is there a motion?

MS. ANDERSON: So moved.

MR. BOGANY: Second.

MR. CONINE: Moved by Ms. Anderson, second by Mr. Bogany. Any discussion?

Mr. Onion?

MR. ONION: Just one correction. That particular Hickory Trace is a Priority 1 deal.

MS. CARRINGTON: Priority 1 as opposed to Priority 2. Thank you, Robert.

MR. CONINE: Any other discussion? All in favor of the motion, signify by saying aye.

(A chorus of ayes.)

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

MR. CONINE: Motion carries. Second one?

MS. CARRINGTON: Mr. Chairman, may I go back and read the file number for this transaction?

MR. CONINE: You may, yes.

MS. CARRINGTON: For the Hickory Trace Apartments, Hickory Trace Housing, it's File Number 2002-057.

The next transaction is the Green Crest Apartments in Houston. There were no attendees at the public hearing on this one, and there is a map behind Tab 7. It's 192-unit multifamily to be located at Green Crest Drive and Westpark Drive in Houston, and the bond issuance amount on this is up to $12,500,000, interest rate of 7 percent; the anticipated closing date is November 6, and this one is a Priority 2 transaction.

MR. CONINE: Can I get a motion?

MR. BOGANY: So moved.

MS. ANDERSON: Second.

MR. CONINE: Moved by Mr. Bogany for approval, seconded by Ms. Anderson. Any discussion? Did you read the resolution number? I can't remember whether you did or didn't.

MS. CARRINGTON: No, sir, I didn't. Thank you.

The file number on the Green Crest Apartments is 02-439,
2002-066.

MR. CONINE: We'll vote on a motion. All those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item 3, we have some public comment on Item 3, and this is the Mark IV Apartments. I'd call Nicole Flores.

MS. FLORES: Good morning, members of the board, Ms. Carrington. My name is Nicole Flores and I'm here today on behalf of Brisbane Development to speak on behalf of the Mark IV development.

Brisbane Development is a large developer, national developer that has a little over 18,000 units in their portfolio. Mark IV Apartments, also known as Ironstone [sic] Ranch, will be their tenth development in Texas.

I come before you this morning -- first of all, I want to thank the staff for their careful and considerate review. I've been critical in the past of the Underwriting Department and I wanted to note specifically that there was a tremendous amount of communication back and forth between the Underwriting Department and the development team on this transaction in terms of just
general questions and follow-up.

   It's unfortunate that Mr. Gouris isn't here this morning because I'd really like to thank him for the changes I've seen in the Underwriting Department in terms of their communication on these transactions. As you know, 4 percent deals are often very difficult in terms of the underwriting, there's a lot of questions, we're on a quick time frame, so that communication was very valuable.

   We're in the fortunate position this morning that staff has recommended an adequate amount of tax credits for this project, and the financial underwriting and review and analysis is in your board packet, and we concur and agree with the staff's recommendation.

   This property is zoned C-3 under Fort Worth zoning regulations; that is a multifamily zoning designation that allows for up to 18 units of density on the site; it's a 26-acre site, 280 units. We're at a density of just under eleven units per acre. Because of contiguous single family and commercial land uses, we have provided a buffer on the site plan. In fact, there's a four-acre buffer between this property and the contiguous single family, so we have given careful consideration to the immediate area.

   You're going to hear from Mr. Larry Stevens in a few minutes who is the president of the Crossing at
Fossil Creek Neighborhood Association. When the TEFRA hearing was held on this particular property, unfortunately it was scheduled just three days after the Fort Worth Housing Authority had had a very large public meeting in the area in response to the Ripley Arnold [phonetic] relocation. The Ripley Arnold housing project was a public housing facility in Fort Worth that was deemed obsolete and is being actually sold to the Tandy Corporation and will no longer house public housing residents. The Public Housing Authority of Fort Worth is in the process of relocating those residents.

So again, three days before our TEFRA hearing, the public housing authority was at the same library having a public meeting and our project was mentioned. So at that hearing there was a large contingent of neighbors that were very concerned about the potential for public housing residents being in their community, and because our meeting was mentioned, we had a very large contingent of those concerned citizens that showed up again three days later and spoke in opposition.

Unfortunately at that time we weren't aware that there was opposition and we have not had any time to really meet with the neighborhood groups or work with them to educate them. As you know, often these bond reservations come to you eight-nine months after you've
originally submitted them. So since the time of the TEFRA hearing, we have done extensive outreach to both the Parkland neighborhood group and the Crossing at Fossil Creek neighborhood group. The Crossing at Fossil Creek is a contiguous neighborhood group to us and we have met with them, we have heard their concerns, and I have to applaud them for the time that they've given us. And I also want to thank Mr. Stevens personally for his interaction with me and the level of professionalism with which we've interacted.

I had asked the neighborhood group that in follow-up meeting would they please bring to me concerns that I could address, and they did in fact bring to me legitimate concerns that as a developer I can look at things like landscape buffering and offsets and security fencing and those types of things that I can legitimately address as a developer. And in fact, the Brisbane Company has made concessions, significant concessions to the neighborhood in adding areas of landscaping and buffering and adding additional masonry to some buildings that front to the single-family neighborhood. We've assured them that there will be access gates to control traffic flow in and out of our property.

So we have done extensive outreach with the neighborhood groups and we feel we've made a very good
faith effort to follow up with them, and I hope Mr. Stevens' comments will reflect that, and I believe they will.

There was also an initial letter from Representative Vicki Truitt, who is the representative for this area; I believe that letter is also included in your packet. Of course, once we had opposition and after we'd already met with the city and knew this met their Con Plan, their Consolidated Plan requirements, we went back to the council member in the district, Jim Lane and we met with him and his staff and talked about this property. We were able to garner a letter of support from Council Member Lane which should also be in your packet.

We were also fortunate enough to spend about an hour and a half with Representative Vicki Truitt and walk her through our site plan of our development. Initially, Representative Truitt's primary concern was that this not be a tax-abated property, and we have confirmed with her that this is a for-profit developer, that we have about $1,300 a unit a year set aside for tax payment on the property, and there will be no attempt to tax-abate this property.

I have a follow-up letter from Representative Truitt which I've given to Mr. Onion which I received yesterday -- I've got copies here with me -- where the
representative does indicate that she has met with us, that she is satisfied with the information that we've provided to her, and she has withdrawn her opposition in that sense.

So the developer has worked very hard, I think, to address the concerns that were raised at the TEFRA hearing; we have made accommodations to the neighborhood group; and we respectfully request that you follow staff's recommendations to induce the bonds and to award the tax credits in the later agenda item. I'm open to any questions.

MR. CONINE: Any questions of Ms. Flores?

(No response.)

MR. CONINE: Thank you for your presentation.

MS. FLORES: Thank you so much.

MR. CONINE: I call on Mr. Larry Stevens. Good-looking tie you've got on there, Mr. Stevens.

MR. STEVENS: Thank you. Good morning, Mr. Chairman and committee members. I appreciate the time afforded, and thank you, Nicole. The Brisbane Group has afforded us an opportunity to address some concerns with them. I'm not certain if I give my address, or you already have it, I assume?

MR. CONINE: We've got it, that's fine.

MR. STEVENS: I did come before you today in
representing the neighborhood, the Crossing at Fossil Creek which I'm currently president of: I've also been president of Northbrook Neighborhood Association for many years before that time frame.

The concessions mentioned by Brisbane are appreciated if they come in but there's still an overriding concern in the which I'll run down very quickly, recapping a few things that you have and adding to that in trying to put a little bit of concern.

I do want to address -- because it's the first time I've heard -- any support from Jim Lane. I would have to question that in particular as a city council member in the district. He has refused to meet with the neighborhood on this concern and actually is a former opponent in a council race, so I'd have to weigh that appropriately. But like I said, he's refused to meet with the neighborhood concerning this particular item.

My personal background is in addition to living in this particular area for 19 years, one year in the current new neighborhood which consists of about 200 homes at this point, and that's significant. Northbrook consists of about 380 homes. Those are the only two neighborhoods that are in District 2 of Fort Worth, just north of 820.

My background, also in terms of just where
you're coming from in working with people, is that I've headed up administering at Butler Housing which is the largest housing project in the city of Fort Worth, very familiar with the needs, very familiar with the concerns of the people that live in areas that need affordable housing, and we've worked actually with groups to help build houses and to get people out of housing projects and get established, so this isn't an issue of us and them, this is more than an issue of "not in my backyard syndrome."

As a matter of fact, to put things in context, the available land in Tarrant County to develop in is approximately the size of Rhode Island. We are zoned much more multifamily than there's a market for right now. Matter of fact, around the area a lot of the land is for sale that's multifamily and they're not developing on because the market is depressed. I understand this is a little different because the market is a little bit lower income, but that's what I want to qualify here.

Some of our concerns in here -- like I said, I've lived in this area and worked in this area for almost 19 years, and in that time frame we've been working trying to see a positive growth in this area. The price of the homes in Northbrook, that's been there for about 20 years now, varies from $30- to the mid $50s. Recently some of
the home prices, since the market has increased a little bit, have gone clear up into the low and mid-$60,000. That should give some reflectance in terms of the type of income and the type of area that we're talking about.

The new neighborhood that we've worked in -- and when I was president of that neighborhood association, we'd worked to try to get some areas rezoned, we did, and bringing in D.R. Horton to the area, the zoning A to bring in single family -- which now has actually improved the area for a whole host of reasons -- the prices are up to about $100- to $180,000 for the new development, and we've been working trying to see positive development along there, everything from restaurants, single family, and even the multifamily that comes in, that has a higher standard that will help improve the entire area.

So with this, we've got a concern. Our concerns, as we spoke with the Brisbane Group, number one is security in that as far as our neighborhood is concerned and as far as Northbrook. Security because of the types of funds that housing at this level brings with it, not just that, the placement of this. This is being placed adjacent to a park, a park that this community has worked for over 15 years to get a park in this neighborhood. This housing project or apartments will be situated right next to that park, which brings a concern
that many of you can imagine, plus my experience in working with housing projects and other apartments of this nature in the past, it becomes an area that you have to guard against quite a bit to be certain that it doesn't become a hangout and become a security problem. So the location next to a park is a very big concern.

And of course, property values which we've addressed with them, and actually if they came in and building what they were talking about building and not being affordable or low income housing, probably would have less of a concern as far as in terms of property values, but it does set a lower standard in terms of the contracts and things in the area that we're trying to bring in, trying to have positive development.

But our concern, on the other hand, of trying to look at the people who will be coming in here -- and I will end here real fast -- the renters that will be coming in in this area, there is no public transportation in this area, there are no plans for public transportation in this area. Although many people should have cars, quite often people that come in and renting in the lower income and affordable housing -- and as indicated and discussed a little bit ago, Ripley Arnold is kind of a famous housing project now in the city of Fort Worth -- there's a similar housing unit called Garden Gates on Beach Street just a
couple of miles to the west of that that's also 60 percent, that's a 240-unit development that's 60 percent of median value, and currently where they have openings are housing people from Ripley Arnold in that project also. We're talking about pretty much an equivalent project at 280 units, so that is a very real concern in terms of the lack of public transportation, the lack of retail, there is no retail in walking distance, short of a liquor store, and there are no jobs to speak of within walking distance. Again, so it doesn't accommodate those sorts of needs for that particular group of renters.

And the other part is the schools. This is Eagle Mountain High School District, the high school is almost 15-20 minutes away by car, there are no after-school buses or transportation to meet needs in that area. The other schools are also appropriately distanced -- in other words, quite a ways to get to and would stress a lot of the programs. Recently they just voted to increase the taxes to meet the stretching needs there and this continues to push that system. Some of the class sizes currently, unfortunately, I've been told in the last week or so, are 40 children and more in some of the classes, so that's a very big concern.

So I've addressed some of the practical side of things. Now there are two other things I want to address,
and with that, I'm going to pass back to you some pictures. These pictures represent a little bit what I've been talking about. Just real quickly taken some pictures of the Northbrook neighborhood homes and right next to that neighborhood is Bluemound City, it's a different city; it's the city the size of a large neighborhood that's situated immediately to the west. As you can see, we're not talking about upper middle class homes. Matter of the fact, in the area we're talking about we're all below-median-priced homes.

And in that, as we've dealt with looking at some of the standards and things that the city has done in their guidelines, the City Council District 2 is: number one, over 85 percent minorities, so there's a concern, as we've seen in the federal guidelines, of adding low income, affordable, et cetera, housing to heavily minority areas; and number two, City Council District 2 is also a low income or considered a poverty zone, well below the median value, median price of homes.

This neighborhood, and actually our neighborhood that we're in, the Crossing at Fossil Creek and Northbrook are the only two neighborhoods that are immediately north of the freeway in this City Council District 2 which is a thin band that runs from downtown Fort Worth up to Texas Motor Speedway. By adding these
280 units in this area would immediately put what's
defined as the poverty level in Fort Worth that area at
being 33 percent poverty without considering the income of
Northbrook, and in the larger scope in terms of the area
and looking at the community beyond just the city,
immediately west the city of Bluemound which borders right
up against the neighborhood which is also very low income.

As I understand, 24 CFR (9) is it that talks
about not stressing areas of low income with further
projects like this of low income. So our concern with
this adding to a situation that has been working for a
number of years of trying to improve itself, trying to
bring in higher quality of housing, trying to raise the
standard that will help all the people there, help
encourage the people, encourage the right kind of
development in there, and bring more people in there.
Right now addressing the need of lower income, this
apartment unit can also be seen as competing with those
that are even renting houses in this area because the
housing rent, people are spending $400 to $600 a month on
their typical mortgages and houses will rent in there from
$500 to $600, maybe a little bit more at times, a month
rent.

So we're talking about bringing in affordable
housing that's going to rent from nearly $700 to $860, so
there already is affordable housing in this area. There
are places for rent, there's not really that need in that
area. So that's our concern: bringing something that
brings a lower standard that does not have the public
transportation, is right next to a park that will make
very difficult a situation in terms of security next to a
park, and set a lower standard for trying to develop the
things that are in there right now.

I appreciate your time; I look forward to
working with the different groups that come in. Brisbane
has been very helpful but our concern is, as I mentioned
to her, in terms of the area, in terms of the standard,
this will further depress the area and it also is taxing a
low income area as recognized by the city and especially
by state guidelines. Thank you very much.

MR. CONINE: Thank you, Mr. Stevens.

Any questions for Mr. Stevens?

I've forgotten whether we have a motion or not.

Do we have a motion?

MAYOR SALINAS: I move that we go ahead and
accept the staff's recommendation on this project.

MR. CONINE: Mayor Salinas moves. Is there a
second?

MR. BOGANY: Second.

MR. CONINE: Mr. Bogany seconds. Any
discussion?

MS. ANDERSON: I have a question I guess for Ms. Carrington about the market study on this project where there's some dialogue in our underwriting report about use of a seven-mile radius versus a five-mile radius. Most of the deals we see use a five-mile radius. The capture rate there, if you use a five-mile radius is above our threshold, but then it goes on to say: "After discussion with the market analyst, the underwriter believes the seven-mile radius is adequate in determining the demand for the property." Can you shed any light on what caused the underwriter to draw that conclusion and use that radius? I realize he's not here today.

MS. CARRINGTON: We have had market analysts who have used greater than five miles in the past, I think probably seven is the largest radius that we have used, and I think what we see is that there was a dialogue going on back and forth with the market analyst about what really constituted the market area, and they felt comfortable and we felt comfortable with increasing that radius from five to seven miles.

MR. CONINE: Do we know how long this property has been zoned? Do you remember?

MS. CARRINGTON: Nicole, do you know the answer to that?
MS. FLORES: (Speaking from audience.) My understanding was it rezoned with the help of some of the neighbors about two years ago from commercial light industrial to multifamily.

MR. CONINE: Okay, thank you.

MS. CARRINGTON: So for the record, Nicole's answer was she understands it was about two years ago.

MR. CONINE: Any further questions of Ms. Carrington or anybody else? All right, a motion on the floor to approve the staff recommendation for the Mark IV Apartments. All those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MS. CARRINGTON: And Mr. Chairman, for the record, the file number is 2002-075, and this is for the issuance of tax-exempt bonds in the amount of $15 million.

MR. CONINE: Okay. Let's skip down to Item 5 that would be appropriate to discuss at this time which is the issuance of the 4 percent credits to go along with the bonds we just approved.

Ms. Carrington.

MS. CARRINGTON: Thank you, Mr. Chairman.

Behind Tab 5 you find the same three
developments that you just approved for the issuance of
tax-exempt bonds. This is for the recommendation for the
allocation of the 4 percent tax credits. The first one is
Hickory Trace Apartments in Dallas.

MR. CONINE: Let me see if I can get a motion
to approve all of these.

MS. CARRINGTON: Okay.

MR. BOGANY: I move that we approve all three.

MR. CONINE: Mr. Bogany moves to approve all
three: Hickory Trace, Green Crest, and Mark IV. Is there
a second?

MR. GONZALEZ: Second.

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

Any further discussion? Seeing none, all those in favor,
signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item 5(b).

MS. CARRINGTON: Let me read the project number
and the allocation amount.

MR. CONINE: Okay, go ahead.

MS. CARRINGTON: The TDHCA development number
for Hickory Trace Development, Hickory Trace Housing is
TDHCA Number 02-438, and the tax credit allocation amount
is $762,750 on an annual basis. The second is the Houston transaction which is the Green Crest transaction, TDHCA Number 02-439, the tax credit allocation amount is $523,902. And the last one is the Fort Worth transaction, Iron Wood Ranch, TDHCA Development Number 02-440, the allocation amount is $759,152.

MR. CONINE: Thank you. Next one is the Fort Worth Hulen Bend Seniors Community 02-441.

MS. CARRINGTON: Yes, sir. And this is 5(b) in your material. Tarrant County Housing Finance Corporation is the issuer on this particular transaction; we will be issuing the 4 percent credits. It's elderly, it's located in Tarrant County in Fort Worth, and our recommended credit allocation on this transaction is $520,464.

MR. CONINE: Is there a motion?

MS. ANDERSON: I move adoption.

MR. BOGANY: Second.

MR. CONINE: Ms. Anderson moves and Mr. Bogany seconds. Any further discussion? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Next Item 5(c) would be three increases, I guess.
MS. CARRINGTON: Correct. Mr. Chairman, you have before you behind item 5(c) a request for increases in tax credit allocations on tax-exempt bond and 4 percent credit allocations. We have three transactions in front of you; you have a summary of each of the reason for the justification for the requested increase in the tax credits, and behind each of these you do have an updated underwriting analysis addendum supporting and justifying the additional amount of the tax credits requested.

MR. CONINE: Do you want to read into the record the actual amounts staff is recommending?

MS. CARRINGTON: Yes, sir, I will. The first one is the Country Lane Seniors transaction which is located in McKinney, and the file number on that transaction is 99-04T and the amount of credit that we are recommending is an additional $44,042 in tax credits for the Country Lane Seniors Community.

MR. CONINE: Is there a motion?

MAYOR SALINAS: So moved.

MS. ANDERSON: Second.

MR. CONINE: Mayor Salinas' motion with Ms. Anderson's second. Any further discussion? I think the board members probably got a copy of our tax credit counsel Tony Freeman's letter concerning increases on these 4 percent credits, and just so the development
community will know, we finally figured out what the rules of the game are, I think, and hopefully this will be indicative of that. Any further discussion? Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MS. CARRINGTON: Mr. Chairman, the second request is from Stone Brook Seniors Community. This property is located in San Marcos, the TDHCA number on this particular property is 99-13T, and the additional amount of credits recommended is $27,965.

MR. CONINE: How about a motion?

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

MR. CONINE: Mr. Bogany moves, Mr. Gonzalez seconds. Any further discussion? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MS. CARRINGTON: Mr. Chairman, the last request is from the Pleasant Valley Villas. This property is to
be located in Austin, TDHCA file number is 02-413, and the additional amount of credit that staff is recommending for this transaction is $262,448.

MR. CONINE: Is there a motion?

MR. GONZALEZ: So moved.

MR. CONINE: Mr. Gonzalez moves. Is there a second?

MAYOR SALINAS: Second.

MR. CONINE: Second by Mayor Salinas. Any further discussion? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MS. CARRINGTON: Mr. Chairman, before we go on to the next agenda item, may I have a moment to just make a comment about what we've just done?

MR. CONINE: You may.

MS. CARRINGTON: Thank you. We did consult with our legal counsel and got clear, as you said, Mr. Chairman, about what our abilities and discretion is under the IRS rules to modify or adjust amounts of credits or so forth, but I wouldn't want the development community to take that to mean that from this board member's
perspective eliminates any duty that the development community has to submit complete applications at the time, as we go through these various steps in the process to have complete applications.

And certainly while this gives us the discretion to award additional credits for construction delays and things that are legitimately beyond a developer's control, we certainly still expect high standards of management as you go through a construction project so that when we choose to award additional credits, we're comfortable awarding them because of things that were out of your control.

That's sort of a long-winded way of saying we still hold you all to a very high standard of what we ask you to provide to our staff to enable our staff to work with you and get your deals done, approved, dirt flying and housing built.

MR. CONINE: We probably will again focus on that in a more policy-worded area in our QAP so it can be very, very specific, and we'll get that I guess next month.

MS. CARRINGTON: Yes, sir, correct.

MR. CONINE: Okay. Moving on to 5(d), I do have one -- on number (2) I have a public comment, so we can go ahead and do number (1) if you'd like, approval for
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extension request.

Ms. Carrington, are you doing this one?

MS. CARRINGTON: Yes, sir, I am. What you have
before you is requests for extensions on three
transactions, so this is behind 5(d), the justification
request for each of these. The first one is Parkway
Seniors Apartments, and this is to be located in Pasadena,
and basically the reason for this third request is they
got behind HUD's eight-ball on reviewing 202 applications,
and the way I understand it, HUD basically said you're
going to have to wait as we process your D-3 commitment or
your D-4 commitment. So their current deadline for
closing the construction loan is October 12, 2002, and
what they are requesting is a new deadline of October 28,
2002, and staff is recommending that this request be
approved.

MR. CONINE: Is there a motion?

MR. GONZALEZ: So moved.

MAYOR SALINAS: Second.

MR. CONINE: Mr. Gonzalez with a second by
Mayor Salinas. Any further discussion?

MS. ANDERSON: May I ask a question?

MR. CONINE: Sure.

MS. ANDERSON: How long do we -- I should know
the answer to this, but how long do we have on a 2001
commitment? I think this was a 9 percent deal.

MS. CARRINGTON: Correct.

MS. ANDERSON: How long do we have to have a deal not end up getting done before we lose the credits. If this doesn't go through, have we lost the ability to reallocate this one?

MS. CARRINGTON: December 31, 2003. They have two years to place the buildings in service, and the intermediate time lines that you see are time lines that have been put on these developments by the department to indeed make sure that they do move forward. These credits, if the housing was not built, development was not placed in service by December 31 of 2003, then this developer would lose these credits.

MS. ANDERSON: But do they come back to us?

MS. CARRINGTON: Yes, to reallocate.

MR. CONINE: You can see down there where we've already granted previous extensions.

MS. CARRINGTON: Correct.

MR. CONINE: So as they sometimes say, this has got a little hair on it already, so let's hope they can get it closed in the next two weeks.

MS. CARRINGTON: I'd like to think as we continue to develop our relationship with the regional office of HUD in Fort Worth, that our tax credit
developments will not be put behind 202 applications when our developers indeed have time frames that they have to meet also.

MR. CONINE: Motion on the floor for approval. Any further discussion? If none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item (2) which is the Northstar Apartments, and I believe Mr. Sherman is here to speak.

MR. SHERMAN: Good morning, Mr. Chairman, Director Carrington, and members of the board. My name is Bob Sherman, I represent the Northstar Housing Development and Mr. Fred Huerte, who is the manager of that development and heads up the nonprofit organization.

We too had an experience with a 221(d)(4) HUD loan. In fact, on the 27th of September, well in advance of the date we were required to close, we actually attended a closing. We had 14 people present, including Fred and myself. The $1.2 million equity did arrive from Simpson Housing late in the day; we have an irrevocable 221(d)(4) loan commitment from HUD that goes through irrevocable through November 8. That was all signed up,
all of the loan documents were signed at the closing, and as I said, with our small army of attorneys we waited for one particular document which was a letter of credit to be provided by Simpson Housing that was rather difficult for them to develop and to please the bank and to please HUD to ensure that the final remaining tranche of equity was actually going to be available.

You can't put a bridge loan behind a 221(d)(4) HUD loan. This was our first experience with it; they were all very cooperative. We've been invited back to close the loan -- pardon me -- we have closed the loan, all we have to do is go back and give them the letter of credit, all the documents are signed, and HUD has invited us back; they definitely want to do the deal; they've got an irrevocable commitment anyway.

They've invited us back October 16; we're going to ask this morning for an extension, just in case anything else happens which I doubt -- it's less than two pages long, this confounded letter and it will be presented within the next day or two -- we'd like an extension until the 25th of October just to make sure it doesn't happen again, and I am quite sure it won't. As I said, the 16th is when we've been invited back.

So if you'd be kind enough to offer us that, and I guess the next time around we too will be a little
more experienced at how to marry a 221(d)(4) HUD loan with Section 42 tax credits. Thank you.

MR. CONINE: Do we need to help you twist Mr. Shagrue's [phonetic] arm or anything?

MR. SHERMAN: Well, Mr. Shagrue offered to come up and offer that same statement. He's been instrumental in helping us with his California people.

MR. CONINE: He's been a help, not a hindrance?

MR. SHERMAN: Oh, definitely.

MR. CONINE: I just wanted to see what his reputation was like nowadays.

MR. SHERMAN: He's also a personal friend. They have a large company and a lot of attorneys and a lot of executives, and it had to go through all of them.

MR. CONINE: Do you want to make a staff recommendation, Ms. Carrington?

MS. CARRINGTON: Staff is recommending that we grant the extension. The request that you have in the book, the new deadline requested was October 15, and I did talk to Charles Nwaneri yesterday afternoon -- and Fred, I know he gave you a call -- and what we would like to recommend is that that new deadline requested be October 25.

MR. CONINE: Is there a motion?

MR. BOGANY: So moved.
MR. GONZALEZ: Second.

MAYOR SALINAS: Should they give them a little bit more time in case something happens, maybe another ten days?

MR. SHERMAN: Mayor, that would be very kind if you want to do it that way. I think it probably would be a good idea.

MAYOR SALINAS: If it doesn't happen, you're going to have to come back.

MR. SHERMAN: That's right. We sure don't want to come back.

MAYOR SALINAS: So if it's October 25, you get another ten days or whatever.

MR. CONINE: I heard Mr. Bogany move the 25th and I heard Mr. Gonzalez second it, and I'm hearing Mayor amend it.

MAYOR SALINAS: I'm just saying if it doesn't happen, he's going to have to come back; an extra ten days is not going to kill anybody.

MR. CONINE: Do you want to accept that as a friendly amendment to your motion?

MR. BOGANY: I sure will.

MR. CONINE: So we're moving it to the 31st? Is that acceptable with you, Mayor Salinas?

MAYOR SALINAS: Yes.
MR. CONINE: Any other comments? Again, we're moving the deadline to October 31.

MS. ANDERSON: I just have a question.

MR. CONINE: Okay. On the staff recommendation where it says prior extensions on project, it says extend closing construction loan from 6/15/01 to 10/1/01, do we mean '02?

MR. SHERMAN: Yes, you would have meant '02.

MS. CARRINGTON: Yes.

MS. ANDERSON: Okay.

MS. CARRINGTON: Thank you, Ms. Anderson.

MR. CONINE: Any other questions concerning the motion on the floor? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. SHERMAN: Thank you very much.

MS. CARRINGTON: Fred, don't tell HUD you've got extra time.

MR. CONINE: Show up on the 16th.

MR. SHERMAN: Or Mr. Shagrue.

MR. CONINE: Right. Show up with your letter of credit on the 16th.
(General laughter.)

MR. CONINE: Third item.

MS. CARRINGTON: The third item we're requesting an extension on is the Grand Texans Seniors Community. This is located in McKinney and what they are requesting is to extend the commencement of substantial construction. Their current deadline is November 8, 2002, and they're requesting a new deadline of February 2, 2003.

MR. CONINE: Is there a motion?

MS. ANDERSON: I move to approve staff's recommendation.

MAYOR SALINAS: Second.

MR. CONINE: Motion by Ms. Anderson, second by Mayor Salinas to approve the staff's recommendation. Any further discussion? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Okay. We will take a ten-minute break right now.

(Whereupon, a brief recess was taken.)

MR. CONINE: We all appreciate the recess and hope you did too. Let's get back to the agenda. We're down to 5(e) based on where I've got us tracked. Ms.
Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman.

Agenda Item 5(e) is the allocation of 2002 credits to four transactions that were on the waiting list and then a fifth transaction that was split between a 2002 allocation and a forward commitment on 2003.

The first document you have behind Tab 5(e) is a list of the developments that have withdrawn, that have returned their credits since the credits were allocated on the 29th of July, and you can look to see that what we've had returned in the Rural is $1,204,549 in credits, and we also had a General Set-Aside credits returned, Ray's Pointe for $1,047,330.

MR. CONINE: Could we get a feeling -- you know, those are recent decisions we made back in July -- can we get a feeling as to what happened on a lot of these?

MS. CARRINGTON: Yes, sir, you can, and I can also give you the location of the transactions which I think for me I was interested in finding out where they were. Going down the list, Windmill Pointe is located in Merkel, and that's right outside of Abilene; Briarwood Apartments was to be located in Kaufman; La Mirage Villas in Perryton; Green Manor in Hempstead; Bayou Bend in Waller; Willowchase in Hempstead; and Cedar Cove in Sealy;
and Ray's Pointe in Texarkana.

Going down the reasons the credits were returned in order:

Windmill Pointe, the transaction that was to be located in Merkel was unable to move forward due to market conditions. Basically what they determined was that they were about 20 miles of so from Abilene and that there really was probably not going to be enough market for 76 units, and in reading at least an article that was in the Abilene newspaper, the developer said that they had looked for financing from five different lenders and had not been able to secure financing for the transaction.

The next two go together and that's Briarwood Apartments and La Mirage Villas. These were developments that were acquisition-rehab and needed additional financing. We were looking at allocating junior lien money to those transactions but the developer was not comfortable that the junior lien money was going to come in time. I think there was probably some miscommunication with staff on those two, and so they did withdraw their transactions.

MR. CONINE: Is there any commonality of developers here on all these projects?

MS. CARRINGTON: Well, Briarwood Apartments an La Mirage were the same developer; that was Patrick
Barbolla, who is a rural developer, old Farmers Home developer who has been in the business for a very long time.

MR. CONINE: He's very old.

MS. CARRINGTON: Please, I don't want to be on the record telling Patrick that.

MR. CONINE: Well, you said he's old.

MS. ANDERSON: He's experienced.

MS. CARRINGTON: I meant he's experienced.

Thank you, Ms. Anderson. He's been in the business a while, a long while. Matter of fact, he was there when I was at the agency in '87, so he's definitely been around a while.

The next four are transactions of Pfizer Development Company and these four were acquisition-rehab and they were going to be identity-of-interest transfers, and when we did our standard calculation on identity-of-interest transfers and how much we allow for holding costs, there was a portion of the acquisition cost that we were disallowing, and with that the developer determined that it was not feasible to move forward on those four.

Ray's Pointe in Texarkana lost their zoning. They came to us and asked if the site could be changed and they had received the 15 points for preapplication, and we said no, you cannot change your site, and so they did
Then along with what we've had turned back, we did have $31,748 which we received in national pool credits, so we did qualify for the national pool which, of course, every year has gotten much, much smaller. So what we have to reallocate is $2,283,627.

I think it's important to note the paragraph right after the chart, a couple of things that the board said in August when we did the waiting list, and that was you asked us to bring the developments back -- as we do have credits to allocate, you asked us to bring them back. We also said that we would look to allocate credits to any of the set-asides that were going to be harmed by having the credits returned, and so those set-asides are the Nonprofit, the Elderly and the Rural, and then we also said that the first credits that would come back from the rural set-aside would go to fund the Woodview Apartments because that was the one that was split between '02 and '03.

MR. CONINE: Correct.

MS. CARRINGTON: And so the recommendations that you see today are consistent with what the board directed us to do at that meeting in early August.

MR. CONINE: Do you want to read those into the record and then we can have some discussion?
MS. CARRINGTON: Yes, sir. What staff is recommending -- and this is on page 2 -- is an allocation of credits to: Development Number 02-131, The Meadows of Oakhaven, in Region 8A, and it's a Rural transaction located in Pleasanton, and the allocation amount would be $407,934; the next is TDHCA Development Number 02-040, Residences on Stillhouse Road, located in Region 4, Rural, $356,659, and that development is in Paris; the next is 02-012, Highland Oaks, Region 7, Rural, allocation amount is $536,984, that is to be located in Marble Falls. For a total of $1,301,577.

Then picking up the Woodview Apartments, 02-070, Region 2, General, and then the additional credit amount is $219,938, that would be their full allocation, and the next one is 02-135, Lakeridge Apartments, Region 4, General, $762,112, this is located in Texarkana. What we have is then basically the same thing with Lakeridge that we had with Woodview in that it will have a partial allocation of '02 credits and that as soon as we have additional credits come back, we need actually $216,077 to complete the allocation on Lakeridge, and we feel fairly certain that we will have that amount or more turned back to us before the end of the year.

MR. CONINE: We have a public comment on Lakeridge. Why don't we go ahead and take that now with
Mr. Jerry Moore.

MR. MOORE: Ms. Carrington and Mr. Chairman and members of the board. I was here only to talk about a misprint I think that came out early when this was published. When I got my copy off the Web, it had an incorrect amount; that has been corrected, so I don't really have any further comment.

MR. CONINE: Thank you. Any questions from any board members? Thank you. I guess it would be appropriate to have a motion on the floor at this time.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

MR. CONINE: Mr. Bogany moves for Ms. Carrington's recommendations on the waiting list replacements for 2002 tax credits, Mr. Gonzalez has seconded. Is there any discussion?

MS. ANDERSON: Yes, I have a question. In the underwriting -- we're talking about all five of them in block. Right?

MR. CONINE: Yes.

MS. ANDERSON: I have a question about Residences on Stillhouse Road. In the original underwriting report that came out at the time we looked at the credits, the recommendations from underwriting is not only for the Low Income Housing Tax Credit allocation but
approval of a Housing Trust Fund award. Is that portion
of the recommendation still in place and are there Housing
Trust Fund funds available to fund that portion of the
recommendation?

MS. CARRINGTON: Thank you for bringing that to
our attention, Ms. Anderson. The Housing Trust Fund award
and the SECO awards will not be coming along with this
transaction. What we have negotiated with this developer
is that they will -- we had a difference in costs and our
costs were much higher than theirs, and our costs
indicated a large gap and a necessity for Trust Fund or
other funds to be able to make the project feasible. This
is an experienced developer, experienced contractor, they
have told us that they can deliver a fixed-price contract
at the lower amount, and so a part of this condition then
will be to deliver this fixed-price contract at the lower
amount, therefore not using Housing Trust Fund and SECO
funds.

MS. ANDERSON: Thanks.

MS. CARRINGTON: Thank you.

MR. CONINE: Any other questions? If not,
we'll take a vote on the motion. All those in favor,
signify by saying aye.

(A chorus of ayes.)

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

MR. CONINE: Motion carries.

MR. CONINE: That takes us then back to Item 4, I believe, on our agenda.

MS. CARRINGTON: Correct.

MR. CONINE: And are we going to go to you or to Mr. Bogany?

MR. BOGANY: Ms. Carrington is going to present the discussion of possible approval of proposed amendment for HOME Program regarding biennial funding.

MR. CONINE: Great.

MS. CARRINGTON: Thank you, Mr. Bogany. At the August 8 board meeting the board did grant permission to staff to open a public comment period for the consolidation of our '02 and '03 HOME funds. The amount of these funds is about $78 million. We published in the Texas Register, we had a public comment period for 30 days, we had two public hearings, one in Austin and one in Dallas. There were some concerns expressed by those who attended the hearings, they just wanted to make sure that we were indeed going to be able to get the HOME funds out next year, and basically supported staff's proposal to combine the two years of HOME funding.

So what we are reporting to you today is telling you that there are NOFAs out right now for the
CHDO Set-Aside. We're going ahead and getting those funds out, and that amounts to about $8,387,000, so the board will see in December the recommended awards that will be coming out of the CHDO Set-Aside for '02. We also have a NOFA out right now for Contract for Deed Conversion in the amount of $2 million.

So basically what we're doing with the HOME Program is the balance of those funds -- in other words, not the CHDO money -- will be combined for '02 and '03 and we need permission from you all to amend our Consolidated Plan basically incorporating this change in our allocation of HOME funds for this year.

MR. CONINE: Do I have a motion to that effect?

MS. ANDERSON: So moved.

MR. CONINE: Ms. Anderson moves. Is there a second?

MAYOR SALINAS: Second.

MR. CONINE: Mayor Salinas seconds. Any discussion? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. What have we got left?
MS. CARRINGTON: Executive Director Report Items.

MR. CONINE: Yes, and also let me, if I can, I need to make a technical correction, I think, on our motion on 3(c) on all the bond transactions. All those came under one resolution number, and I've been informed by our bond counsel that we have one other project that had to be under a separate resolution for technical reasons, so I'll read that into the record, if I might.

Resolution 02-051 pertaining to the -- hang on, let me find the name of the project here.

MS. GRONECK: Woodline.

MR. CONINE: There it is, Woodline Park Apartments, 280 units. So I would read that into the record as a technical correction to the motion we passed on Item 3(c) and would ask for a motion to that effect.

MS. ANDERSON: So moved.

MR. CONINE: Ms. Anderson moves. Is there a second?

MAYOR SALINAS: Second.

MR. CONINE: Mayor seconds. Any further discussion? All those in favor, say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)
MR. CONINE: Then someone had talked about maybe bringing Item 1 back up on the approval of minutes. Mr. Bogany?

MR. BOGANY: Mr. Chairman, I was at that meeting and I think it was just a typo that I was absent from that meeting, and I'd like to correct that as being said that I was absent, and vote on to approve those minutes.

MS. ANDERSON: Second.

MR. CONINE: There's a motion to approve the minutes of the meeting on August 29. Is that the one that you were at that we need to correct?

MR. BOGANY: Yes.

MR. CONINE: That takes Mr. Bogany from being absent to present. And then also September 12 -- is that in your motion?

MR. BOGANY: That would be a separate motion.

MR. CONINE: It would be a separate motion.

Let's just deal with August 29, making that change. Any further discussion on those minutes? Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Is there any
other motion relative to any other minutes?

MS. ANDERSON: Mr. Chairman, I move adoption of the minutes of September 12, as written.

MR. GONZALEZ: Second.

MR. CONINE: I've never seen minutes take that kind of deliberation. Motion on the floor from Ms. Anderson and a second by Mr. Gonzalez for the approval of September 12 minutes. Any further discussion? All in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Now we're going to the Executive Director's Report. Ms. Carrington.

MS. CARRINGTON: Thank you, Mr. Chairman.

The first item in the Executive Director's Report is a presentation for your information of the Regional Allocation Formula for the funding for the Low Income Housing Tax Credit Program. TDHCA is legislatively required to use formulas based on objective measures of affordable housing need to distribute its HOME funds, and its Housing Trust Fund, and its Low Income Housing Tax Credit funds.

What you have in front of you today is the allocation formula that we will be using for the Low
Income Housing Tax Credit Program. Since we --

MR. CONINE: Wait. You said I had it in front of me and I'm trying to find it.

MS. CARRINGTON: It's the one with the pretty-colored map.

MR. CONINE: All right, continue on. I'll see if I can find it -- now I've got it.

MS. CARRINGTON: We are right now conducting a series of public hearings around the state in all eleven of our state service regions for the Tax Credit Program and we have included this draft as part of our public comment process, so it will be included and incorporated with our Qualified Allocation Plan and rules. It also will become part of the State Low Income Housing Plan which you all will be asked to review and approve in November of this year. So you will be approving the QAP in November, this will be a component in the QAP; you will also be approving the State Low Income Housing Plan.

Two or three things that I think are fairly significant. First, we've all gotten used to the idea of eleven state service regions, beginning next year we're going to have 13 state service regions, and so what you have on the first page is a map that shows what these new regions are, and then an overlay of how they compare to the old state service regions.
I think it's important to note that we used four factors in determining this Regional Allocation Formula -- and this is on page 2 of this summary. The first is severe housing cost burden on very low income renters, and we give that a rate of 30 percent; substandard and dilapidated housing stock and that has a weight of 5 percent; renter and owner overcrowding has a weight of 15 percent; and poverty has a weight of 50 percent. And then the last factor we do consider is any other available funding that is going into that particular area. This is legislatively mandated. TDHCA has been doing this since 1999, and as I said, what it does do is determine how many dollars will go into, next year, each of the 13 state service regions for dollars, and in particular this is for the Low Income Housing Tax Credit Program; there will be another formula for Housing Trust Fund and for the HOME Program.

Down at the bottom of page 2 and on the top of page 3 the way this has changed from last year -- because we have been doing this for the last three years -- we will be requesting in November that you adopt the 13 state service region planning map. We'll be using census data indicators and using only the multifamily part of that. We are proposing to modify the affordable housing needs indicator weights to more accurately reflect respective
population size, revise the method by which other available funding in the region is considered, remove funding associated with single family activities from the formula, and include two other types of HUD funding which are Housing for People with AIDS and Emergency Service Grants as their funding activities are very close, transitional housing, other kinds of activities funded with the Tax Credit Program.

For anyone who just loves statistics, if there are any of you all who are interested in how all of this was calculated, you can see on page 3 and on page 4 how indeed this is calculated. Now, anticipating that there perhaps wouldn't be very many comments on the calculation part of this, I did not bring Steve Schottman with me today, who works in the Housing Resource Center and who is the one who came up with this. And I do understand over the years that we have refined and perfected and that it has gotten a little more complicated as we have moved through the process.

Steve or Sarah Anderson will be at the board meeting in November, so if when you all are asked to approve this as part of the State Low Income Housing Plan -- which you will be -- then Steve and/or Sarah will be there to answer any specific questions that you all might have. So information only today.
MR. GONZALEZ: Region 11 has two directors, not one?

MS. ANDERSON: Concentration.

MS. CARRINGTON: Uh-oh.

MAYOR SALINAS: Both ends of the board here.

MR. CONINE: Bookends. Okay.

MS. CARRINGTON: The second part of this is again for your information only. Again, in the same legislative session in 1999 -- which is the 76th Session of the Legislature -- it required TDHCA to come up with needs indicators that we would use within counties of the service regions, and what this does is provide for us an objective measure of each region's affordable housing need by which the associated funds are accordingly distributed. What you see on the information that's provided for you today is basically using the same four factors that we've talked about, and then looking also at other available funding that goes in the area, and each application then gets a score based on these needs indicators.

So this and the Regional Allocation Formula really go together to help us determine how much money goes in each of the particular areas and then since these areas of course have several counties within them, how we further refine and define within these regions who has the greatest need. The three things that we are looking at in
the Affordable Housing Needs indicators are looking at census data -- and unfortunately, this is 1990 census data; we don't have the 2000 data that we need until sometime in the spring of '03 -- so we're looking at the 1990 census data, we're looking at poverty estimates that come out by the Department of Health and Human Services, and then TDHCA does on an annual basis a community needs survey.

And those are the factors that we use as we look at pushing this down into each of the counties and determining what the needs are in those counties, but then also going back to see those four factors we use with the Regional Allocation Formula also.

So again, information only. The methodology for both of these, as I said, is incorporated in our State Low Income Housing Plan and will be part of what you all will be asked to approve in November.

MR. CONINE: Can I ask a question?

MS. CARRINGTON: Yes, sir.

MR. CONINE: This is a new scoring mechanism that staff has generated from policy discussions, I'm sure, amongst staff.

MS. CARRINGTON: Well, I think it's refined because we have had scoring mechanisms in the past since the '99 legislation.
MR. CONINE: For affordable housing needs score?

MS. CARRINGTON: Yes, sir.

MR. CONINE: So we're refining.

MS. CARRINGTON: Yes, sir.

MR. CONINE: Refining it based on what we've done in the past, and it now is going to weigh in on the overall tax credit scoring as a particular factor. Is that what I heard you say?

MS. CARRINGTON: Yes, sir. And when you look at the counties that the developments are located in, it helps us determine need in those particular counties.

MR. CONINE: One of the things relative to need that seems to me to be kind of inconsistent with what we do is that in the higher income counties the rents that you can attract and the income levels that pertain to those counties may or may not be relative to market rate rents, could be the same, could be higher, could be lower, and I was hoping that we could get some measurement of that standard included in our tax credit scoring process. I don't know whether this is the place to address that or whether just a standard old regular score of the QAP is. Would you have any thoughts or comments on that?

MS. CARRINGTON: I would say that we can take a look at this and see how we might incorporate it into the
actual scoring on the individual applications.

MR. CONINE: In other words, a project in Dallas that would have a two-bedroom that rents for $900 a month, for instance, when market value rents in Dallas may be $900 a month, the need wouldn't be as great in that case as if the market rates were $1,300 and you could bring a $900 two-bedroom into the market. That's what I'm trying to get some basis of touch and feel for. We've got counties in Texas that I believe the disparity could be quite large and consequently the impact of that project would be quite large in that particular county, as opposed to one where we would be injecting affordable units to basically compete with market-rate units. And I think that's a fallacy in the current system -- or not fallacy but we need to figure out a way to create some scoring weight for that activity.

So again, this is a comment I'd like for you to either address it here or in the other part of the scoring mechanism in the QAP.

MS. CARRINGTON: Okay. I would encourage you all, if you do have any questions about this between now and the November board meeting, give me a call and I will probably send you almost directly to Steve Schottman or Sarah Anderson.

And certainly, Mr. Conine, I will take your
comments into consideration and see what we can do about
it for next year.

MR. CONINE: Okay.

MS. CARRINGTON: The next item on the Executive
Director's Report, you have in front of you the report on
our reorganization. It's still going on, in the midst of
Sunset and everything else, it's still going on. We have
on the second page a chart for you that tells you what
we've done and that we've mapped 180 baseline processes in
22 different sections in 11 divisions, and approximately
150 major processes have been redesigned or created in 22
different sections in 10 divisions.

The chart shows you what we mapped that's
currently existing and what is being proposed, an update
at the bottom on FTE and staffing and that we are working
on doing an FTE analysis for the new structure, the
proposed structure, and at this point we don't really know
what that FTE savings is going to be until we finish
actually doing the FTE allocation and the central
database. We believe the organizational improvements --
several of them, these are not all of them, certainly --
new TDHCA community building, our technical assistance
process, publications clearinghouse process, early
intervention and advanced intervention on asset management
on troubled assets. Redesigned processes include, we
believe, improvement of horizontal communications, supervisory oversight, and that many of our processes are cross-referenced.

We are behind and a good part of that is because of me. We have had staff that have worked diligently and spent many hours on doing the redesign, but what I have been doing is going through every one of the processes that has been redesigned, and that has taken a lot of time and I have not necessarily been always available. So we do plan to finish up the review next week of that redesign.

What you have as the last document is still marked as a draft, and I'm not really asking for your approval at this point because if you all will remember, what you did was approve in concept, and this is different than the one that we looked at in July of this year, and some of those differences are that under the Chief of Agency Administration, administrative support which is our human resources and facilities area, that was over under Housing Operations as was Information Systems. In really looking at the functions and the responsibilities and looking at other organizational charts from other states FHAs, we have put those under the Chief of Agency Administration.

The Program area I think has stayed pretty much
as it was in July; the Housing Operations area of course changed to the extent that I just mentioned; and then we also have included under the Director of Real Estate Analysis not only Underwriting but Cost Certifications and Workouts. This was basically the presentation that our consultant did provide to the Sunset Advisory Commission because the Sunset folks have met with him also, as I know they have met and talked to several of the board members, and they are very interested in our progress and so we use this document for a report to them also.

So I'll be happy to answer any questions you all might have on this. We're still targeting December 31 for the migration of the major two areas which are the Multifamily Housing Finance area and the Single Family. Obviously much of this will be going on over time. Those are the two divisions that are actually being cobbled together from multiple divisions and are going to require really the most integration of the functions, and so those are the two that we're focusing on first.

MR. CONINE: This does look a little different than the one we first looked at back in July or whenever it was. I know you've been working on this with your staff. Could you update this draft and put some names in some of these boxes in addition to those that you've actually talked to and talked about so we can get a feel
for what kind of progress you're making in that area.

MS. CARRINGTON: Mr. Chairman, I'll be able to do that probably in about the next two weeks. One of the things that I determined that I would not do was name some and not all because that would leave some staff wondering where they're going to be, and I have not moved along as quickly as I would have liked on a deputy executive director's position. We are much closer on several of these positions and several of them have been settled, but my plan was to have all of the positions named by the end of October, and so it basically would all come out at that time.

MR. CONINE: Okay, that's great. Any other questions?

MS. CARRINGTON: Item number 4 -- you do not have any material on this -- this is a Public Housing Authority Advisory Group. This came out as a result of the Urban Affairs report to the legislature, Chairman Carter's committee, and this report has actually come out -- House Committee on Urban Affairs -- and there were four charges in this committee, and TDHCA was addressed in two of them -- or two of the charges specifically related to TDHCA. And what we are doing is creating an advisory group of housing authority members around the state.

You all may remember at your board meeting in
El Paso in February you had a presentation from a
gentleman from the San Antonio Housing Authority who did
ask that such a group be put together. The Urban Affairs
report does not name it as an advisory committee to the
board, they name it as an advisory committee to staff.
Staff is absolutely moving forward with this. We plan to
do it on a quarterly basis. We do have some points in the
QAP for working with housing authorities, so it's a
relationship that we are very serious in fostering and
believe that we can benefit as well as they.

And then I have one more item I want to add.

MR. CONINE: Sure.

MS. CARRINGTON: Friday of last week I did go
to Big Spring, Texas, and what was going on in Big Spring
was a board meeting of ORCA, the Office of Rural Community
Affairs, and you all I'm sure know that ORCA has a
responsibility to be involved in the administration of the
Rural Set-Aside for the Low Income Housing Tax Credit
Program. As a matter of fact, our legislation says
jointly administer the Rural Set-Aside in Senate Bill 322.

And so I offered and volunteered to go to Big
Spring and meet with actually their executive committee
which was nine members -- and of course one of those
members is Lydia Saenz, who used to sit on this board, so
it was good to have a friend there -- and I spent about an
hour and a half talking to the ORCA board about the Low Income Housing Tax Credit Program in general and the steps that TDHCA and ORCA have taken to date, beginning in February, and there has been a lot of cooperation between the two agencies, and informing their board of what areas they have responsibility in, such as determining threshold criteria, selection criteria and scoring as it relates to the Rural Set-Aside.

We are in the process of putting a memorandum of understanding in place with ORCA for this joint administration of the Tax Credit Program on the Rural Set-Aside.

MR. CONINE: Okay, thank you for your report. It sounds like there's been no rest for the weary, a lot of stuff going on.

Have we got anything else? We're going to have to go into executive session as a board, and is there anything else that I've missed as being a rookie chair in this thing?

All right. Then on this day, October 10, 2002, at a regular board meeting, the Texas Department of Housing and Community Affairs held at Corpus Christi, Texas, the board of directors adjourned into a close executive session as evidenced by the following:

The board of directors will begin its executive
session today on October 10 at 11:55 a.m. The subject matter of this executive session deliberation is as follows: a) litigation and anticipated litigation, potential or threatened, under 551.071 and 551.103, Texas Government Code, Litigation Exception, Cause Number GN-202219, Century Pacific Equity Corporation v. The Texas Department of Housing and Community Affairs in the 53rd Judicial Court of Travis County, Texas; b) Sheltering Arms Community Affairs Program, Recipient; and c) Costa Verde, Ltd. Low Income Housing Tax Credit Application Number 02-041.

Also consultation with attorney pursuant to 551.071 Texas Government Code on 501(c)(3) Multifamily Housing Mortgage Bonds (Williams Run Apartments) Series 200A. And three, discussion of any item listed on the board meeting agenda of this date.

We'll be adjourned into executive session and we'll come back afterwards to take any action we need to.

(Whereupon, the meeting was adjourned, to reconvene following executive session.)

MR. CONINE: The board of directors has completed its executive session of the Texas Department of Housing and Community Affairs on October 10, 2002, at 12:35 p.m. I hereby certify that an executive session of the Texas Department of Housing and Community Affairs was
properly authorized pursuant to 551.103 of the Texas
Government Code and posted with the Secretary of State's
Office seven days prior to the meeting, and this is a true
copy and correct record of the proceedings signed by me.

No action was taken in executive session. Is
there anything further to come before the board?

MS. ANDERSON: Mr. Chairman, I move we adjourn.

MR. BOGANY: Second.

MR. CONINE: A motion for adjournment, there's
a second. Again, I would like to thank Corpus Christi for
hosting this particular meeting. We certainly enjoyed our
stay here and we'll try to go get a little bit of lunch to
enjoy it further. We stand adjourned. Thank you.

(Whereupon, at 12:38 p.m., the meeting was
concluded.)
CERTIFICATE

MEETING OF: TDHCA Board
LOCATION: Corpus Christi, Texas
DATE: October 10, 2002

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

10/23/02
(Transcriber) (Date)

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