

JOINT COMMITTEE MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCE COMMITTEE
AND OFFICE OF RURAL COMMUNITY AFFAIRS COMMITTEE

9:30 a.m.
Thursday,
November 14, 2002

Capitol Extension
Room E1.018
1400 Congress
Austin, Texas

TDHCA BOARD MEMBERS:

C. KENT CONINE
MICHAEL F. JONES
VIDAL GONZALEZ

STAFF PRESENT:

BROOK BOSTON
EDWINA CARRINGTON
CHRIS WITTMAYER, GENERAL COUNSEL

ORCA BOARD MEMBERS:

BILL JETER
DAVE ALDERS
CAROL HARRELL
JERRY HILL, GENERAL COUNSEL

I N D E X

AGENDA ITEM	Page
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	None
Item 1 Presentation and Discussion of Possible Interagency Contract Between The Office of Rural Community Affairs and the Texas Department of Housing and Community Affairs Concerning the Joint Administration of the Low Income Housing Tax Credit Set-Aside for Rural Areas Pursuant to Texas Government Code Section 2306.6723 and TDHCA's Administration of the Low Income Housing Tax Credit Program Under Texas Government Code Chapter 2306, Subchapter DD; Executive Order AWR 92-3 (March 4, 1992); and 26 USC Section 42.	3

P R O C E E D I N G S

1
2 MR. CONINE: Call the meeting to order, roll
3 call right quick, for at least our side, anyway, so we can
4 get that out of the way. And I'm here. Mike Jones is --

5 Are you here?

6 MR. JONES: I'm here, I think.

7 MR. CONINE: And Vidal Gonzalez is --

8 MR. GONZALEZ: Here.

9 MR. CONINE: -- present.

10 Okay. Certify we got a quorum, at least on the
11 Finance Committee side. And we can move forward.

12 Is there any public comment from anybody in the
13 room? Any public comment?

14 (No response)

15 MR. CONINE: Okay. We'll close the public
16 comment section and move on to Item 1 of our agenda, which
17 is the discussion of our Interagency -- possible
18 Interagency contract between ORCA and TDHCA, including the
19 joint administration of the Low Income Tax Credit.

20 Ms. Carrington, would you like to introduce Mr.
21 Wittmayer?

22 MS. CARRINGTON: Thank you, Mr. Chairman.

23 I think just a few introductory remarks. I
24 have been, I think, to the last two last ORCA board
25 meetings.

1 At those board meetings we did discuss the
2 Memorandum of Understanding that had been drafted, which
3 would address how we would jointly administer the rural
4 set-aside on the Low Income Housing Tax Credit Program.

5 And at that last meeting, I guess, the first of
6 November, Chairman Jeter did ask if we didn't think it was
7 a good idea if the two boards got together or the two
8 committees of the board got together and talked about
9 this.

10 And I absolutely think it was a very good idea.

11 And so this meeting is a result of Chairman Jeter's
12 suggestion, I think, at that November 1 meeting.

13 So with that, as to how we got where we are
14 today, I would like to go ahead and turn it over to Chris
15 Wittmayer, who is our General Counsel at TDHCA.

16 MR. WITTMAYER: For the record, I'm Chris
17 Wittmayer, the General Counsel of the TDHCA. To begin, I
18 thought it might be helpful to lay out the legal framework
19 under which the Low Income Housing Tax Credit Program is
20 administered.

21 First, under Executive Order AWR 92-3 -- it's
22 signed by the Governor in 1992 -- TDHCA is designated as
23 the State Housing Credit Agency.

24 And this follows from the Internal Revenue Code
25 26 USC Section 42, which is the federal law on Low Income

1 Housing Tax Credits that states either by the Legislature
2 or by the Governor, must designate a housing credit agency
3 that's responsible for making the low incoming housing tax
4 credit allocations for the state.

5 In addition to the executive order, under Texas
6 Government Code Chapter 2306 subchapter DD, TDHCA is
7 designed to -- or is designated to administer the Low
8 Incoming Housing Tax Credit Program for the State of
9 Texas.

10 What brings us here today is one part of
11 subchapter DD. And that is 2306.6723, which is entitled,
12 Coordination With the Rural Development Agency. And that
13 provision of Chapter 2306 states that the Department, the
14 Texas Department of Housing and Community Affairs should
15 jointly administer the rural set-aside with the Rural
16 Development Agency.

17 Now, we worked on a proposed interagency
18 agreement between TDHCA and ORCA to achieve that goal.
19 And the ORCA executive committee at your meeting on
20 November 1 suggested that we have a joint meeting at which
21 we might resolve how we can work together to jointly
22 administer the tax credit program, so far as the rural
23 set-aside goes, looking forward into the future.

24 MR. CONINE: Okay. Thanks, Chris.

25 Guess I might open it up for discussion or

1 thoughts relative to the memorandum that -- I don't know
2 how much you guys have gone through the -- you know,
3 approving or understanding that particular document. But
4 you might speak for yourself at this point.

5 MR. JETER: Yes; why not. I think the question
6 that came to the executive committee as well as was the
7 meeting of the joint administration. I think we have --
8 philosophically, you're the designated agency. We all
9 understand that.

10 I think philosophically, what we're trying to
11 do is to be sure that we -- and I don't want this to be a
12 turf battle. We're not getting into that kind of thing.
13 It's not a who-gets-to-do-what kind of thing.

14 I think we're more trying to determine how do
15 we fulfill our obligation as we see it to take care of the
16 interests of rural Texas and the allocation of rural
17 income -- the tax credits for low income housing.

18 And the question then becomes criteria, I
19 guess, is one. Our concern was where are we on the
20 criteria side. You know, is there a veto power to the
21 criteria side or not.

22 I think the other question was -- or one of the
23 other questions was in terms of allocation of credits.
24 Right now I believe the allocation credits are on the
25 basis of head count. You know, we have so many people in

1 rural Texas, so many people in the rest of -- unrural
2 Texas.

3 So the question becomes -- and I think our vote
4 suggested that they be more allocated to the lower income
5 votes of rural Texas outside of the head count issue. And
6 I believe in the last discussion we had with that that we
7 suggested 25 and you suggested 15 or something like that.

8 Is that approximately where we were?

9 MS. CARRINGTON: Fifteen is what is in the QAP
10 right now.

11 MR. JETER: Right.

12 MS. CARRINGTON: And it's my understanding from
13 Brooke, one of the -- I guess one of the last meetings
14 with ORCA staff there was a discussion about how much that
15 set-aside --

16 MR. JETER: Yes.

17 MS. CARRINGTON: -- should be. And there was
18 discussion of increasing it. I think actually -- and I
19 don't want to misstate -- but I think actually, the
20 consensus of the group was that it stay around 15 percent.

21 MR. JETER: And so we -- you know, therein lies
22 an input problem from our standpoint, because if we don't
23 do something -- from our perspective, if we don't do
24 something for rural Texas -- in many issues, not just this
25 issue -- but in many issues, then what's going to happen,

1 this population are going to continue to drive from rural
2 Texas back into the suburban, urban areas. And so you're
3 going to have no income tax credit for rural Texas at the
4 end of the day.

5 Now, that's a big leap. And I'm not making it.

6 I'm just saying you could make that large argument. So
7 the idea is how do we deal with so that we have some
8 mechanisms in place to deliver our arguments and our
9 desires to help those rural interests or to help protect
10 those -- the interests of rural Texas. So that's an
11 issue.

12 I think that -- so it gets into the issues of
13 what goes into QAP, in terms of criteria and scoring, et
14 cetera.

15 And it gets into the issue, I guess, of what
16 would happen -- and I guess that became -- what happens to
17 a rural issue in a rural grant, for example, that would be
18 approved under the scoring criteria, gets up to the top
19 and the board for whatever reason, overturns that issue
20 for some reason.

21 So we get into those kind of things. You know,
22 I think that -- so our job, I guess, I think is to -- just
23 what we want to do is interact with you guys and say,
24 Look, here's what we're trying to do. It's not a matter
25 of who gets to call which shot; it's a matter of how do

1 we do our job in protecting the interests of rural Texas
2 and advancing the interests of rural Texas.

3 Because I think there's a real problem if we
4 don't advance the interests of rural Texas in terms of --
5 as regards the economies and growth of those economies and
6 providing adequate housing for low to moderate income
7 folks.

8 If we have hospitals and we don't have housing,
9 we've not gotten there. If we have jobs and don't have
10 housing, we've not gotten there. But the housing is a --
11 as you well know -- a significant portion to what we're
12 trying to accomplish.

13 So if I could -- if I would then restate where
14 we are, I think that what we are trying to do is ensure
15 that those interests -- that we have input to those
16 interests. And in cases where scoring criteria and all
17 those other criterias are affected, that we -- I hate to
18 use the -- I don't want to use the word veto powers,
19 because I don't like that word, so --

20 But that those would be substantiated in the
21 sense that they would not be revocable for any reason
22 other than that of not passing scoring criteria or --

23 Does that make some sense?

24 MR. ALDERS: I might ask Edwina, if she doesn't
25 mind, maybe to --

1 Again, I think you've done this earlier on a
2 couple of occasions probably. But just for establishing
3 context by discussion, if you could maybe back up and tell
4 us again exactly how that process works so that we're all
5 clear. We've got a three-page contract here. But so that
6 everybody -- it would clear up how that process works from
7 your sitting down with the -- is that all right with you,
8 Bill? -- so that I have another reference point here, also
9 so that everybody at TDHCA and ORCA are crystal clear
10 exactly how currently this contract would lay out the
11 process.

12 MS. CARRINGTON: On the first page, I think, of
13 Section 3 on contract performance, Item C, beginning with
14 one and then going over to the next page, this is in our
15 minds how we would see participating with ORCA in working
16 on now the 2004 QAP.

17 And, of course, you all have heard this. I
18 don't know that necessarily my board has heard this, But
19 we started working with ORCA in February of this year in
20 doing the very things that you see laid out in front of
21 you.

22 So the first one is that ORCA will assist TDHCA
23 in developing all threshold scoring and underwriting
24 criteria for all the applications eligible for the tax
25 credit rural set-asides.

1 That is accomplished through a multitude of
2 round tables, workshops. Then when we get closer, of
3 course, public hearings. My staff has already started
4 thinking about the items that they want to have some
5 workshop groups for beginning now for the 2004 QAP.

6 So that is the opportunity to say, We think
7 this is the appropriate threshold criteria for transaction
8 of rural area; we think this is the appropriate scoring
9 criteria, et cetera.

10 Number two, again, something that the ORCA
11 staff did do for us this year in our 2002 round of tax
12 credits -- and that's make site inspections. And that was
13 site inspections for those proposed developments that were
14 located in the rural areas that are going into the rural
15 set-aside. So again, that's something that ORCA staff has
16 done.

17 Then ORCA shall assign a representative to
18 attend tax credit public appearance related to the QAP.
19 And I think that was Eric -- was that Erica?

20 VOICE: [inaudible].

21 MS. CARRINGTON: Okay. So we had ten public
22 hearings around the state. And the ORCA staff -- a
23 variety of ORCA staff did attend.

24 VOICE: [inaudible]

25 MS. CARRINGTON: Okay. So it was maybe more

1 than one [inaudible]?

2 VOICE: [inaudible]

3 MS. CARRINGTON: Okay. And then the last
4 one -- well, and the other part of that, of course, is
5 participating in our Executive Award and Review Committee,
6 which is EARC, and that committee is mandated by our
7 legislation.

8 All recommendations that go to our board for
9 funding must go first to this internal committee within
10 TDHCA called Executive Award and Review Committee.

11 And ORCA did have a staff member attend all of
12 those EARC meetings when we were discussing and making
13 recommendations on the rural set-asides. And --

14 MR. ALDERS: Can I just -- would it be all
15 right if I interject here? Because I --

16 MS. CARRINGTON: Yes, sir.

17 MR. ALDERS: -- so that I don't lose the
18 focus on that particular area.

19 What we're looking for, I think -- and I don't
20 necessarily want to speak for Bill and Carol or the rest
21 of the board, but I guess what I'm looking for is the
22 number of designated opportunities for ORCA or
23 representatives of rural Texas, whether it's staff of
24 ORCA, members of the executive committee, to not only be
25 involved in the sense of observing that award and review

1 by the committee [inaudible] be a part of the decision
2 making. Not necessarily looking for, you know, 50 percent
3 of it.

4 But currently, under this contract with ORCA
5 staff member have decision-making authority in that award
6 and review process are we just kind of participants in the
7 meeting?

8 MS. CARRINGTON: You are participants in the
9 meeting. You absolutely do have a voice. Ultimately, at
10 the end of the day, there's not a vote that's taken in
11 EARC.

12 MR. ALDERS: Okay.

13 MS. CARRINGTON: Usually, we come out generally
14 with a consensus.

15 MR. ALDERS: Uh-huh.

16 MS. CARRINGTON: I told my staff that there
17 might be some times we do come out with consensus. And
18 the truth of the matter is it's my responsibility, based
19 on staff input, to make recommendations to the board.

20 MR. ALDERS: Uh-huh.

21 MS. CARRINGTON: And I don't really succeed too
22 many times. I'd make recommendations to the board that
23 would be contrary to what ten or 12 of my best staff would
24 say, but certainly that possibility is there.

25 MR. ALDERS: Is a member of your board usually

1 in attendance at that --

2 MS. CARRINGTON: No.

3 MR. ALDERS: Okay.

4 MS. CARRINGTON: No.

5 MR. ALDERS: So it's [inaudible].

6 MS. CARRINGTON: No. That's totally staff.

7 And it is mandated by our legislation. So our Government
8 Code 2306 has that requirement in it.

9 MR. ALDERS: Okay.

10 MR. CONINE: But as I read this paragraph
11 dealing with the ORCA responsibilities, as I interpret the
12 definition of ORCA to mean both your staff, as well as the
13 board's input, executive committee, however you want to do
14 it.

15 MR. ALDERS: Right. That may be more of a --

16 MR. CONINE: There may be --

17 MR. ALDERS: Right.

18 MR. CONINE: There may be an internal step here
19 that's not spelled out in the document. But I want to --
20 assure yourselves we're at least having some oversight
21 over what your staff's doing.

22 MR. ALDERS: Right. Right. In terms of that,
23 while we're on that particular issue -- I might back up a
24 little bit and ask if -- when this -- obviously, the
25 discussion pertaining to the percentage of Low Income

1 Housing Tax Credit monies that goes to rural communities
2 has already been made by this -- at this point -- I mean,
3 well in advance of this point, that percentage has been
4 made. Is that correct?

5 MS. CARRINGTON: That percentage has been a
6 proposed percentage in a Qualified Allocation Plan.

7 MR. ALDERS: Okay. But long before this number
8 three stip. Is that correct?

9 MS. CARRINGTON: Well, that is a percentage
10 that is in the QAP that is out --

11 MR. ALDERS: Okay.

12 MS. CARRINGTON: -- for public comment.

13 MR. CONINE: Public comment. Right.

14 MS. CARRINGTON: So there is a proposed --

15 MR. CONINE: Yes. Right.

16 MS. CARRINGTON: -- percentage in there. Yes.

17 MR. ALDERS: Is it -- would it -- is it
18 strictly a matter of internal ORCA policy or would it be
19 acceptable either in contract or in the Memorandum of
20 Understanding for us to propose that a -- the chairman of
21 the executive committee of ORCA or his designated
22 appointee be involved in the negotiations of that
23 percentage, that he be a part of that -- he or she be a
24 part of that meeting?

25 Is that appropriate or is that something that

1 we already have the opportunity to do? I mean, we could
2 just do it as an administrative --

3 MS. CARRINGTON: Yes. You absolutely have the
4 opportunity to do that.

5 MR. ALDERS: Okay.

6 MS. CARRINGTON: You could do it -- I mean,
7 the -- when the board approves the draft QAP and a set
8 number --

9 MR. ALDERS: Uh-huh.

10 MS. CARRINGTON: -- and that QAP had been
11 developed by about three months --

12 MR. ALDERS: Uh-huh.

13 MS. CARRINGTON: -- worth of round tables,
14 workshops, public comment that, you know, ORCA had been
15 involved in, as had syndicators, lenders, developers --

16 MR. ALDERS: Uh-huh.

17 MS. CARRINGTON: I think I've mentioned to you
18 all that we've worked particularly closely for the last
19 ten years with the Rural Rental Housing Association.

20 MR. ALDERS: Okay.

21 MS. CARRINGTON: And those are the developers
22 and the group that specifically work with the RD program
23 in the rural areas.

24 MR. CONINE: And that's the group that Sox
25 Johnson is involved with.

1 MS. CARRINGTON: That's the group that Sox
2 Johnson is involved in.

3 MR. ALDERS: Uh-huh.

4 MS. CARRINGTON: And, matter of fact, that's
5 how -- if I remember correctly, because it was '91 --
6 that's how the initial set-aside was put in the QAP in the
7 first place, was because of Rural Rental Housing
8 Association's work with the Department.

9 Those percentages have changed. We've created
10 set-asides. We've eliminated set-asides. We've increased
11 percentages. We've decreased percentages. On a variety
12 of set-asides. I think we have a set-aside for
13 [inaudible].

14 MR. ALDERS: Uh-huh.

15 MS. CARRINGTON: We've had a set-aside as --
16 the federal law requires a set-aside for nonprofit. So if
17 we don't get any public comment about something like that
18 then generally what's in last year's QAP --

19 MR. ALDERS: Uh-huh.

20 MS. CARRINGTON: -- is going to carry over into
21 the next year's QAP.

22 MR. CONINE: Can you get a stab -- and this is
23 a tough question. But we're -- since we do have different
24 set-asides, an applicant may come in on an elderly set-
25 aside and be in rural Texas and not, you know, meet -- not

1 show up in what you're thinking of rural may be.

2 Is there a -- because we've always funded more
3 than the minimum on the rural set-aside and then even in
4 the other categories. Can you take a stab at where you
5 think maybe our inventory would be, as far as rural Texas
6 is concerned from a percentage standpoint?

7 MS. CARRINGTON: That -- of course, the set-
8 aside is 15 percent. And Kent is absolutely right. And
9 now we're changing that for the QAP for this upcoming year
10 and which the board will approve today. And that is you
11 had to go into one set-aside and that's how you were
12 counted.

13 But what staff has proposed and the board has
14 agreed to -- or at least we'll know this afternoon if the
15 board has -- continues to agree with that -- is that you
16 can be counted in a multitude of set asides. So you might
17 be proposing an elderly transaction that's in a rural
18 area, but if you went in the elderly set-aside, it wasn't
19 going to show up as rural.

20 So Kent's absolutely right. And that we will
21 then -- and we were having some that weren't counted and
22 who were not being counted.

23 Now, as to what percentage over, I'll look at
24 my ace in the hole --

25 MR. ALDERS: Right.

1 MS. CARRINGTON: -- and that's Brooke --

2 MR. ALDERS: Right.

3 MS. CARRINGTON: -- and say, Brooke --

4 MR. ALDERS: Brooke.

5 MS. CARRINGTON: -- what do you think. I mean,
6 I think it was 5.8 million, I guess, of a \$37 million
7 allocation of tax credits, which is what TDHCA had to
8 allocate for '02. We allocated about 37 million or so in
9 tax credits -- 37 and change.

10 And I think our rural set-aside amount
11 allocated was about 5.8 million. And then there would
12 have been some additional on top of that.

13 Any idea what that additional might have?

14 MR. ALDERS: The additional coming in those
15 areas like elderly or --

16 VOICE: Right.

17 MS. CARRINGTON: Or at risk.

18 MR. CONINE: Or at risk. Even the general.
19 They can go in the general pool if they were rural
20 projects.

21 MS. CARRINGTON: And if they were doing less
22 than 76 units.

23 MR. CONINE: You just have -- we could -- we
24 ought to furnish them that info after --

25 MR. ALDERS: Yes.

1 MR. CONINE: -- the pressure of today and at
2 least get some background. But I can assure you it's a
3 lot more than 15 percent.

4 MR. JETER: I think for everybody it would
5 behoove all agencies to know how that extends past that,
6 because --

7 VOICE: Yes.

8 MR. JETER: -- in terms of one of the things
9 that we have to be concerned about is, you know, if we
10 step up the pace and people moving on the pace, we're
11 [inaudible]. So the idea here is the more we know on
12 what's affected, I think the better information we all
13 have and we can make perhaps better decisions if those are
14 within our intellectual capabilities.

15 MS. CARRINGTON: In mentioning the 76 units,
16 which is the cap that's in the QAP -- in the proposed QAP
17 for the number of units that can be developed in the rural
18 areas, that was something that we had proposed that was in
19 the QAP, that that 76 unit can't be eliminated.

20 And as a result of public comment -- and I
21 think probably some of it from ORCA -- I don't want to
22 misspeak here.

23 But that was one of the comments, was that
24 they'd like to see the cap put back in -- or at least
25 public comment said, We would like to see the 76 unit cap

1 be reinstated in the QAP for '03 and our reason is it
2 allows the credits to be spread out in more areas around
3 the state. And it may be difficult in a community like
4 Merkel [phonetic] or some other places to do 76 units or
5 even more than 76 units. But you could do 30 or 40 or 50
6 units.

7 So that's -- I mean, there are multiple places
8 through our QAP where the public comment that we have
9 received dictates and drives what's in our Qualified
10 Allocation Plan and our Multifamily Rules and Guidelines.

11 MR. ALDERS: This may be a hair off the
12 subject, but is there any -- in looking at this program,
13 rural set-aside particularly, do you see any unintended
14 discrimination against -- in the scoring against
15 developers of fairly small -- or against projects that
16 have fairly small number of units? And how does the
17 scoring affect that?

18 MS. CARRINGTON: We looked at that. Brooke
19 Boston, who is current agent for our Tax Credit program,
20 looked at that probably about two or three months ago. I
21 asked her to take a look and say, You know, give me a
22 typical urban deal and show me where they can score and
23 how they can score and show us the typical rural
24 transaction and show where they can score.

25 And there were a couple of areas that in the

1 rural transactions or applications in the rural set-aside
2 that a rural deal typically can't score as well. And that
3 is mixed income. You couldn't get the points from mixed
4 income, because the incomes in the rural areas are
5 typically lower than the incomes in our metropolitan
6 areas. And so they can't do a mixed income deal, because
7 you basically can't get rents that were market rate rents.

8 And then the other area was some points for
9 larger units, like four-bedroom units. And we had taken
10 out --

11 Mr. Conine, a heads up -- we had taken out
12 four-bedroom units in the QAP for '03. And we got a lot
13 of comment back that said we ought to at least have them
14 be allowable, because based on market conditions, there
15 may be a reason to have four bedrooms. But we took out
16 the points for the four bedrooms. So it didn't show there
17 was any kind of a disincentive.

18 You know, when we look at the applications that
19 go into the rural set-aside and then those that go into
20 the general list that go into the nonprofit, obviously you
21 could be a nonprofit and also be in a rural area.

22 So basically, developer has looked in the past
23 at the set-asides and tried to figure out what his
24 competition is going to be and say, Where's my best chance
25 here, Where's my best chance.

1 And what we see in the rural set-aside is that
2 set-aside is oversubscribed. But it is not as much
3 oversubscribed as we see in the general set-aside and as
4 we see in the nonprofit set-aside.

5 And when a transaction falls out in the rural
6 set-aside, as true in the nonprofit set-aside or general
7 set-aside, we stay within that set-aside to allocate the
8 credits.

9 And one thing that we certainly do see, one
10 point that we have to notice when we look at what's going
11 on in the rural set-aside is as we pick up additional
12 transactions in that rural set-aside because for whatever
13 reason credits have been turned back, we are really
14 getting into some transactions that did not score very
15 well.

16 And some of the reasons a transaction might not
17 score very well is because of lack of financial
18 feasibility.

19 And financial feasibility is, you know, an
20 absolute important primary consideration of this program.

21 None of us benefit by picking up a transaction that
22 scored maybe 40 or 45 points.

23 And it wasn't because they didn't have four
24 bedrooms and not have mixed incomes. But it was because
25 maybe a hundred percent of their developer fee was

1 deferred. And we just -- from an underwriting standpoint,
2 it wasn't a piece of real estate that made sense to us.
3 So that was actually one of the discussions, I think.

4 And I was not in the meeting. So if I
5 misspeak, staff, you know, correct me here.

6 But that was one of the discussions that as we
7 talked about the amounts of the set-aside, the percentage
8 that would go into the rural set-aside is at least right
9 now we're not seeing -- that -- what seems to be the --
10 what we'd like to see is an increase in developers who are
11 working in the rural areas and can bring really good,
12 sound real estate transactions to us.

13 Think I told you all last time I spoke in front
14 of you I'd been at the [inaudible] Rural Housing
15 Association meeting, and I said, Guys, you know, you all
16 are the ones that develop out there in the rural areas;
17 start doing some 9 percent tax credit deals. You know,
18 you know the rural areas. It's a market you're
19 comfortable with.

20 And ORCA has been assisting TDHCA with some
21 ideas -- and this is on an ongoing basis, also -- of
22 marketing to rural areas and marketing to developers who
23 are willing to work in the rural areas.

24 MR. JONES: David, you know -- and I want to
25 make sure I'm understanding everything right. But to

1 answer your question, we got some public comment along
2 those same lines that -- you know, that there were
3 problems in that area. And we tried, as Edwina said -- I
4 know staff has looked at that and tried to deal with that
5 issue. So it's an issue I know we're cognizant of. I
6 don't know that we can say it's totally fixed. But we
7 certainly are trying to move down the road on it.

8 MR. CONINE: Well, and I think this Memorandum
9 of Understanding and working together will help you tell
10 us if there is some problems in that area.

11 MR. ALDERS: Right.

12 MR. CONINE: This is huge learning curve, guys.
13 I hate to tell you. It -- I've been on this board five
14 years, involved in the real estate business for 30 years.
15 And I still don't understand it all. So I, you know,
16 feel for you having to get up on the learning curve on the
17 tax credit program just specifically. It's just -- and
18 when we talk to legislators about it, their eyes kind of
19 glaze over a little bit and they quit listening. So --

20 MR. JONES: Well --

21 MR. ALDERS: Sure.

22 MR. JONES: -- but I think we're very
23 sensitive to that issue.

24 MR. CONINE: Yes.

25 MR. JONES: And we're trying to address that

1 issue. But the other thing you got to remember is nothing
2 in this process is done in a vacuum. And the minute we
3 fix something for somebody, since it's a competitive
4 process, somebody else isn't happy with it.

5 MR. CONINE: Somebody else is lose.

6 MR. JETER: And certainly, we're aware of that.

7 I mean, I -- you know, we came out with some stuff early
8 on and golly, what an interesting thing that occurred.

9 MS. CARRINGTON: Would you call it a
10 [inaudible]?

11 MR. JETER: I mean, we got [inaudible] early.

12 MR. CONINE: Unintended consequence.

13 MR. JETER: And we'll -- you know, so certainly
14 we recognize that.

15 Carol, you have --

16 MS. HARRELL: Well, on that same line we are
17 very concerned about the rural, particularly the very
18 rural areas and the ones that have very low income, the
19 high poverty areas. And, you know, we're a new agency.
20 And we've taken a lot of input. We've gone out into the
21 rural area. We've talked to individuals. We've tried to
22 educate ourselves.

23 And I can only speak for myself. But what I'm
24 hearing is that there is -- there is a problem impacting
25 those areas. And, you know, I think that our involvement

1 with ORCA, ORCA feels very sensitive that we've got to
2 find a solution to getting resources to those areas
3 because they're dying.

4 And I think one of the concerns in working out
5 the relationship is -- with your organization is how does
6 ORCA establish its [inaudible]. You know, we feel very
7 strongly that we are there to look out for rural Texas.
8 And we want a place at the table.

9 And I know that since February, us being a new
10 agency, our staff has interacted with yours. My question
11 would be how much involvement, other than just being at
12 the table listening, getting input -- how much actual
13 involvement in the decision-making process.

14 And I think the real question that I have is as
15 we go forward and ORCA becomes more knowledgeable of their
16 role and the issues impacting rural Texas, when we go
17 forward and we look at setting the threshold going in the
18 underwriting criteria, if there is a difference of
19 opinion --

20 MR. CONINE: Yes.

21 MS. HARRELL: -- between TDHCA and ORCA as to
22 what it should be, how do we resolve that. And I think --
23 to me, that's the issue that we need to establish in the
24 MOU is how do we come to a resolution when we don't agree
25 or how do we compromise and negotiate that so that we both

1 are meeting what we consider the accountability that we
2 have and so that we don't walk into fire storms, that we
3 are in a unified voice when we go forward to the public
4 and say, This is the direction that we're going to take
5 for the rural set-aside in rural cases. So how do we go
6 there?

7 MR. CONINE: I think when you look at Section
8 3(a), the last sentence of that, we've provided an avenue
9 for that, where -- and maybe the word staff might have
10 some -- you might have some issues with that. And maybe
11 we need to look at that and see if we just eliminate
12 staff.

13 But if you've got the ability to review what
14 your staff has recommended and there's a difference
15 between the two of us, then you can make a separate
16 recommendation. And I [inaudible] --

17 MR. JETER: And what happens with that? Let's
18 deal with that. Okay.

19 MR. CONINE: Well, we have a statutory
20 responsibility --

21 MR. JETER: Yes. But let's --

22 MR. CONINE: -- to administer this program as
23 all of our -- over the whole state. And rural Texas is a
24 subset of that --

25 MR. JETER: Right.

1 MR. CONINE: -- whole thing. And we need to
2 hear from you if you disagree with us for some reason.
3 But it doesn't absolve us from our entire responsibility
4 of setting policy in the statutory issues we've gotten
5 from the federal government basically, to administer this
6 program. It is not a giveaway program. It's -- these
7 projects have to be financially feasible.

8 For you to understand the nuances of the
9 underwriting and financial feasibility as a board member,
10 I promise you will take you more than 24 hours to figure
11 out.

12 And so we want to hear your issues as we go
13 through the process. I'm speaking for --

14 Mike, you can speak up for the board.

15 But I -- if they showed up and said, You know,
16 we think rural ought to get 25 instead of 15, I think
17 we're going to listen to that and evaluate that and make a
18 decision on what's best for overall Texas. And we would
19 probably have a lot of statistics and demographics.

20 And I can prove to you probably right now that
21 the 9 percent credits proportionately have gone more to
22 rural than they have urban in Texas over the last 15
23 years.

24 And so, you know, who's getting their fair
25 share and who's not getting their fair share will be

1 debated and weighted. But ultimately, I think we have the
2 ultimate decision authority over that.

3 The administration -- when the Legislature
4 called for the administration of the program, I don't
5 much -- I don't know that I agree that that involves in
6 each decision on each project. That ultimately rests with
7 us.

8 But if you disagree with something we're doing,
9 we want you to tell us. And we want to respond to that.
10 And then if there's a problem over and beyond that, then
11 the only way to fix that from my perspective is go to the
12 Legislature and fix it.

13 MR. JETER: I -- that's my -- I think that's
14 probably correct. I think if we said to you --

15 MR. CONINE: You need to try this first.

16 MR. JETER: Sure. I agree. I think if we said
17 that we think it's 25 and you said, I think it's 15, and
18 whatever, I think you have the authority to say it's 15.
19 And then, you know, all the wrath of rural Texas will come
20 pounding down upon you or something like that.

21 MR. JONES: I'm sure.

22 MR. JETER: But --

23 MR. JONES: It well should.

24 MR. CONINE: Right.

25 MR. JETER: Well, I mean, you know that's not

1 going to happen. But the fact of the matter, going to
2 the -- you have to go to the extremes to figure out how to
3 get back to where you are. So I think that's -- you know,
4 I think that's -- we're not suggesting that -- well, it
5 would be interesting if you advocated, but you don't see
6 that as your responsibility. And I'm not sure that it is,
7 either.

8 MR. CONINE: Well, I --

9 MR. JETER: I'm not sure that I would even ask
10 you to do that --

11 MR. CONINE: Right.

12 MR. JETER: -- you know.

13 MR. JONES: Well, I'd like to say this, too. I
14 mean, from that point --

15 MR. JETER: Yes.

16 MR. JONES: -- and excuse me for interrupting.

17 But I'm certainly not here to speak for the board. I
18 think we're here to speak as individual --

19 MR. JETER: Yes.

20 MR. JONES: -- board members, because our
21 boards aren't meeting collectively.

22 MR. JETER: Yes.

23 MR. JONES: We're meeting collectively to
24 exchange ideas. But, you know, I would -- I agree with
25 you. I think you made a very wide statement when you

1 start out with saying, We don't want veto power.

2 Which I think, you know, obviously, we all need
3 to understand the ultimate fire storm that we could create
4 would be is if we came to the table and told you all we
5 wanted to give you veto power, because then, you know,
6 everybody else across the State of Texas, you know,
7 would -- we'd have a problem with that. You know, they --
8 we would have all kinds of wrath on both our boards.

9 So we can't give you veto power. Our -- I
10 mean, it doesn't make sense. I don't think you would want
11 it. I do think that we -- you know, frankly -- you know,
12 you say we want a place at the table for rural Texas. I
13 think that's wonderful.

14 I think that the advancement of the interests
15 of rural Texas is the advancement of Texas' interests. I
16 think the advancement of rural Texas' housing interests
17 is the advancement of Texas' interest.

18 And that's the only where -- where we're, you
19 know, a little bit different, is we -- I hope -- I really
20 sit at the table thinking I am representing the interests
21 of rural Texas much as you do.

22 But we just have a broader, you know, function
23 there, than is what I know about your function. I'm not
24 saying I'm an expert on it.

25 But I think that, you know, once you start out

1 from the premise, as you said at the beginning, that you
2 don't want veto power -- and I think that would be
3 impossible to do -- that, you know, you're saying you want
4 a place at the table. I certainly understand that.

5 MR. CONINE: Let me also --

6 MR. JONES: I think --

7 MR. CONINE: -- suggest --

8 MR. JONES: -- they want you there.

9 MR. JETER: And if I could, for a moment, just
10 if you don't mind.

11 MR. JONES: Sure.

12 MR. JETER: And I think probably the place to
13 deal with it at this point in time is surrounding the
14 scoring and the criteria, the QAP, maybe some change in
15 wording around that, not drastic, but whatever. And I
16 think that's the way -- the place to deal with it. I'm
17 not sure that it's anybody's best interests to change the
18 top level at this juncture. I think that's better done,
19 if it's to be done, by the Legislature. I think that's a
20 smarter route to take.

21 MR. CONINE: Maybe we could sit down and have
22 this meeting again right before we do the QAP and say, you
23 know, let you tell us. Make sure we hear what you want to
24 say.

25 MR. JETER: Well, that's not -- you know --

1 MR. CONINE: I'm all for that.

2 MR. JETER: That's what -- you know, David's
3 kind of thought was.

4 MR. CONINE: [inaudible]

5 MR. JETER: We want to be --

6 MR. CONINE: [inaudible]

7 MR. JETER: That's a very critical area right
8 there, is to get that scoring and those criteria aligned
9 towards what -- the needs of rural Texas. And they may be
10 different from others.

11 Because there is this income problem that we
12 deal with that we have in rural Texas that you do not --
13 that is not universal towards the State of Texas. I mean,
14 there is a difference there. Or there -- how do you fund
15 good projects. I mean, we're dealing with some of that in
16 ourselves. How can we help developers fund good projects.

17 I mean, maybe we should take a lead role. But how do you
18 do that, so that we have some rural housing.

19 So I think there's the -- things that we --
20 have to be done that aren't in here and can't by nature,
21 be in here at this juncture.

22 MR. CONINE: Yes. The one thing that would
23 help rural Texas, more than anything can -- and this is a
24 decision that has to be made in Washington, D.C. -- and
25 that is to allow us to use the greater of the county

1 median income or the statewide median income for this
2 program. If you could use the statewide median income for
3 rural Texas you would see a huge surge in demand coming
4 from developers to do more projects in rural Texas.

5 MR. JETER: And don't you think that we
6 shouldn't pursue that interest?

7 MR. CONINE: We have been.

8 MR. JETER: Yes?

9 MR. CONINE: We are. And --

10 MR. JETER: And perhaps we can join you with
11 that --

12 MR. CONINE: Be helpful.

13 MR. JETER: -- with all our influence in
14 [inaudible]; new influence of ORCA. No. You know, we're
15 so young, I don't know that we have that much influence.

16 But it is interesting from our perspective as
17 we visit with people around the country, okay, and other
18 states, which we have taken on an initiative to do, is to
19 find out what they're doing.

20 We found out in some of our programs this past
21 week, I guess, some of the other states are doing some
22 things quite different than we have been doing, because we
23 thought the rules were one thing and we think it might be
24 able to be changed.

25 So we would want to join with you in terms of

1 seeing how to make things more flexible -- how federal
2 dollars can be more flexible for -- in this one particular
3 issue alone, in terms of median income. We would be there
4 with bells on. So, you know, we would agree with that.

5 Now, just in the interest of time of some of
6 these things that we are looking at, I think we have to be
7 over into the QAP again.

8 I think your idea of a meeting prior to this
9 might be a good thing to do, prior to the --

10 MR. CONINE: Yes.

11 MR. JETER: -- next QAP after we review the
12 public comment.

13 MR. CONINE: Let staff do all their work and
14 let public comment take place and we'll get --

15 MR. JETER: I think --

16 MR. CONINE: -- back together.

17 MR. JETER: You know, I don't know if we want
18 to make that a party of the MOU or not. I think --

19 MR. HILL: I think it would be helpful to us.

20 MR. JETER: Yes. Might want to do that. If --
21 and we --

22 MR. CONINE: Can we [inaudible] there, Chris,
23 that might work.

24 MR. JETER: Chris has taken a lot of notes.

25 MR. WITTMAYER: We'll work on some language

1 which would have what? -- a joint committee meeting of
2 TDHCA and ORCA to review the QAP?

3 MR. CONINE: [inaudible]

4 MR. JETER: You probably were at the Finance
5 Committee. I mean, you know -- and a similar -- and in
6 the draft we could say a similar committee -- a similar-
7 sized committee to meet with the Finance Committee. I
8 mean, you don't want to meet with our whole --

9 MR. HILL: Ad hoc LIHTC?

10 MR. JETER: Yes.

11 MR. HILL: [inaudible]?

12 MR. JETER: I mean, our deal is called the --
13 see, our board is called the Executive Committee.

14 MR. HILL: Okay.

15 MR. JETER: So -- and, in fact, I guess Pat
16 Walls [phonetic] of our board that said -- we at one point
17 said, Oh, let's get our board together. And Pat said, I
18 suggest that you get a small committee. It would be
19 easier. You guys have six. We've got nine. And we
20 figured we'd win that argument. [inaudible] was going to
21 go to hand-to-hand combat because [inaudible].

22 MS. CARRINGTON: And then when he said a
23 committee of three to three I looked at him and said, Oh,
24 good, it's even.

25 MR. JONES: We --

1 MR. JETER: I normally don't try to do things
2 like that.

3 MR. JONES: We had this hearing in mind.

4 MR. CONINE: Well, that's a good point.

5 MR. JETER: I think in terms of -- after
6 sitting here, in terms of -- you know, going back to item
7 C, I don't know. We played with them, a little word
8 changes in that. Obviously, instead of -- and I'm going
9 to use some of David's words. But I think his words were
10 some ORCA and -- you know, we're just trying to get in
11 that joint thing here. ORCA and TDHCA shall jointly
12 develop all threshold, whatever. Such criteria must be
13 approved by ORCA. Maybe --

14 MR. ALDERS: I'm not sure that last sentence
15 will even be needed if we've --

16 MR. JETER: Well, you have to -- I think from
17 our standpoint, the last sentence is important.

18 MR. ALDERS: Okay.

19 MS. CARRINGTON: Uh-huh.

20 MR. JETER: Yes.

21 MR. CONINE: Last sentence what now?

22 MS. CARRINGTON: Such criteria must be
23 approved --

24 MR. CONINE: Oh, add them on?

25 MR. JETER: Yes.

1 MR. ALDERS: Yes.

2 MS. CARRINGTON: On the bottom of the page.

3 MR. JETER: Yes.

4 MR. ALDERS: Is that something that you think
5 would be --

6 MR. JETER: I mean --

7 MR. ALDERS: -- appropriate?

8 MS. CARRINGTON: Absolutely.

9 MR. JETER: I mean, you've got shall. Or
10 somehow we got the word -- not the -- not it's you,
11 because I believe it's probably the attorneys that, of
12 course, you know, are going to do it that way. But --

13 MR. JETER: Well, ORCA and --

14 VOICE: [inaudible]

15 MR. JETER: You know, I think our guy -- oh,
16 you're an attorney, too.

17 VOICE: Yes.

18 MR. JETER: Really?

19 VOICE: Yes.

20 MR. JETER: My God. I wish somebody had told
21 me. ORCA and --

22 MR. JONES: [inaudible]

23 MR. JETER: -- TDHCA shall jointly develop. I
24 mean, that's nicer language for us.

25 MS. CARRINGTON: Uh-huh.

1 MR. JETER: That kind of thing. And I think
2 over the ORCA shall [inaudible] -- somehow we need to put
3 this language in -- from our perspective about this pre-
4 thing -- pre-QAP kind of thing so we get that done maybe.

5 One of the things that we want to be able to do
6 is look at the QAP from a rural standpoint, which you
7 allowed us to do in item C, is to say, Here's what we
8 think it should be and we really think that you guys
9 should say, Okay. And I think that's what the language of
10 that says.

11 MS. CARRINGTON: We did hold for the first time
12 this year a workshop with our board. Now, with -- it was
13 a full board. It wasn't our Programs Committee, our
14 Finance Committee. But we did a lot of revamping on the
15 QAP for OT.

16 MR. JETER: Right.

17 MS. CARRINGTON: And we had a work session with
18 our board for about two hours that said, This is the way
19 the old one reads, This is the way the new one reads, and
20 basically, what do you all think about that. So we've
21 really already created that mechanism. And we will
22 include ORCA, whoever is appropriate to be the full
23 executive committee or, you know, whomever you all would
24 want for next year.

25 MR. JONES: We threw a big party [inaudible].

1 MS. CARRINGTON: And we did not throw a big
2 party. And we're all ready. All [inaudible].

3 MR. ALDERS: [inaudible] party.

4 MS. CARRINGTON: The '04 QAP. Very good
5 [inaudible].

6 VOICE: Trouble is we're never invited.

7 (All talking at once.)

8 MR. CONINE: Use that one today.

9 VOICE: You've got your match, maybe.

10 VOICE: That's good. I like that.

11 MR. ALDERS: Let me ask you on the scoring
12 issue. Or -- do you adjust the scoring on -- is that
13 scoring in concrete for all set-asides or is that adjusted
14 for specific sub-categories?

15 MS. CARRINGTON: The scoring side is for all
16 applications --

17 MR. ALDERS: Is that --

18 MS. CARRINGTON: -- under the QAP.

19 MR. ALDERS: -- by statute?

20 MS. CARRINGTON: No.

21 MR. ALDERS: So we could review that -- that
22 would not be objectionable to you all if we -- for
23 example, if a mixed income is a decided disadvantage for
24 us. Even the elderly sub-category faces the same hurdle
25 when it comes to scoring with mixed income, for example.

1 VOICE: Right.

2 MR. ALDERS: Rural elderly is certainly a
3 pretty narrow strata of income.

4 MS. CARRINGTON: Uh-huh. And a very low income
5 group.

6 MR. ALDERS: Absolutely.

7 MS. CARRINGTON: Yes.

8 MR. ALDERS: So it's difficult to do much
9 spatial engineering, you know, a elderly housing project
10 in rural Texas. The -- you know, the raw materials aren't
11 there.

12 MS. CARRINGTON: I think certainly -- and you
13 had -- you brought up that question at the November board
14 meeting. It certainly is something that is worth
15 exploring. It might prevent applicants from going into a
16 rural area -- well, we'll have to take a look at that.

17 MR. ALDERS: Okay. I'd like to --

18 MS. CARRINGTON: I think your question was
19 could you have different scoring criteria for the rural
20 area.

21 MR. ALDERS: Absolutely.

22 MS. CARRINGTON: For the rural [inaudible].

23 MR. ALDERS: Absolutely.

24 MS. CARRINGTON: And the answer would be yes,
25 we could as long as it was spelled out in the QAP.

1 MR. ALDERS: Right.

2 MS. CARRINGTON: But then you might have a real
3 interesting kind of situation if the development was
4 elderly and nonprofit and rural and if you didn't have
5 uniform scoring criteria, how could they go into all three
6 set-asides.

7 MR. ALDERS: Uh-huh.

8 MS. CARRINGTON: So that's --

9 MR. ALDERS: Well, they --

10 MS. CARRINGTON: -- something certainly that we
11 would be happy to look at and run some numbers on
12 transactions.

13 MR. CONINE: Yes, that's one of the things we
14 try to do. [inaudible] if you're losing one set-aside you
15 can still win in another.

16 MS. CARRINGTON: They could have it in
17 another --

18 MR. ALDERS: I'd like to see maybe if you all
19 could [inaudible] a lot of leg work [inaudible]
20 information on whether there were some elderly programs --
21 rural elderly programs that came in under the elderly
22 area, for example.

23 MS. CARRINGTON: Or nonprofits.

24 MR. ALDERS: Right. I'd like to see if that's
25 conjecture or fact.

1 MR. JETER: Yes. And I think in context with
2 that, I think what we seek is that if the rural set-aside
3 is 5.8 million, I think you said --

4 MS. CARRINGTON: Well, 15 percent of whatever
5 the --

6 MR. JETER: Fifteen percent --

7 MS. CARRINGTON: -- allocation is.

8 MR. JETER: -- [inaudible].

9 MS. CARRINGTON: And it will be up -- go up for
10 next year.

11 MR. JETER: But --

12 MS. CARRINGTON: Yes.

13 MR. JETER: If somebody can build on that and
14 say, Here is the amount for potentially the elderly
15 program and then here's the historic of what happened in
16 those same programs, so we can --

17 MS. CARRINGTON: Uh-huh.

18 MR. JETER: -- have a vision of that. And I do
19 think that it's -- we also -- QAP -- because it says, Must
20 approve the criteria in this paragraph C deal, I still
21 think that we might want to look at -- there may be a
22 reason to have separate criteria for rural. But we have
23 to know how that impact -- I -- we're not ones to go out
24 and say, Let's have them, until we know what the impact
25 is.

1 MR. CONINE: Right.

2 MR. JETER: I mean, I -- you know --

3 VOICE: [inaudible] rural developers on that,
4 for example.

5 MR. JETER: Yes.

6 VOICE: I think we need to get whoever -- you
7 know, Sox or somebody else, to give us an input on that.

8 MR. JETER: And I would hope that we could get
9 that information to staff and then to these three people
10 here so that we could review that, because I don't know
11 about you guys.

12 But the only way we figure out to do is we take
13 a few of us and we try to learn what the heck is going on,
14 because, I mean, everybody can't learn what's going on.
15 And this stuff is -- I mean, if we had some quick study
16 courses --

17 VOICE: It's very interesting.

18 MR. CONINE: -- we would ask that -- in an era
19 of tight budgets statewide, let's just make sure we don't
20 set up two separate tracks that are going down here. We
21 don't need developers going to you guys and coming to our
22 public hearings. We have joint -- we have public
23 hearings. We have processes set up for that. So we would
24 ask you to try to join up in that effort so that we don't
25 force the development community or staff to do duplicative

1 efforts.

2 VOICE: Sure.

3 MR. CONINE: I mean, that would just be --

4 MS. CARRINGTON: I --

5 MR. CONINE: And the other thing I'd say to you
6 under this Memorandum of Understanding is that the -- need
7 to take a hard look at the cost of doing -- of ORCA to do
8 what we've asked you to do or agreed for you to continue.

9 I'm not sure that 50 percent of the cost reimbursement's
10 going to cover the full cost of your agency to do what
11 you're agreeing to do here.

12 MR. JETER: Yes.

13 MR. CONINE: You need to take a hard look at
14 that.

15 MR. JETER: Yes.

16 MR. CONINE: Because it is a painful process.

17 MR. JETER: Oh.

18 MR. CONINE: And we use -- you know, we don't
19 have just the Low Income Tax Credit Program as a subset
20 and we say, We're just going to spend that money. We
21 probably subsidize it from other issues, other areas of
22 funding mechanisms. And you -- I'm just saying you need
23 to take a stiff look at that.

24 MR. JETER: Yes.

25 MR. CONINE: From a personnel --

1 MR. JETER: My understanding --
2 MR. CONINE: -- standpoint.
3 MR. JETER: -- it's not a lot of dough.
4 MS. CARRINGTON: They asked me at a meeting.
5 MR. JETER: Yes.
6 MS. CARRINGTON: And I happened to have --
7 MR. JETER: Right.
8 MS. CARRINGTON: -- my calculator. And it
9 was -- what was it? \$8,000 or [inaudible]?
10 MR. JETER: But I believe [inaudible] --
11 MS. CARRINGTON: Sixteen thousand or something.
12 MR. JETER: Yes. It's something. Yes.
13 MS. CARRINGTON: Yes.
14 MR. CONINE: [inaudible]
15 MR. JETER: [inaudible]
16 MS. CARRINGTON: It's a very small amount of
17 money, as we talked about.
18 MR. JETER: Well, we get to use the agency jet,
19 of course. But --
20 MS. CARRINGTON: I think it's called the
21 [inaudible].
22 MR. JETER: No, we have one with a [inaudible].
23 MR. CONINE: You just need to put a pencil to
24 it sometimes.
25 MR. JETER: No. It's something [inaudible]

1 contract [inaudible].

2 MS. CARRINGTON: May I --

3 MR. JONES: I think that the joint meeting
4 idea -- I would just say this -- it's really important
5 from the standpoint we need to be [inaudible] same basic
6 information.

7 MS. CARRINGTON: Uh-huh.

8 MR. JONES: And we had this joint meeting
9 [inaudible]. You know, we don't want to come, Well, we
10 heard this, Well, we heard that. I mean, that would be, I
11 think, unfortunate for [inaudible].

12 MS. HARRELL: Yes. I think that's one of the
13 purposes of the meeting today is how do we establish the
14 relationship where we work together and we coordinate and
15 we communicate, we align so that we are all focused on
16 addressing the rural issues in a unified way.

17 I have a question. And this may be my
18 ignorance. But in the Government Code it also talks about
19 the adjusting -- jointly adjust the regional allocation of
20 housing tax credits to offset the under-utilization and
21 overutilization of multifamily private activity bonds and
22 other housing resources. Is that addressed in -- am I
23 overlooking something? Is that addressed in this MOU?

24 MS. CARRINGTON: No. It's not in the MOU.
25 That is a part of our State Low-Income Housing Plan. And

1 the affordable housing needs survey, which actually,
2 they're holding public comment on in the other room right
3 now. That's how much goes into each region, each -- now
4 13 service regions.

5 MS. HARRELL: Okay.

6 MS. CARRINGTON: So that is all included in our
7 State Low-Income Housing Plan.

8 MS. HARRELL: Okay. How is ORCA to be involved
9 in that?

10 MS. CARRINGTON: Kent, look at you on that.

11 And Aurolia [phonetic], I --

12 Sara Anderson runs my Housing Resource Center,
13 runs our -- runs the Department's Housing Resource Center.

14 And then we still do, I guess, the CDBG component of that
15 plan, because it has to all be put together. So we work
16 closely with someone at ORCA, Ms. Harrell. But I can't
17 tell you who that is.

18 MS. HARRELL: Okay.

19 MS. CARRINGTON: I can certainly get that
20 information for you.

21 MS. HARRELL: Okay. Should that not be a part
22 of this MOU? Does it clearly identify also ORCA's
23 relationship with TDHCA in that process?

24 MS. CARRINGTON: As it relates to the
25 developing of plans?

1 MS. HARRELL: As jointly adjusting the regional
2 allocation. It says, The Department of the Rural
3 Development Agency shall jointly adjust the regional
4 allocation.

5 MS. CARRINGTON: Right.

6 MS. HARRELL: So how does -- how do we jointly
7 adjust that in a way that we're both meeting our
8 legislative requirements?

9 MS. CARRINGTON: Jerry, you want --

10 MR. HILL: We can put some language together on
11 that.

12 MS. CARRINGTON: Okay.

13 MR. HILL: Chris and I can work on that.

14 MS. CARRINGTON: Then you and Chris get your
15 heads together on that.

16 MR. HILL: Yes.

17 MS. CARRINGTON: And find out who Sara works
18 with.

19 MR. HILL: Yes.

20 VOICE: [inaudible]

21 MS. CARRINGTON: One piece of information I
22 would like to provide to one of the three committee
23 members who has asked twice -- and never let it be said
24 that I have to have something asked the third time. But
25 it's what definition we use of rural.

1 VOICE: Who is that?

2 MS. CARRINGTON: And, Mr. Alders, I believe
3 that would be you. And it is in our QAP. And we have
4 looked this up. And we've also gotten some other
5 information.

6 Thank you, Brooke.

7 Gave her this assignment late last evening.
8 Basically, the definition we use for rural is in our
9 section of the Government Code, 2306. It's also what we
10 use in the QAP.

11 We believe it probably came from or was based
12 on Rural Development's definition. It's one of those
13 things when you go back and look at the QAP it's sort of
14 been the same, you know, as we've carried forward.

15 Then Brooke also did a little bit of research
16 on what is the definition on rural health programs for the
17 Community Development Block Grant Program, for ORCA's
18 biannual report to the 78th Legislature and also what's
19 used in the HOME program.

20 And, Mr. Alders, as you would suspect, there's
21 no uniformity.

22 MR. ALDERS: Oh, I figured that.

23 MS. CARRINGTON: So have them in mind; share it
24 at will.

25 MS. HARRELL: Okay. Then my question is how

1 can we work to get some conformity, because it is so
2 confusing, and it seems to be so dysfunctional.

3 (General laughter.)

4 MS. HARRELL: But -- I have worked in
5 [inaudible] all my life. And I guess I finally had an
6 opportunity to express myself. But somehow, maybe our two
7 agencies working together can help focus and clear up some
8 of this. I mean -- and by our boards meeting together,
9 by our staff working together, by us looking at facts and
10 analyzing those facts and then making decisions based on
11 them and then sending a unified voice out, that's
12 really -- you know, I think that's the whole purpose of
13 why we're here today. And, you know, truly addressing why
14 parts of rural Texas are not being served.

15 MS. CARRINGTON: If I had to make an educated
16 guess, I would guess that if you looked at the definition
17 of rural -- HUD's definition of rural, which, of course,
18 is going to dictate HOME funds, CDBG funds, you would find
19 one definition of rural. And if you would look at USDA's
20 definition of rural, which, of course, is the agency for
21 RD, you will find a different definition of rural.

22 So I think we're never going to be able to get
23 to an agreed uniform definition of rural because the feds
24 don't agree.

25 MS. HARRELL: Uh-huh.

1 MS. CARRINGTON: But to the extent that we
2 don't create any more definitions --

3 MS. HARRELL: Yes.

4 MS. CARRINGTON: -- that we're not guilty of a
5 proliferation of more definitions of rural, seems to be
6 where we really might be able to cooperate and maybe
7 achieve something here.

8 MS. HARRELL: Okay.

9 MS. CARRINGTON: And I'm sure the Comptroller
10 has a definition of rural.

11 VOICE: They do.

12 MS. CARRINGTON: I notice there's some --

13 MR. WITTMAYER: They do.

14 MS. CARRINGTON: -- there's some Comptroller
15 information [inaudible] --

16 VOICE: And TDA [phonetic] does, too. And --

17 MS. CARRINGTON: -- [inaudible].

18 VOICE: -- everybody's got one.

19 MS. HARRELL: I guess from my standpoint, if I
20 know what the law is, then I can go forward and filter
21 through and find ways to address issues. And if there are
22 more than one -- if there's more than one definition, then
23 in what arena does each apply. And then how do we
24 structure so that we're following that guideline for this
25 particular -- and then how can we align it with others so

1 that we actually leverage off of -- and focus. And I
2 really want to be action oriented and focus and make a
3 difference. And I know that's Pollyanna. But --

4 VOICE: No, it's not.

5 MS. HARRELL: -- by golly, I think we can do
6 it.

7 MR. CONINE: What percent of Texas population
8 lives in rural Texas?

9 VOICE: Fifteen percent.

10 MR. CONINE: Huh?

11 VOICE: Fifteen.

12 MR. JETER: Depends on your definition of
13 rural.

14 MR. CONINE: That's why I was asking you.
15 That's why I was asking you.

16 MS. CARRINGTON: Right now you see our
17 definition of rural, Mr. Alders.

18 MR. ALDERS: Yes.

19 MS. CARRINGTON: This is our definition.

20 MR. JETER: But I think that goes back to it.
21 I think that's why, you know, you can come up with that
22 number very quickly --

23 MR. CONINE: Right.

24 MR. JETER: -- based upon certain definitions.
25 But I think it goes back to how we see our board. And I

1 just might share that with you. Not that it does anything
2 for anybody at this table. But we really see our job is
3 doing this -- is, you know, setting real policy for the
4 State of Texas and seeing how we change the landscape.

5 But what we really see our job is doing is
6 facilitating with other agencies --

7 VOICE: Right.

8 MR. JETER: -- and bringing about some change.
9 You know, we talk about state budget shortfalls, et
10 cetera.

11 How do you more efficiently use dollars, you
12 know, to accomplish the same goals or more goals? You
13 know, how do you do that? Well, I think there's ways to
14 do that. I mean, I've contended a long time the money's
15 there. I mean, it's just how do you efficiently use it,
16 you know.

17 And so I think during this period of time
18 everybody's going to start looking at how you efficiently
19 use it. And I think that's great, because there's some
20 ways to do things. There's got to be ways to do things
21 that are simpler and use the resources that the state has
22 today and use those in an efficient way to benefit our
23 constituencies, be they urban, suburban or rural.

24 And so I think if we can work with you guys and
25 we -- and we work on definitions and we work on things

1 like that and we get together before the QAP. And
2 everybody gets together with us. I mean, after all this
3 MOU's about a year. And then we'll come and look at it
4 again and say --

5 VOICE: Right.

6 MR. JETER: -- Does it work.

7 VOICE: Right.

8 MR. JETER: You know? So I mean, it's not one
9 of these things that we're going carry to the grave. So
10 that's the good news.

11 And then the great news is that we sat here and
12 met -- you know, three of us or six of us met together and
13 we plan to have another meeting before the QAP and other
14 times. I think that's the good news about all this kind
15 of stuff. And if we could officially do that, it's good.

16 Jerry, you're going to put into the -- you and
17 Chris are going to put into this deal this -- these four
18 or five things that we talked --

19 MR. HILL: Yes.

20 MR. JETER: -- about.

21 MR. HILL: Yes.

22 MR. JETER: And we'll get back and we'll get it
23 approved and we'll get this out of the way and go on down
24 the street.

25 MR. CONINE: Great.

1 MR. JETER: If that's okay with you.

2 MR. CONINE: Sounds wonderful.

3 MR. JETER: Unless you want to --

4 MR. CONINE: Anything else from anybody?

5 MR. JETER: -- do some more good things.

6 VOICE: Not from me.

7 MR. CONINE: Anything else from anybody?

8 MS. CARRINGTON: Brooke just reminds me that we
9 do have a working group that started working on the 2004
10 QAP. And so -- and the ORCA staff is part of that working
11 group.

12 MR. CONINE: Let me make sure that on all those
13 future meetings, public hearings and everything, that
14 their executive committee gets on the mailing list somehow
15 some way because, you know, sure would hate for something
16 to get bogged down at the staff level. That would be
17 terrible.

18 MR. JETER: For some reason I am on your email
19 on your board meetings.

20 VOICE: I am, too.

21 MS. HARRELL: I am, too.

22 MR. JETER: I mean, I don't know.

23 MR. JONES: So just flag the stuff you want us
24 to read.

25 MS. CARRINGTON: Well, maybe that's why,

1 because the QAP is on the agenda today. So I'm sure
2 that's why you all are getting it.

3 MR. JETER: Maybe she's trying to switch
4 boards. Maybe she's chosen you all over us.

5 VOICE: I think the deal is this. When we
6 originally were -- we got -- we started, we used the old
7 office up there in the corner. I guess the one that is
8 your office now. And we used that office up there for our
9 meetings and our little interview sessions and everything
10 else. Perhaps we infiltrated more than we thought.

11 MR. CONINE: We stand adjourned. Thank you
12 very much.

13 (Whereupon, this meeting concluded.)

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IN RE: Joint meeting of TDHCA Finance Committee
and ORCA

LOCATION: Austin, Texas

DATE: November 14, 2002

I do hereby certify that the foregoing pages,
numbers 1 through 59, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
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