TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:00 a.m.
Wednesday,
January 8, 2003

TDHCA
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

MICHAEL JONES, Chairman
SHADRICK BOGAN
BETH ANDERSON
NORBERTO SALINAS
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON
DELORES GRONECK
ROBERT ONION
BYRON JOHNSON
GARY MACHAK

ON THE RECORD REPORTING
(512) 450-0342
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ON THE RECORD REPORTING  
(512) 450-0342
Single-Family Homeownership Tax Credit Legislation
Appointment to Federal Home Loan Bank Advisory Committee
Upcoming Speaking Events - Dallas Affordable Housing Task Force and Dallas Housing Summit
Participation in Rural Task Force for Texas Affordable Housing Coalition

ADJOURN
MR. JONES: I would now like to call to order the meeting of the board for the Texas Department of Housing and Community Affairs set for January 8, 2003.

And after calling it to order, the first order of business is the roll call.

Beth Anderson?

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany?

MR. BOGANY: Here.

MR. JONES: Mr. Conine is absent. Mr. Gonzalez is absent.

Mayor Salinas?

MR. SALINAS: Here.

MR. JONES: And Mike Jones is here. So we have four members present, two absent. And I do certify that we have a quorum.

The next order of business is public comment.

Can you hear me?

THE REPORTER: Yes.

MR. JONES: Can you hear me?

THE REPORTER: We hear now.

MR. JONES: Okay. The next order of business is public comment. If you would -- if you'd like to
address the board, if you would, fill out a witness
affirmation form and supply it to Delores. And she'll let
me know about it.

I have two right now that have been submitted.
You have the option of either speaking at an agenda item
or speaking now.

And the first person I have a witness
affirmation from is Mr. Steve Moore.

MR. MOORE: Good morning. Do I just come up
here and talk?

MR. JONES: That would be great.

MS. ANDERSON: Yes, you do.

MR. JONES: Feel free.

MR. MOORE: Okay. My name is Steve Moore. And
my question is about funding for Region 7. I have a rural
application for that region. And I don't know if I should
even submit the pre-app if there's no money available,
which I saw on the latest revision.

MR. JONES: I will address that question to our
executive director.

Ms. Carrington?

MS. CARRINGTON: Good morning. What you --
the --

MR. JONES: How about using this.
MS. CARRINGTON: I'm one of the ones that doesn't have a mike.

MR. JONES: Okay.

VOICE: It's on.

MR. JONES: It's one? Okay.


MR. JONES: Excuse me.

MS. CARRINGTON: Thank you.

The question that you raised related to Region 7. What you see on the website is correct for applications for 2003 for the Low Income Housing Tax Credit Program.

We went from 11 service regions to 13 service regions between the '02 and the '03 allocations. And the Austin region was one of those regions that was carved up as a result of adding an additional service region.

The Austin area, which is Region 7, did receive two forward commitments out of the '02 application. So out of '03 we will actually have about 1.9 million as is shown on the website that will be for Region 7. It was two tax credit transactions.

So for new allocations in '03 for tax credits in the newly configured Region 7, which does include Austin, the amount available per the regional allocation
formula is zero.

MR. MOORE: Well, does that mean that it's -- that it's hopeless for any funding in that region? Or does it mean there might be some forward commitment like there was in the past? If you did it once, is it possible you do it again?

MS. CARRINGTON: I would -- it's a question that we are -- that staff is asking. And it really is a gamble or a judgment call that a developer has to make.

Right now Region 7 has zero allocated per the regional allocation formula. Because actually, with the two forward commitments that the board did in '02 it was over about $500,000. And that 500,000 was taken from the other 12 service regions.

So if a developer chooses to go ahead and place an application in Region 7, even though you understand it's a zero allocation amount right now, that certainly is at the developer's option. We wouldn't not take it if you went ahead and applied.

MR. MOORE: Okay. And if it's rural it's still part of the money for Region 7? If it's a rural application but it's in Region 7, it still has to take from the Region 7 pot, which is zero dollars. Is that --

MS. CARRINGTON: That's correct.
MR. MOORE: -- right?

MS. CARRINGTON: That's correct.

MR. MOORE: Okay.

MS. CARRINGTON: But I think it's very important to say -- one of the things we've heard folks say is, Well, Region 7 has no money. Well, Region 7 did have 1.4 million. But that 1.4 million was taken up with 1.9 million in forward commitments of '02.

MR. MOORE: Okay.

MS. CARRINGTON: Okay?

MR. MOORE: Thank you, ma'am.

MS. CARRINGTON: Thank you.

MR. JONES: Thank you, Mr. Moore.

The next witness affirmation form I have is from Mr. Granger McDonald.

Mr. McDonald?

MR. McDONALD: Well, let me start by saying I've never met Mr. Moore before in my life, but he's right. And that's the purpose of my discussion.

And the answer to his question is it's very risky thing to put in an application for Region 7 right now. And most people are not going to spend the money to do it. And they'd be ill advised to.

And I'd like to point out that I think what
we've done here is I can appreciate the fact that there was a tremendous amount of bonds, 4 percent credits that were done in the Austin area. But that's been at the expense of the rural applications.

I don't know where Mr. Moore's turning his application in. But we were going to do a rural application in Region 7 and now are facing the same dilemma.

And it's not fair to the rural parts where bond deals won't work. You don't do any 9 percent credits in Austin. It's not a problem. Rents are high enough here. They can do 4 percent credits through the lottery. Actually, do bigger deals and may be simpler to do.

But the folks like us in the rural areas are between a rock and a hard place. These 9 percent credits are the only way to deliver housing in the rural areas. And you've literally shut them off. You've shut off a lot of rural communities from having seniors housing and for having family housing in this term.

I would hope that the board -- if legislation's necessary, I'd hope that the board would think about what they could do to better allocate the resources so that we don't have years where people get zero. It's not fair to the rural communities. It's not fair to the towns that
have no other alternative.

   One of the ways you could do is put minimums out. You could redefine your region where you had -- for example, in this area you'd have Hayes, Travis and Williamson County as a region so the rest of Region 7A and 7B type of thing so that you wouldn't shut off the rural areas. You could do the same thing with Harris and Fort Bend County, for example, and then not shut off the rest of the region.

   But I think this needs to -- there has to be a good look at this. I know we're torpedoed this year. Region 7 is not going to get any money. It's -- and for those of us -- we'll probably not turn in applications. And the folks that have been looking forward to having better affordable housing in the rural areas of Region 7 will just have to live in what they've been living in in the last year.

   Thank you.

   MR. JONES: Thank you, sir.

   MS. ANDERSON: May I ask a question?

   MR. JONES: Certainly.

   MS. ANDERSON: Ms. Carrington, the -- when we got to the, you know, end of the summer, when we began to review the applications, we retained -- if I remember
correctly, we retained the ability to do an '04 forward
commitment. Right? So we still would have that option if
we had applications that the board chose to make forward
commitments against?

MS. CARRINGTON: That's correct.

MS. ANDERSON: Okay.

MR. JONES: Any further questions from board members?

(No response)

MR. JONES: Those are the only witness affirmation forms I have.

Is that right, Delores?

Would anybody else like to speak to the board?

(No response)

MR. JONES: Having no other witness affirmation forms, I will then declare closed the public comment portion of our meeting.

I would also say this. We have no witness affirmation forms that have been filled out. Accordingly, I assume there is nobody that wants to speak to specific items. We do have some board members with some time constraints. So the public comment portion of our meeting is now closed for the remainder of the meeting.

We will then move to Item 1 of the -- we don't
have any minutes to approve.

    Right?

    MS. GRONECK:  No, sir. I didn't get the transcript until this week.

    MR. JONES:  Okay. We will then move to Item Number 1 of the agenda, which is the discussion and presentation and possible approval of financial items.

    Ms. Carrington?

    MS. CARRINGTON:  Thank you, Mr. Chairman. The first item for your consideration this morning is the proposed issuance of Multifamily Mortgage Revenue Bonds for the Reading Road Apartments in Rosenberg, Texas in an amount not to exceed $14,000,000.

    And the proposed development in front of you -- the proposed bond issuance in front of you is for 252 units. It's new construction. It's a priority 2 transaction. And actually, the proposed bond amount is $12,200,000, 6.75 percent interest rate, 35-year amortization.

    I would like Robert Onion to come up to address a potential occurrence or activity with this transaction, in that there is a possibility within 90 days that the bonds that are approved today may be reissued in 90 days -- or refunded in 90 days.
Robert, would you like to address that, please?

MR. ONION: Good morning. My name is Robert Onion, Director of Multifamily Finance. The reason why it's being considered as a possible refunding is just strictly based upon the schedule.

When they received the reservation October 18 that means that they have to close by February 15. As you know, the next board meeting is on the 13th, which only would give them two days in which to close the transaction.

And this board meeting -- we appreciate you having the board meeting today -- is early in January. And there was just not enough time to put together a publicly offered transaction.

So Underwriting did underwrite it at 6.75. It does work at 12 million two. It has the proper debt coverage ratio.

And if they do the refunding, then they would go to a credit-enhanced -- private credit-enhanced variable rate, which would only make the transaction stronger.

The amount of bonds would still be 12 million two, but the interest rate would be less. So you'd have a higher debt coverage ratio.
I just want to make mention of that. And if you have any other questions -- thank you.

MR. JONES: Thank you.

MS. CARRINGTON: And staff is recommending the approval of the issuance by the resolution that is in your book, Resolution 0302, the issuance of 12.2 million in Single-Family Mortgage Revenue Bonds for this transaction.

MS. ANDERSON: I move for approval of Resolution number 0302.

MR. BOGANY: Second.

MR. JONES: Motions's been made and seconded. Further discussion, questions, comments?

(No response)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response)

MR. JONES: Motion carries.

Ms. Carrington?

MS. CARRINGTON: Thank you. Item 1b is the approval of a Single-Family Mortgage Revenue Bond Lender List.

You will remember at the last board meeting we
approved the issuance of bonds for our newest two single-family programs. And those are programs 59 and 59-A. And we have a list of the lenders for you. There are 40 lenders on -- that will be participating in this program.

Note -- and we're always pleased about this -- that three of them are new lenders in the program. Allied Home Mortgage Corporation, Independent Mortgage Company, State National Bank and then Piney Woods Home Team is actually a fourth entity that will be working in conjunction with Bank One to make loans in Nacogdoches, Longview and Jasper. So we have 40 lenders who are participating in the program.

One of the things we are always interested in is what kind of coverage are we getting in the state with our lenders.

And I asked staff to prepare -- and you have in your book behind the lender list -- a chart of the lenders with all of the various offices they have. We actually have a total of 388 branch offices around the state.

And then we have a map, which is the last item that's behind b, that shows the board where our lenders are actually located around the state.

What this shows us is that there are some areas
of the state that we have very good coverage in, as far as
origination of Single-Family Mortgage Revenue Bonds for
the Department.

There are some other areas of the state that we
absolutely need to work on in either generating interest
with new lenders or trying to work correspondent
relationships with entities who would like to lend in
those areas.

Staff is recommending that the board does
approve this list of 40 lenders for participation in our
programs 59 and 59-A.

MR. BOGANY: I have one question.

MR. JONES: Yes, sir?

MR. BOGANY: Is this the -- can you add to this
list? Or this is the list for this issuance?

MS. CARRINGTON: We can -- you can add to --
you can add lenders to this list throughout the
origination of the program.

MR. BOGANY: Okay. Thank you.

MS. CARRINGTON: Yes.

MR. JONES: So let me make sure I understand
your answer to Shad's question. That means that this list
can be added to as we go through the year.

MS. CARRINGTON: Correct.
MR. JONES: Thank you.

MS. ANDERSON: I move --

What's the board's pleasure.

MS. ANDERSON: I move approval of the lender's list for 59 and 59-A.

MR. BOGANY: Second.

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

Any further questions, comments, discussion?

(No response)

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

(A chorus of ayes.)

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

(No response)

MR. JONES: The motion carries.

Ms. Carrington?

MS. CARRINGTON: Item 1c is requesting the board to approve the issuance of a request for qualifications for trustee services for our Single-Family Mortgage Revenue Bond issues.

You all may remember that last summer we did issue an RFQ for trustee services and did not -- we received, I think, five or six responses but did not take any action on any of those responses.
So what we have done is gone back and looked at our requests for qualifications and done some revamping and revising on our RFQ and are requesting that the board approve issuance of this RFQ. And we will look for responses to come back in -- February 21 of '03.

And I believe in March is when we had this -- we will have reviewed the proposals and we will come back to the board asking your acceptance of a trustee to provide services for the Department.

MR. BOGANY: So move.

MR. JONES: We have a motion to approve the proposed request for qualifications.

MS. ANDERSON: Second.

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

Questions, comments?

MS. ANDERSON: I have a question.

MR. JONES: Ms. Anderson?

MS. ANDERSON: Could you refresh my memory on the -- last summer's RFQ? You didn't get responses to it? Was that it?

MS. CARRINGTON: We did receive responses.

I think we received either five or six responses, Byron? Is that correct?

MR. JOHNSON: About six.
MS. CARRINGTON: About six responses?

All of those responses had some degree of incompleteness in them. And we didn't feel comfortable in making a recommendation to the board at that time. We said maybe it's the way we're asking the questions, maybe we need to take a look at our RFQ and polish it up some. And so we've done that and are now going out with this -- with the request for the new one.

MS. ANDERSON: And how many trustees do we have in the Single-Family Program at present?

MS. CARRINGTON: Byron, would you like to come up and answer that question? Question was how many trustees do we have in the Single-Family Program.

MR. JOHNSON: Well, presently one. And they cover all of our indentures. We have five, six -- five or six indentures. And when I start -- well, back in 1999 or 1998 there were two or three trustees. But as a result of refundings and, I guess, transfer of responsibilities from a particular trustee it just resulted in us having one trustee presently.

MS. ANDERSON: In your judgment -- if I can ask you this -- in your judgment is it better for the Agency to have more than one trustee?

MR. JOHNSON: The current trustee also has
undergone a lot of internal managerial changes. And whereas before, within that entity you had separate divisions covering single-family, multifamily, they combined those divisions and just have one division for multifamily issuance and single-family issuance. And we think it would be better to bring in one or two more trustees for future issuances.

MS. ANDERSON: I have one more question. Is the process -- and then on the multifamily side we have a similar -- we have trustees on the multifamily side, also?

MR. JOHNSON: Yes.

MS. CARRINGTON: Yes.

MR. JOHNSON: I believe we have three trustees on the multifamily side.

MS. ANDERSON: Okay. And do you recall when the last time was that we reviewed those trustees or went out with an RQ on the multifamily side?

MR. JOHNSON: I believe it was in '98 or '99.

MS. ANDERSON: Okay.

MR. JOHNSON: Is Robert --

MS. CARRINGTON: Is Robert here?

MS. ANDERSON: I have one more question. Is it specified in our -- in the Government Code or in regulation or is this mainly -- has it just been sort of
past practice that when we consider either adding to or replacing trustees, that we do it in a competitive process? I mean, is that specified in regulation or is that just -- has that been board policy? Or is it just sort of --

MR. JOHNSON: I believe we are required to go out with an RFP on professional services or consulting services.

MR. JONES: We have a motion that's been made and seconded. Any further questions, comments, discussion?

(No response)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response)

MR. JONES: The motion carries.

Ms. Carrington?

MS. CARRINGTON: Item 1d --

And, Byron, let me ask you to go ahead and stay up here.

Item 1d is to approve an additional request for proposals for co-managers for the investment-banking teams
for the sale of the Department's Single-Family Mortgage Revenue Bonds and Refunding Bonds.

And as you have in your material, in '01 -- in 2001 the Department selected 12 investment banking firms to provide single-family mortgage underwriting services for TDHCA.

We had six firms that were selected as the senior managers. And then we had six firms that were selected as co-managers. And we rotate those firms on -- as transactions come up.

And what we are asking for today -- and so basically, all of those six managers have served -- those senior managers have senior-managed a transaction.

MR. JOHNSON: Of the six, four have.

MS. CARRINGTON: Four have managed the transaction. And what we're looking at doing with this is adding additional co-managers to the team. And I'll let Byron explain how this all works.

MR. JOHNSON: Starting with going back to 1999, we started rotating senior managers. And then in 2001 we updated the list. We had a lot of firms on the list that were no longer -- that no longer existed or just were not around to provide services.

We decided at that time to have six senior
manager firms to provide -- you know, or to underwrite a transaction. And we wanted to, you know, get a feeling for the services they provided and everything. We wanted to, you know, get a feel for the firm. So we've gone through four of those six.

What we're looking to do is move to eventual -- what we're looking to do eventually is move to a system where we will have three teams comprised of five firms. We'll do all this on an annual basis of three transactions. And each team will do one transaction per year.

Historically, the Department has done only one single-family transaction per year. And given the volatility in interest rates and everything, we suggest or recommend that we break, you know, the $150 million transaction down to maybe three transactions, 50 million, 75 million to help mitigate our exposure to interest rate risk.

So what we're trying to do -- this is kind of like a -- this is a preliminary move to get on board additional co-managers so that we'll have a senior manager, a co-senior manager and three co-managers for each of the three teams.

MS. ANDERSON: So --
May I ask a question.

MR. JONES: You sure can.

MS. ANDERSON: Theoretically then we have six lead senior managers right now.

MR. JOHNSON: Right now.

MS. ANDERSON: And so theoretically, three of those could become co-senior managers?

MR. JOHNSON: Yes, ma'am.

MS. ANDERSON: And do they -- will they apply as part of this process to do that? Or you can --

MR. JOHNSON: What --

MS. ANDERSON: When you assign those three teams you can --

MR. JOHNSON: What we envision doing is coming back to you later this year and saying -- and stating that we have worked with all six senior management firms and this has been our experience with those firms. And these are the three firms that we recommend going forward to serve the Department.

The remaining three firms in the senior manager pool would then be the co-senior firms. And then we will have the three teams of three co-managers. I'm sorry.

MS. ANDERSON: No. It's good clarification. Makes sense.
MR. JONES: I know I'm always doing this. But is this something our financial advisor we consult with —

MR. JOHNSON: Has the financial advisor?

MR. JONES: Is that true? I mean, I —

MR. MACHAK: Yes. Byron and I got together —

MR. JONES: Did —

MR. MACHAK: -- and checked first.

MR. JONES: Yes. Gary, you generally give us your advice on this after looking at how these individual firms have performed.

MR. MACHAK: Yes, I do. In fact -- and I discuss it with Byron after each bond issue, in the middle of the bond issue on their performance. And we're in the process of reviewing the RFPs and giving our opinion, as we've worked with these firms in other areas, too, to let them know some things that may not come up in the written proposal process.

MR. JONES: And I assume that you think that this is a good move for us to make, number one; and number two, you will continue to help us and advise us as we work through the process that's been described so ably.

MR. MACHAK: I agree with both of those statements, yes.

MR. JONES: Thank you, sir.
Thank you.

MR. JOHNSON: Yes.

MR. JONES: Sorry to bother you.

MR. MACHAK: No, no.

MS. CARRINGTON: Gave him a reason to be here.

MR. JONES: I always feel like I'm dragging him up to the podium.

Anything else?

(No response)

MR. JONES: I don't think we have a motion.

MR. BOGAN: I move that we accept the proposal from staff.

MR. JONES: Thank you.

We have a motion that the proposed request be approved.

MS. ANDERSON: Second.

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

Further questions, comments, discussion?

(No response)

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response)
MR. JONES: The motion carries.

MR. JOHNSON: Thank you.

MS. CARRINGTON: Thank you, Byron.

MR. JONES: Ms. Carrington, we'll move to Item 2 of the agenda.

MS. CARRINGTON: Item 2a is the request for the issuance of determination notice to a tax-exempt bond issue with TDHCA as the issuer. This is the allocation of bonds that you previously approved in the amount of $12,200,000. It's the Reading Road Apartments in Rosenberg.

And the tax credit recommended allocation amount for this transaction is $624,757. And staff is recommending that the board approve this amount of tax credit allocation for this particular transaction.

MS. ANDERSON: I move for board approval of staff recommendation of this Reading Road Apartments.

MR. BOGANY: Second.

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

Further questions, comments, discussion?

(No response)

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

(A chorus of ayes.)
MR. JONES: All opposed to the motion please say nay.

(No response)

MR. JONES: The motion carries.

MS. CARRINGTON: The second item for your consideration is the issuance of determination notice to a tax-exempt bond transaction with an issuer other than the Texas Department of Housing and Community Affairs.

Tarrant County HFC is the allocation -- is the issuer for the bonds on this particular transaction. And the requested and the recommended credit amount from TDHCA for the 4 percent tax credits is $590,923. It's 216 units. It's located in Fort Worth and it is a family transaction, new construction.

MR. BOGAN): So move.

MR. JONES: We have a motion for approval that's been made. Is there a second?

MS. ANDERSON: Second.

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

Further questions, comments, discussion?

(No response)

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

(A chorus of ayes.)
MR. JONES: All opposed, nay.

(No response)

MR. JONES: The motion carries. We will then turn to the first report item on the agenda.

Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. This might be one of the first board meetings where we've had more executive director report items almost than action items on behalf of the board.

The first --

MR. JONES: I would congratulate you for that, but I'm not sure.

MS. CARRINGTON: Wait --

MR. JONES: I --

MS. CARRINGTON: -- till --

MR. JONES: I guess I'll wait.

MS. CARRINGTON: -- February.

MR. JONES: Okay.

MS. CARRINGTON: Wait till February. The first item is the organizational chart of the Department, which is the way we are beginning to operate. And it will be fully implemented on March 3 of this year.

In December in -- surveys went out to employees who were impacted by the reorganization giving them an
opportunity to identify what part of the Department they
wanted to move to and with -- and in what area.

There were 51 employees who completed that
survey. And what we did was match those employees with
the processes in the divisions.

So we looked at trying to satisfy, to the best
we could, employees' desires to move to particular
divisions, but then also looking at the skills and
abilities those employees had and doing some matching.

So we had 51 employees that are in the process
of being reassigned to different divisions of the Agency.
They were all notified on Friday, December 20 where they
would be going.

That was actually about three days early for us
because our schedule had shown us doing that on the 23rd
of December, which we knew didn't work very well, but was
kind of the best we could do.

We are now in what's called Phase 3 of our
reorganization. And that is being done by staff. We have
a P3 team. The leader of that team is Homer Cabello. We
have basically finished our on-site work with our
consultant from the State Auditor's Office. And he is
with us as we call him on an hour -- if we need him for
hourly services.
Basically, what the P3 team is doing right now is working on the change agent elements of the migration plan. So what we're doing is beginning -- we've worked -- our facilities folks have put together space plans for us. So we are working out where divisions are going to go on the various floors.

The deputy executive directors are with their divisions. They -- most of the divisions are on two floors. And so the deputy executive director is on one of those two floors.

We believe that we are doing -- that as we do this physical move, which is actually going to happen over the weekend of February 21 to the -- through the 23rd, that we are putting the divisions on the floors that are in the program area together and that are in the operations area together and, we believe, creating some better opportunities for communication among those divisions.

We are having a meeting with the directors and the managers tomorrow to go through what we're calling this migration process. And on March 3 we look to be fully implemented in our new organizational structure.

The P3 team right now that's chaired by Homer -- all -- their responsibilities are really going to
be ongoing in that they will be doing some training in conflict management, in working in teams, stress -- dealing with stress of staff as they move to different divisions.

And I don't get the calls too much. But Homer and Delores and a variety of people get calls from staff that says, I hear I'm moving to such-and-such a floor, what can you tell me about that.

And, you know, what we tell folks is that right now it's all very fluid, that Ruth and I and the facilities folks are making assignments based on what we believe is the best for the divisions and the best for how we operate in this agency.

We certainly aren't going to make everybody happy on where their floor assignments are and where their office assignments are.

And to the extent that we're not having to move staff, then we're not moving staff. We certainly don't want to create upheavals if we don't need to do that.

MR. JONES: Now, if the board members have stress who do we call?

MS. CARRINGTON: Homer --


MS. CARRINGTON: -- chairs our P3 committee.
So --

MR. JONES: He's our stress --

MS. CARRINGTON: Stress management --

MR. JONES: -- reduction --

MS. CARRINGTON: -- is what he's --

MR. JONES: Right.

MS. CARRINGTON: -- being trained in. And he's

an -- that team is an internal change agent team now.

MR. JONES: He's going to be busy.

MS. CARRINGTON: So --

MR. JONES: Thank you.

MS. CARRINGTON: -- we're very pleased. It's

been almost a 12-month process. And obviously, as I've

told the board before, the proof is going to be in how

we're operating 12 months from now -- has this really

improved our efficiency, our effectiveness, our

productivity, our communication with staff, both staff

internally and then our customers outside.

So that's it. And I probably will not report

on that again unless the board asks for it. Okay. And

you do have the chart that has the number of FTEs in each

of the divisions and the names of the key staff in each of

those divisions.

MR. JONES: Thank you.
MS. CARRINGTON: The second item on the agenda is the vote that will be taken a week from today, January 15, the Sunset Advisory Commission vote on the Texas Department of Housing and Community Affairs. That meeting will start at two o'clock and will be in the Capitol.

And I do have an agenda for that meeting. You all did not get a copy of that agenda, but I have an agenda -- I have a copy.

And we are the third agency that will be voted on next Wednesday. They have us in the same order that we were on for our hearings. So we're behind the Economic Development Commission and the Funeral Commission.

MR. JONES: And we learned so much.

MS. CARRINGTON: And we learned so much when we were listening. So TDHCA is third and then TSAHC is fourth. And so that's Wednesday afternoon. So any of the board members are in town --

And, Mr. Jones, we might like to ask you to be with us as we hear the fate of the Texas Department of Housing and Community Affairs, if you can put that in your schedule.

And any of the other board members, also.

The next item on the agenda is the letter that we sent on December 31 to the Office of State-Fed
Relations in Washington presenting to Ed Perez our legislative priorities for this upcoming session of the Congress.

And Michael Lyttle did send this out to all the board members and asked for your all's comments. And basically, what we're doing here is pretty much tracking what NCSHA's preferences are going to be for this upcoming legislative session.

The one item is the last bullet, which is really a TDHCA issue and initiative. And it's one that you all have heard about as we've been considering the 4 percent transactions and the 9 percent transactions, in that some of the qualified census tracts around the state are really becoming very concentrated with affordable housing.

And so one of the things that we put on our list was to remove that preference in the Internal Revenue Code for qualified census tracts.

I talked to Barbara Thompson at NCSHA yesterday. She said really this hasn't been brought up by other states, that what other states have been bringing up is can we get more QCTs designated.

Well, if you would designate more QCTs then that would provide an opportunity for the boost in more
areas and would perhaps address this. So she's perhaps looking at it at a different way than what we were. But I think the -- you know, if we were able to get some change in that, that the end result would be pretty much the same.

We have several staff that are going to Washington next week. NCSHA holds agency-only roundtables and workshops on homeownerships and on tax credits. And so this is one of the things that they'll be talking about next year -- I mean, next week.

Any questions on the legislative agenda?

(No response)

MS. CARRINGTON: Okay. There is also, which was not on our letter, but is something that we have passed to the Office of State-Fed, and is high on NCSHA's list. And this is a single-family homeownership tax credit, which would mirror very much the low-income housing tax credit, but would be for single-family homeownership.

It was -- it's very much the President's initiative. It was proposed last summer. Did not pass, although the legislation was proposed and then debated and discussed.

And my staff tells me that at least on the
House side that we're looking for that lead to be Henry Bonilla from Texas, who would be the lead on the House part of this legislation. So I think we'll all be working with and watching this very closely in this next legislative session.

I have been invited and have accepted an appointment to be a member of the Advisory Committee for the Federal Home Loan Bank of Dallas. Meets three times a year.

You all may remember that several years ago TDHCA was approved as a non-member borrower of the Federal Home Loan Bank. We really haven't utilized that ability very much.

And in talking to a couple of board members about accepting this appointment, I think the idea is we'd like to find out what the Federal Home Loan Bank can offer the Department and look to see if maybe we can participate in some of the programs that they have.

So three meetings a year. That starts in February. And they pay my travel, which is always a good thing in these kinds of budget times.

MS. ANDERSON: Can I ask you a question about that?

MS. CARRINGTON: Yes, ma'am.
MS. ANDERSON: This letter is signed by Shelia McAfee.

MS. CARRINGTON: McAfee. Uh-huh.

MS. ANDERSON: Am I confusing her with someone, or is she now going over to run the Dallas Affordable Housing Coalition?

MS. CARRINGTON: I don't know.

MS. ANDERSON: They're -- they have an executive director for the first time in the Dallas Affordable, you know, which is a wonderful --

MS. CARRINGTON: Uh-huh.

MS. ANDERSON: -- coalition of people.

MS. CARRINGTON: Uh-huh.

MS. ANDERSON: And the person came from the Home Loan Bank. And I just --

MS. CARRINGTON: Would that be --

MS. ANDERSON: -- and it's a woman.

MS. CARRINGTON: Was it Sonia Brown?

MS. ANDERSON: Maybe that's it.

MS. CARRINGTON: Yes. Sonia was the --

MS. ANDERSON: Is that it?

MS. CARRINGTON: Sonia previously -- Sonia left the Federal Home Loan Bank maybe about three years ago.

MS. ANDERSON: Okay. That's probably it.
MS. CARRINGTON: So -- and I think that's probably --

MS. ANDERSON: Okay.

MS. CARRINGTON: -- who it is.

MS. ANDERSON: You don't know her?

MS. CARRINGTON: I do know Sonia.

MS. ANDERSON: Okay.

MS. CARRINGTON: Yes. Very well.

MS. ANDERSON: Good.

MS. CARRINGTON: Yes.

Upcoming speaking events. On Monday I was not feeling very well. So in my stead I sent Robert Onion and Tom Gouris. And I'd like to thank them again publicly for going to Dallas at the invitation of Jerry Killingsworth, who heads the City of Dallas' Housing Department now.

And we had thought that the idea was to do some education on private activity bonds, how the lottery process works, how TDHCA looks at those bond issues when we allocate the 4 percent credits. And it was with five members of the city council who serve as their neighborhood and development committee.

It ended up being seven members of the council with an audience. And it was a little perhaps, more -- I don't want to say acrimonious. But it was --
What would the word be, Robert?

MR. ONION: Intense?

MS. CARRINGTON: Intense. Thank you. Thank you.

And when Jerry called yesterday and told me two things, that he absolutely got what he wanted out of our presentation and that the staff did a wonderful job, you know, I appreciated him calling. And I think their --

The City of Dallas is beginning to be an issuer to reactivate their Housing Finance Corporation for multifamily. All they've done for years is single-family.

Couple of years ago they got approval from the council to do rehabilitation with private activity bonds. And then I think last year they got approval from the council to do elderly private activity bonds.

But what the director wants to do is the ability to do multifamily family with private activity bonds. And so as they are getting into that, they were very interested in the philosophy, the approach and some of the timing issues, the underwriting issues with TDHCA.

And what I think it ended up getting into a discussion about was the some of the older tax credit transactions that are located in Dallas and how much monitoring is done on those transactions, how much is put
back in the way of reserves.

And, you know, quite frankly I think Robert and Tom probably fielded those questions maybe a whole lot better than I would have been able to do.

So again, thanks to both of you all for doing that for the Department.

MS. ANDERSON: May I ask a question?

MS. CARRINGTON: Yes.

MS. ANDERSON: Oh -- of Mr. Onion?

MS. CARRINGTON: Yes.

MS. ANDERSON: Mr. Onion, did the NHP refunding come up -- I mean, it is a set of older tax-credit properties in Dallas County.

MR. ONION: Did not.

MS. CARRINGTON: There was, I understand, a good -- several developers who were in the audience. And a couple more council members than those than were on the committee who were interested in what was going on. So I look at it as a real opportunity for the Department to be in front of groups like this and assist them if we can, as they begin to grapple with the issues of issuing for multifamily.

Dallas Housing Summit on the 30th of January. I will be there speaking on whatever they tell me to speak
on. But that is the large summit that draws 2- or 300 people in the Dallas area.

And what they are actually interested in us talking about is initiatives and challenges and in doing our financing in the kind of economy and climate that we have right now.

The last item on the executive director's report is my participation, along with board member Anderson's participation in the Rural Task Force for the follow up to our colloquium -- to the Housing Colloquium in Santa Fe.

Eight task forces were put together and one of them was a rural task force to address housing and housing finance issues in rural areas.

And so I volunteered to serve on that task force and did offer Ms. Anderson, also, who did attend that colloquium. And I'm hoping that Ms. Anderson is going to say yes to participation in that. And --

MS. ANDERSON: Absolutely.

MS. CARRINGTON: -- we've had one meeting and we'll be working and doing a report out in June on how we're doing on this particular task force.

MR. JONES: Thank you very much.

With that, the only thing left I see on our
agenda is the executive session.

Is that correct?

MS. CARRINGTON: That's correct.

MR. JONES: So at this point in time we'll go into executive session.

(Whereupon, a recess was taken.)

MR. JONES: If we could remain in order. This day, January 8, 2003, at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, the board of directors adjourned into a closed executive session, as evidenced by the following:

The board of directors began its executive session today, January 8, 2003, at 9:51 a.m. The subject matter of this executive session deliberation is as follows:

Litigation, anticipated litigation, potential or threatened under Section 551.071 and 551.103, Texas Government Code Litigation Exception.

Regarding Cause Number GN-202219, Century Pacific Equity Corporation versus Texas Department of Housing and Community Affairs, et al., from the 53rd Judicial District Court of Travis County, Texas.

Number two, consultation with attorney, pursuant to Texas Government Code regarding Multifamily
Housing Mortgage Revenue Bonds, Williams Run Apartments
Series 2000A and Heatherwilde Estate Apartments
Development Number 02075 and discussion of any item listed
on the board meeting agenda of the even date.

With that, I will call us into executive
session.

(Off the record.)

MR. JONES: Call our executive session back
to -- no -- I'm now calling our open session back to
order.

And I hereby certify that this agenda of an
executive session, Texas Department of Housing and
Community Affairs was properly authorized, pursuant to
Section 551.103 of the Texas Government Code, posted in
the Secretary of State's Office seven days prior to the
meeting, pursuant to 551.044 of the Texas Government Code;

That all members of the board of directors were
present with the exception of Mr. Conine and Mr. Gonzalez
and that the matters discussed were litigation,
anticipated litigation, potential or threatened under
Section 551.071 and 551.103 of the Texas Government Code
Litigation Exception regarding Cause Number GN-202219,
Century Pacific Equity Corporation versus Texas Department
of Housing and Community Affairs et al., in the 53rd
Judicial District Court of Travis County, Texas. Action taken, none.

Consultation with attorney, pursuant to Section 551.071(2) of the Texas Government Code regarding 501(c)(3) Multifamily Housing Mortgage Revenue Bonds, Williams Run Apartments, Series 2000A. Action taken, none.

Heatherwilde Estate Apartments, Low-Income Housing Tax Credit Development Number 02075. Action taken, none.

And discussion of any item listed on the board meeting agenda of any -- even date. Action taken, none.

I certify that this is a true and correct copy of the record of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551 Texas Government Code as amended. And it's signed by myself, Michael E. Jones, Chair.

And I believe that concludes our agenda for today. The board will entertain -- the Chair will entertain a motion to adjourn.

MR. BOGANY: So moved.

MS. ANDERSON: Second.

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

Discussion?
(No response)

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

(A chorus of ayes.)

MR. JONES: We're done.

(Whereupon, the meeting was concluded.)
CERTIFICATE

MEETING OF:       TDHCA Board
LOCATION:        Austin, Texas
DATE:            January 8, 2003

I do hereby certify that the foregoing pages, numbers 1 through 47, 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.

01/15/03
(Transcriber)   (Date)

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