TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

10:00 a.m.
Thursday,
February 13, 2003

Room 437
Waller Creek Office Building
507 Sabine Street
Austin, Texas 78701

PRESENT:

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

TDHCA STAFF:
Tom Gouris
Edwina Carrington
Bill Dally
David Gaines
Delores Groneck
Robert Onion
Michael Lyttle
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CHDO Rental Housing Development and Homebuyer Assistance Awards:

<table>
<thead>
<tr>
<th>APP. #</th>
<th>APPLICANT NAME</th>
<th>ACTIVITY</th>
<th>PROJ.</th>
<th>CHDO</th>
<th>UNITS</th>
<th>FUNDS</th>
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2002-0028  Pharr Housing Devel. HBA  $200,000  $10,000  20
Corporation

2002-0009  Affordable Housing  HBA  $62,500  $3,125  10
Pharr County

Contract for Deed Conversion Award:
APP. #  APPLICANT NAME  ACTIVITY  PROJ.  CHDO  UNITS
FUND  Op/Adm
2002-0024  Organizacion  CFD  $500,000  $20,000  20
Progressiva

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EXECUTIVE SESSION

If permitted by law, the Board may discuss  
any item listed on this agenda in  
Executive Session

OPEN SESSION

Action in Open Session on Items Discussed  
in Executive Session

ADJOURN
MR. JONES: I'd like to call to order the Board Meeting of the Texas Department of Housing and Community Affairs for February 13, 2003. The first order of business is the certification of a quorum.

Ms. Anderson?

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany.

MR. BOGANY: Here.

MR. JONES: President C. Kent Conine.

MR. CONINE: Here.

MR. JONES: Well, we -- I would like to instruct all my fellow board members that we need to treat Kent with an immense measure of respect. I think the preferred title is His Majesty. Mr. President Conine will be acceptable.

He is, of course, President of the Home Builders Association for the United States, and we need to congratulate him on that.

(Applause.)

MR. CONINE: Thank you.

MR. JONES: Mr. Gonzalez.

MR. GONZALEZ: Here.

MR. JONES: Do we have any title I can use, Mr.

Mr. Salinas?

MR. SALINAS: Here.

MR. JONES: Mayor Salinas. Excuse me. And I am here. So we have everybody present, and nobody absent.

And I do determine that we have a quorum.

The next order of business is public comment.

And pursuant to the rules we live by, you have an option with regard to public comment. If you're going to make public comment, you need to fill out a witness affirmation form. And please give that to Delores right back here. I think Delores will be happy to take all witness affirmation forms.

And I had a number, and I will call on the individuals that are here. You have an option. You can either testify now at the beginning of our meeting, or you can wait to the agenda item in question.

I would say this, just as a matter of -- by way of expressing my opinion. Just remember the earlier you can get to these board members, the better. Because when they're fresh, they listen so much better. So that's just -- for whatever that's worth, that's my opinion.

So let me know when you'd prefer to speak. The first person I have is May Lackert.
MS. WALKER: Walker.

MR. JONES: Walker. Excuse me. I'm sorry.

MS. WALKER: Good morning.

MR. JONES: Good morning.

MS. WALKER: I want to thank you for giving our community the opportunity to come before you. We -- I am May Walker, and I'm a 32-year resident of the Brentwood Subdivision. And I'm a retired person. And the Brentwood Subdivision is located in the southwest area of the City of Houston.

We're just real near the Reliance Stadium. The Brentwood Subdivision is a very well-kept community. And we are here asking you to not approve the bonds and the application for the Enclave at the West Airport. And we -- what we want you to please understand, that we're not against anybody moving in the neighborhood. We're not trying to keep anyone out of the neighborhood. We're just real concerned about our little area.

We -- we're a bunch of retired professional people, and we take pride in our community. And we get out and we -- we don't -- we physically clean the community. And we don't have homeowners privileges there, where we can collect those -- that amount of money every month. We are controlled by a civic club dues, where we
physically go out and collect civic club dues each year to maintain our community.

And we hope that you would please acknowledge this when you consider this project. We now have one low-income housing project in the community. When it moved in the community, our crime soared. We had litter and trash that was thrown in the neighborhoods. We had a whole lot of things that we had to really deal with because of the low income.

And we're not against low-income, because some of us feel we are low-income people. We don't have a lot of financial resources, but we have a lot of pride and integrity about our community. And we -- some of the concerns that we're really concerned about -- we are concerned when you have an apartment -- a low-income apartment complex there, you have a -- sometimes transit people that move in and move out.

And some of the concerns that we have is from a crime perspective. We know that we have increasing burglaries, increasing auto theft, increasing vandalism. This has been proven from the project that we have there already.

And another concern that we have -- we have a concern from a health perspective. We know that we've had
the problem that abandoned cars. We've had the problem with people throwing items large items that could be detrimental to the youth in the community.

And we have another one of our concerns is that we tend to beautify we collect money and we beautify the entrance in of our community. And the apartment residents tend to tear them down. And when the kids come through the community, they would destroy the shrubberies and the plants, and all the things that we try to beautify our community.

We are we've got to we want to present to you some petitions that we got out and tried to get everyone in the community to sign. But because of the lateness of the notice of the hearing that we had in the community, we were not able to get every signature from the people there. So but we did we were able to collect a lot of signatures.

We were also able to we have some pictures of one of the prior establishments that this group is trying has already has in Brookshire. And we hope you'd take into consideration that.

We feel that once a group come into your neighborhood, at first it's a beautiful establishment. And once the money has been drained out, they become
deteriorated, and a lot of things are lax.

You don't have security. You don't have the maintenance -- the proper maintenance that you should have. So we are hoping -- we are not asking for much. We are a bunch of retired, and all the people you see sitting here are from the Brentwood community. And the reason we don't have this place packed is because we are seniors. And a lot of us were ill this morning, and couldn't get up because of arthritis and all sorts of things.

So we weren't able to get -- they weren't able to get here. And they sent their regards through the petitions. So we hope that you'll really take into consideration that we want to just try to maintain our area.

We -- we're not asking you to give us anything. We just want to keep the neighborhood's integrity, and keep it clean the way we've been doing for the last 32 years.

And I also have -- I'd like to present to the Chairman a -- some pictures of our community, so you can see the houses that we have there, and see that we have worked hard. And we hope you all would acknowledge that, and just give us that little help this time, and not impose another set of low-income apartments in our area.
Thank you so much for giving me the opportunity. And I'd like to give whoever I should here the petitions.

MR. JONES: Delores will take care of that for you.

MS. WALKER: Okay.

MR. JONES: Thank you so much.

MS. WALKER: And I'd like for you all to view these pictures of houses in our community.

MR. JONES: We certainly will. Thank you, ma'am.

MS. WALKER: Thanks for listening to me.

MR. JONES: Thank you so much.

We do have a special guest with us today, Frank White from the House Committee on Urban Affairs is here.

Mr. White, thank you for being here. We appreciate having you.

Ms. Margie Taylor.

MS. TAYLOR: To Mr. President and the Board. Thank you for having us this morning.

MR. JONES: Thank you for being here.

MS. TAYLOR: And my name is Margie Taylor. I'm the Deed Restriction Chairperson for the Hirom Clark Civic Club subdivision, which includes Brentwood and Palomino.
And when I said Deed Restriction Person, I want you to know that's a job without pay. So --

MR. JONES: There are a lot of those going around. I tell you what, you've got two votes here already when you say that.

MS. TAYLOR: Okay. There are 768 houses in the Brentwood subdivisions. And we are increasing 318, and we vote about 85 to 90 percent every time the election comes. So we also -- we are kind of in politics, since we do vote. Okay.

The school in Brentwood is Hobby Elementary, Dick Darling Middle School, Madison Senior High School. Hobby and Madison is in the middle of the Brentwood subdivision.

Children from Glenares, Brentwood, Pamela Heights, Palomino Apartments -- better known as the Aristocrat, and American Manor [phonetic] are zoned to Hobby School.

Hobby Elementary School is full right now. The enrollment there is 817 students. Now, you must realize that this school was built before the Aristocrat came. So the school was not built for a lot of students. And it's the same school.

At this point, it has nine temporary buildings.
That's just how much the place has grown since the school was built. There's nine temporary buildings. And there's a picture of those temporary buildings on that poster. I want you to notice that.

MR. JONES: Okay.

MS. TAYLOR: We're expecting 93 more new homes going to be built this year -- single-family dwelling homes. They will be built this year. This project will bring in more students.

When we asked Ms. Reilly, who is the principal at the Hobby School, how many students were from the Aristocrat/Palomino now named, she said approximately 150 students.

And then there are 276 units at this -- the Aristocrat of Palomino, as we call it. It's been -- the name has been changed to Palomino. Well, we can expect 50 to 60 more elementary students from the 93 new homes -- single-family homes they build.

If the 200-unit of Enclave Apartments at 4300 Block of West Airport are built, we can expect at least 100 to 150 more elementary students to be going at Hobby.

Where will they put them? I don't know. I guess more temporary buildings. There is overcrowdedness there. And usually, where there is overcrowdedness, there
are conduct problems of the children.

So the 272-unit Aristocrats are just one block from the one that -- opposed. So I feel that we have our share of tax credit apartment in our area. We've had the Aristocrats for 30 years. And we still have them. They're still HUD and tax credit apartments.

Although their name has been changed, they're still that kind of apartment. So now we are being asked to tolerate some more tax credit apartments. We feel that these should be put someplace else, and that someone else share that burden.

So we are asking you to please do not approve these things. Because these children have to pass through our neighborhood. They pass down Regency Street and White Heather Street. For those people who have pride in their yards, with flowers and stuff, they pull the blooms off. They tease their dogs if they have fences on the street. They tease the dogs a lot. I've stopped a lot of times and told them, Leave that dog alone. If he jumps over the fence and bites you, you're going to be hurt. As kids will do, they think it's funny when the dog barks a lot and tries to come out of the fence.

Please remember that our children are adults; we are seniors. We had hoped at this point we would get
some rest from some of these --

So we are asking you that tax credit apartments not be approved. We've had our share, and they will overcrowd our school.

Thank you, sir, very much.

MR. JONES: Thank you. Okay. At this point, I do have a quite a number of people who would like to speak to the board. And I always hate to do this, but unless a board member objects, I think in order for us to make sure we get our business done today, I'm going to have to put a time limitation on comments.

And I'm going to suggest a time limitation of three minutes on all further comments from speakers. And if any board member wishes to object, please do so now.

Hearing none, that's the ruling the Chair will make. The next witness is Ms. Alma Lilly.

And Delores, will you help me with the time limits?

MS. GRONECK: Sure.

MR. JONES: Thank you.

MS. LILLY: Good morning, Mr. President, ladies, and gentlemen. My name is Alma Lilly. And I've been in Brentwood subdivision for the last 31 years. And believe me, we have been referred to the low River Oaks of
Houston, only we don't have those megabucks. And we are very proud of our 95 percent of voter turnout for state and city election, and all the elections.

And we take great pride in keeping neighborhood the way it is. And it took us years and year after year to keep it that way. So we are asking, please do not let any more low-income entities come into our neighborhood, because they're already all around us.

So in this vicinity, it would really be hard on us to do this, because it takes a lot of work for us to go out and pick up paper, trash, and sometime the kids all tear the boards off our fences. So please, take that in consideration. Thank you. And you have a nice day.

MR. JONES: Thank you, ma'am.

Ms. Claudette Edwards.

MS. EDWARDS: Good morning.

MR. JONES: Good morning.

MS. EDWARDS: To the members of this board, my name is Claudette Edwards, and right now I'm the president of the Hirom Clark Civic Club.

You've been listening to everything that's going on here. And I'd like to kind of bring it to a closed thing. Now that we have apartments there they call the Palomino Apartments. There's no permanent security in
those apartments.

When they moved those apartments there, they told us that they would have security, when the new man took over and named it Palomino. This apartment now has no security there.

I've been in this neighborhood myself for 32 years. And others has been there longer than I have. I think -- I get calls at night on shootouts that they're having at the Palomino Apartments. There's prostitution over there. They're dealing drugs openly where you can see them.

We don't need this in our neighborhood anymore. What we're asking for is not to let these apartments come into our neighborhood. We're not against people coming to the neighborhood. If they want to do something, let them put some homes there where they can house these people, and not apartments, to help make our neighborhood look good.

We keep our neighborhood up. There is -- we have problems right now with infrastructure. And if they come in, how would we handle that? How do they handle the infrastructure if they come into there?

And what about retainer ponds? What are they going to do about that if they're coming in? We don't
have that now. We don't need no flood areas in this neighborhood, and the age that we are now, and you can see that most of us are moving on up, and thank God for that. But --

MR. JONES: I think you all look great.

MS. EDWARDS: I -- thank you, sir. And I feel great, because I came from the hospital just to be here for this. So --

MR. JONES: Well, thank you.

MS. EDWARDS: -- this is really interesting for me, because I've been there. All my kids are grown. And they're gone. And as the lady said, I'm looking for some rest. And if I've got to be on a cane, I don't want to have to be running down to other people.

So what I'm asking -- don't laugh at me. But what I'm asking you all, to please take a close look at the situation that we have here. Look at the pictures that they've all -- we got up, and we got our only cars. We went to -- we had people drive all the way to Brookshire to just take these pictures so that you can see what's there.

And then you can see our homes there. And we're trying to keep that up. And we cannot do that without your help. So we're here today asking you for
your help. And I just want to thank you once again for
allowing this group to come in and speak to you.

And our prayer is that you will not let this
apartment come in, and that you will take a close look at
the situation that we have here. We are old -- getting
old. And I'm on this cane, but I'm here asking for your
help this morning. Thank you very much.

MR. JONES: Thank you, ma'am.

Ms. Baltrip. I hope I said it right.

MS. BALTRIP: Good morning.

MR. JONES: Good morning.

MS. BALTRIP: My name is Celeste Baltrip, and I
live in the adjoining community of Brentwood subdivision,
which is now in this Pamela Heights. We also are members
of the Hirom Clark Civics Club.

This morning, as we were coming out, when we
got to the main artery to get from -- coming out of the
Brentwood subdivision onto Hirom Clark, it took exactly
seven minutes for the bus to be able to get out because of
the traffic on Hirom Clark.

All -- with this type of situation going on, if
we have additional people in there, I'm sure we can all
understand what kind of problem this will cause for all of
us. We have to get out, and especially those of us who
are still working.

I live in a nice little community. It was very nice at one time, until Section house -- Section 8 housing came in. And I have been in that house 33 years. I have seen a lot of things come and go. And the most destruction I have seen has come from the Section 8 housing, which is going -- which is what this apartment complex is part of.

And I think that we just can't hardly take any more of that. We're all elderly people that we go to the doctors and tell us to walk because of our hearts, and blood pressure and diabetes. And we're afraid to come outdoors, much less walk.

So I'm asking you with all sincerity to please give this your utmost consideration. I do thank you.

MR. JONES: Thank you, ma'am.

Mr. John Mullaney.

MR. MULLANEY: Thank you for allowing me to address you today. I'll keep it brief and to the point. I'm John Mullaney, Senior Vice President of Muni Map, Midland. Our company is providing construction and permanent financing for the property.

We do that through the purchase of tax-exempt bonds. Also through the purchase of the tax credits that
will be 4 percent tax credits that would be involved.

I'd like to say that, first off, we feel that this property is economically viable. The reason for that is we've done our research on it. We've done our underwriting on it, and we feel that when it's completed, it will be an attractive apartment community.

Secondly, we feel there is a demand and a need for this housing in the area. This is based, incidentally, on third-party reports, feasibilities and appraisals done by other people who make a living doing that, and together with our underwriting, we feel strongly there is a demand for it.

Also, we've had years of experience with the developers, the Washburns. We've done many affordable housing properties with them. And our experience with them has been that, A) they complete the property. And that it is, in fact, an asset to the community.

Also, they manage their properties. And for the long haul, they are able to bring on housing that is affordable and is also safe.

It's difficult to sit here this morning and hear the comments of the residents who came here from Houston today to oppose this property. Given what's going on right now with another Section 8 property that they
referred to, it's hard not to have empathy for and understand their concerns and their fears.

I would just like to say that I come from a different perspective. Our company was one of the original companies in the tax credit program, going back to the Tax Reform Act of 1986. And during that time, we financed hundreds of properties throughout the country, thousands of units.

And although I know there are exceptions, the vast majority of these developments have been very attractive, and the communities that they've been built in are very proud of them.

And we feel that there is good reasons to support this, and we ask for your approval. Thank you.

MR. JONES: Mr. Jim Washburn.

MR. JIM WASHBURN: Good morning, board. Thank you for the opportunity to speak today. My name is Jim Washburn. I do represent the developer of this development. I'd like to start off by saying that I want to applaud the people of the -- the people and residents of Houston that have come here today -- Ms. Walker, Ms. Taylor. I have met with them on numerous occasions.

They are a lot of wonderful people. They are crusaders for what they do, and I applaud that. And I do
understand where they're coming from. I mean, I know.
I've seen this development that they're talking about.
And you know, quite frankly, I'm hoping that our
development can help their community. And that's some
things that we've talked about.

And that's why we have met, to discuss ways
right now that we can maybe put things in our budget that
can help with the beautification of the neighborhood. I
mean, what we're talking about here is a misconception of
what we put on the ground.

And they've had 30 years to look at something
that's been an eyesore to them, in a program that doesn't
work anymore. That's not how we create affordable housing
anymore.

I picked up a couple of members of the board in
a van, took them to some of our properties, took them to
some other 9 percent tax credit properties, showed them
this is what it is. It's not what we're used to.

They took some pictures of our properties in
Brookshire. Those are Section 515 properties, financed
under a totally different program where there's not so
much equity that's put into these developments.
Therefore, we can't put in the same type of amenities.
It's a scaled-down version of affordable housing.
It's safe and decent affordable housing, but it's not what we're able to do under this program. So you know, I understand where they're coming from. I think -- I have very amicable conversations.

We talk about, you know, if this does go forward, we'll be talking about how we can help each other. And I do feel like that that will happen if we're blessed to have this opportunity to put this development in the area.

I do have -- you know, there have been numerous comments regarding a lot of concerns -- flooding and traffic and overcrowding of schools. I put a packet together that addresses each one of those individual items. I can answer those questions now if you'd like me to, or you could go through this and I could come back up and answer questions later. But --

MR. JONES: Why don't you let Delores have that, and she'll pass it out, and then any board member -- excuse me. Any board member that has questions, feel free to ask them. And that's probably the best way to handle it at this point.

MR. JIM WASHBURN: I do have pictures as well. I did take them to -- they wouldn't go take pictures of the nice ones. All the -- they're all nice. So I'd like
to pass this around as well.

So you know, I -- as a developer, obviously, I'm -- you know, I wanted to say this, you know, get on my pedestal for a second when it talks to what we're trying to do.

I mean, we -- my company is -- and our company is a small family business. We've been in this -- we've been in affordable housing for 20 years. You know, we've never bent the rules, created hocus-pocus partnerships, tried to get deals. You know, we've maybe gotten a deal every other year. So nobody -- you know, this hasn't been a windfall for us by any means.

When this deal development came along, we -- basically, we've had probably one -- one deal in our last four years. And when this came along, this is an opportunity for us. And you know, we go out. And we are proponents for affordable housing. We're the small guys.

And this type -- you give us the type of programs, the State of Texas does, that we're out there trying to administer. And unfortunately, it doesn't matter if you go into urban, rural, white, black, Hispanic. The minute you mention affordable housing, you have an education process that you have to start.

And the bond program -- that education process
is a very short time frame, unfortunately. And it's something we have to look at. I know guys like us, it's a very costly one at this point, if it doesn't go forward.

So you know, I -- I just -- I say that because we are proponents. We do -- we are out there administering the program the way it's set up. We've done everything that's asked of us. And I've committed and I will commit to working with this group, in front of the board.

And I think that they would -- I think that Ms. Walker and her group would agree that I've been amicable and we talked about things that we can do, and we will do that. We will follow through. So I just want to say that.

MR. JONES: Thank you, sir.

MR. JIM WASHBURN: Are there any questions?

MR. SALINAS: Sir.

MR. JONES: Mayor?

MR. SALINAS: We come back to the same problem we have with zoning. We did have a planning and zoning meeting there. And I know that the Houston people do not believe in zoning. So it really comes back down to this board. And we have to take care of your zoning.

I just heard that the public hearing that they
had, there was nobody in favor of your project. And again, you know, we go to the same problem every time that we deal with people in Houston.

We don't have that problem in the rest of the state, because we have our planning and zonings in our communities. And when you have a public hearing -- I just heard from somebody that nobody was in favor of the project.

My position has always been who is going to represent these people that are against your project?

MR. JIM WASHBURN: Well, I'd like to address that a little bit.

MR. SALINAS: So --

MR. JIM WASHBURN: We did have somebody at the board and at the TEFRA hearing that was in support. And it was a council member. But the council member --

MR. SALINAS: Is she here?

MR. JIM WASHBURN: She's not here. And I'd like to say this. Well, you do not have letters of opposition from anybody to this point, when it comes to the State Senator's office, the State Rep's office, the council member's office. I mean, I --

But you understand that the politicalness of this situation. You might have some people that support
it, but are yet unable to take a stance, because it could be political suicide. I mean, I'm just saying this for the record. We do have support for this.

We're talking about a community that we are -- we don't abut up against. We own the property. We've addressed all the issues. And you know, that's just where we are today.

MR. SALINAS: And the thing is that it's hard for this board to look at something that has never been looked by anybody in Houston, the city or Planning and Zoning. And we have to make the decision here. And that's not our job.

I think my job is to listen to the people that are opposed or in favor. Till this date, we haven't gotten one letter from anybody in Houston supporting this project. And the public hearing was everybody was against it.

We had the same problem in Katy. So what do we do? I would hate to put anything anymore in the City of Houston, because they lack the zoning ability to choose their areas where these housing projects are going to be at. And then we're here talking about this.

You know, and I hate to do this to any developer. But if I was in the developer's shoes, I would
work with the community to get some support, but apparently you didn't get any from the community that lives there. And you can understand how they feel. And they're old. And it's going to be very hard for me to support this.

I wish the City of Houston, or somebody around there, would concentrate on trying to find a way to bring zoning to their area. It's very hard for us to continually support projects like this without zoning.

MR. JIM WASHBURN: Well, we'll --

MR. SALINAS: And have public hearings the way any normal other city does. So --

MR. JIM WASHBURN: I understand what you're saying. Unfortunately, we're under -- we're -- this is the program we had to work under at this time. And if it's flawed, it does need to be improved.

MR. SALINAS: I agree with you.

MR. JIM WASHBURN: I don't know whether --

MR. SALINAS: And it's not fair for you, either, for you to come down here without any authority from the City of Houston for us.

MR. JIM WASHBURN: We do have some more comments and more people that are able to speak, so --

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

MR. JONES: Any further questions for Mr. Washburn? The next speaker is Mr. Charles Washburn.

MR. CHARLES WASHBURN: I'm going to yield my time back to Jim and let him answer the questions you may have from the handouts.

MR. JONES: Sure.

MR. CHARLES WASHBURN: Will that be okay with the board?

MR. JONES: That would be fine with the board.

I'll tell you what. If the --

MR. CHARLES WASHBURN: If you have no questions, then I'll speak at the end.

MR. JONES: Okay. That will be fine. We'll handle it that way.

MR. CHARLES WASHBURN: All right. Thank you.

MR. JONES: Ms. Veronica Cash.

MS. CASH: Can you hear my heart beating? I'm going to try to mumble a few words as coherently as I possibly can. Basically, you were saying that you didn't have a voice in the community that was in support of the proposed site.

MR. SALINAS: Well, according to the public hearing, there was nobody there supporting the project.
MS. CASH: Right. I'm a small voice in the community. I do --

MR. SALINAS: Were you at the public hearing?

MS. CASH: Yes. I reside in --

MR. SALINAS: Somehow they -- they didn't tell me that.

MS. CASH: Okay.

MR. SALINAS: Nobody was in favor of you -- of this project in the public hearing.

MS CARRINGTON: She didn't speak.

MR. SALINAS: Huh?

MS. CARRINGTON: Maybe she was there and didn't speak.

MR. SALINAS: Okay.

MS. CARRINGTON: She's not on the list of people who spoke.

MR. JONES: Please. If we could.

MR. SALINAS: Go ahead.

MS. CASH: Okay. Basically, I do live in the neighborhood. I also work for Texas Interfaith Housing. I am a supportive services coordinator. Basically, the services that we offer would counteract some of the problems that the residents are concerned about.

We would come in with GED classes, parenting
classes, resume development. We also -- one of the sites where I currently work is very similar to the property that he is proposing to develop. And we do have different activities that we do with the residents to help with the beautification process, our community gardens, and that sort of thing.

I find that when the residents have an alternative to committing crime and vandalizing the neighborhood, they take that alternative, if you take time and educate them and spend time with them. And that's what these supportive services community would do that Mr. Washburn has already incorporated as a part of planning on the developments.

Basically, I grew up the neighborhood. I still go back to the neighborhood with my daughter. I have a two-and-a-half year-old. So I have a vested interest in the community. I would not be supporting something that I thought would make the community not enjoyable for us anymore.

We go to the little park there in Brentwood all the time. I used to go to Madison High School, walking through Brentwood to get to my home in Glenares. So I wouldn't stand before you supporting something that would be detrimental, you know, to the neighborhood that I grew
up in.

I think that one thing that people are forgetting is that these people in the community that would live in the proposed site are good people. They just don't make a lot of money. And if you come in and offer them supportive services and alternatives, they will make better decisions. And the vandalism and that sort of thing will not be a concern.

I guess, basically, in conclusion of the whole matter, I just wanted to say I know the difference that the supportive services can make in this type of community. And I know how it could pull the community together. Thank you for your time, and thank you for listening.

MR. JONES: Ms. Cash, on your form you didn't write who you were with. You kind of mentioned it, but I didn't catch it.

MS. CASH: I'm with Texas Interfaith Housing. It's a --

MR. JONES: Texas Interfaith Housing?

MS. CASH: Yes. It's like a third-party agency that comes in and offers supportive services to make the apartment community more positive.

MR. JONES: Is that a charitable organization?
MS. CASH: It's not for profit. Yes, sir.

MR. JONES: It's a nonprofit organization?

MS. CASH: Uh-huh.

MR. JONES: And it works with various housing developers?

MS. CASH: Yes.

MR. JONES: Okay. And do you work with the Washburns some?

MS. CASH: No. I'm a -- I work with a third-party agency. I work with the Housing -- Texas Interfaith Housing. And we are just --

MR. JONES: Do they work with the Washburn Development Company on occasion?

MS. CASH: Not yet. But he's going to employ our services at this proposed site.

MR. JONES: I see. I see. And that's how you got involved?

MS. CASH: Yes.

MR. JONES: Okay. Thank you, ma'am.

Mr. Barry Halla.

MR. HALLA: Mr. Chairman, could I defer my comments until Item Number 5 comes up?

MR. JONES: Yes, sir. You sure may.

MR. HALLA: Thank you.
MR. JONES: Mr. Chris Engle.

MR. ENGLE: Hi. Thank you very much. I'm here to talk about the Woodway Square Apartments in Austin. And just present to you a few of our findings on an economic study we performed for the developer. And I'm with Angelou Economics, a consulting firm here in Austin.

I've had the good fortune of analyzing the Austin economy for about seven years now. And I can tell you that the Austin economy will recover. And --

MR. JONES: When? Hurry up. Hurry up.

MR. ENGLE: Well, we just had our forecast event, and we do forecast about 26,000 new jobs.

MR. JONES: It's always good to forecast when you can amend it. You know, that's not --

MR. ENGLE: Well, we try not to. And it certainly has been a rough couple of years. But the fundamentals are strong, and we believe that the southeast market continues to be a -- quite a gem for the Austin economy.

There is quite a bit of infrastructure in place down in southeast Austin. There are significant new development projects that will serve to create jobs in the short term.

We also see that population growth in general
has been very strong in the southeast market as well. And that this demographic of this area lends itself very well to this type of housing.

Primarily that demographic is a -- quickly approaching the Austin average. It is improving quite a bit, and is really quite a positive area for the east side of Austin.

Incomes are about average to the Austin area right now. Population growth has been strong. And I'm talking about the area south of Ben White, east of 35. It is a very young population. Families are also very much larger. It is heavily Hispanic, about two-and-a-half times the Austin average. And a high percentage of those people are in production occupations.

And again, this does lend itself to a high level of demand for affordable housing, which we believe is fairly just around the corner. Again, there are several new projects on the east side that have a -- upwards of a million square feet of space that will be creating the types of jobs that the workers would be living nearby.

I also believe that the affordability issue for Austin in general is a very important one, and the manufacturing sector needs to continue to provide a very
low-cost affordable housing for its workers, so they don't have to necessarily drive all the way down to Bastrop or Buda.

So we believe that the southeast market is strong, that the fundamentals are there to support a housing project of this type. The project itself is a very high-quality development that would serve to improve the entire surrounding area. And we are supportive of this project. I'll answer any questions you might have.

MR. CONINE: You're the guy that I'm looking for. Good to see you.

MR. ENGLE: Good. Thank you.

MR. CONINE: Our condition -- one of the conditions of this commitment says that the maximum 60 percent tax credit rents in this area can't be achieved, because market rates are actually less than that 60 percent.

Why wouldn't a pass on this project this year, and go to another one in another part of the state that might make some sense, and wait on this area next year, or whenever it becomes feasible?

MR. ENGLE: Well, I think you'll see that the rents have remained strong in the southeast market. The occupancies are on par with the Austin average. Demand
for housing continues to be strong, despite the lack of employment growth.

I believe that economic growth is very close --

MR. CONINE: Well, you say strong. When I make the assumption that 60 percent of median income rents are higher than what the market rate rents is, that's not how I would define strong.

MR. ENGLE: Sixty percent of median-income rents --

MR. CONINE: Yes. Are greater than what the current market rates are, based on what I'm reading here.

MR. ENGLE: Uh-huh.

MR. CONINE: You didn't find that in your evaluation?

MR. ENGLE: Well, we found that the incomes were much higher than we had originally expected, and that they could support this type of project. We didn't see the disparity that I think is controversial here.

MR. CONINE: Okay.

MR. JONES: Further questions? Thank you, sir.

MR. ENGLE: Yes.

MR. JONES: Mr. Brent Stewart?

MR. STEWART: Good morning, Mr. President.

MR. CONINE: Good morning.
MR. JONES: He's told me about three times now that anybody else says that, I'm going to die.

MS. ANDERSON: Enough already.

MR. STEWART: Some of us have not been able to congratulate him due to the ex parte rules, and so this is my first time to do that.

MR. CONINE: Thank you, Mr. Stewart.

MR. STEWART: Good morning. For the record, my name is Brent Stewart. I'm a development associate with Trimaco [phonetic] Co-Residential. Before you this morning I request to approve both the bond issuance resolution and the tax credit determination notice for the North Vista Park Townhomes. These are Items 2(a) and 3(a) on your agenda. And I'll be happy to answer questions about that development as you get to it on your agenda.

I appear before you now, however, to discuss a more global policy issue that unfortunately has turned out to be relevant to the North Vista request. I'm here to ask for your guidance and leadership in developing a written policy statement and formal rules to address one of the toughest challenges facing our industry and your agency. And that issue is neighborhood opposition. Neighborhood or community opposition has become the foremost obstacle in the delivery of affordable
housing in our state. Over the last couple of years, the amount and sophistication of the opposition has increased dramatically, resulting in the withdrawal of many applications by developers due to the uncertainty of the outcome, or the actual denial of many developments.

It is this uncertainty that is at the heart of my request to you this morning. Uncertainty of the outcome for the developer, uncertainty for the communities that are opposed to the development, and uncertainty for the families that would directly benefit from the housing.

A written policy statement and set of guidelines would define and put a framework around the opposition issues. It would displace some of the polarizing aspects of the discussion, and add some certainty to the process.

Other states like California and Florida have responded to the opposition issue, and have gone as far as enacting laws that prohibit discrimination based on income.

Each state has approached it a little differently, and it's time that we started debate on the issue, and find a Texas solution. Last month I withdrew our application on the Groske [phonetic] Park development in West Houston. This development was to be located in...
the same community that the Greenland Park proposal was located.

Not surprisingly, the second project we're seeing the same level of opposition based on the same arguments as the first transaction. Even after exhaustive attempts to educate the community, the elected officials on the merits of the transaction.

While we continue to disagree with the basis for the opposition, and believe that our withdrawal of the second project will further promulgate opposition on future developments as the withdrawal would be seen as a victory for unfounded arguments.

We made a business decision to terminate the transaction due to the uncertainty associated with the approval. After working through a couple of these issues in a very public fashion, and witnessing many others, I believe that neighborhood opposition is an issue that cannot be addressed solely by the development community.

We are viewed strictly as a profit-motivated interest, unable to convey the public purpose of these proposals and merits of these programs, as we are biased.

In this discussion, there was a missing voice by -- of the low-income resident that would benefit from these developments. This is a part of the discussion that
rarely gets told, nor is it appropriately represented. Many of these families are already living in the communities that are fighting so hard to keep them out. Most are already contributing to the community, and are part of the quality of life that exists there. Their kids are already in their schools. There is a gentleman in West Houston that I will call Hector, that contacted me prior to the public hearing on the Groske Park proposal.

He and his family live in an existing multi-family property that was one-tenth of a mile from our proposed site. He works for the Katy ISD, and his children attend the local elementary and high school. His kids make good grades, and hope for college scholarships. Hector is currently paying $1,150 a month for a three-bedroom unit. On top of this, he is charged an additional $50 because his family size exceeds the limit that's imposed by the current property owner.

The total rent, with utilities, represents almost 61 percent of his family's combined income. Hector would have saved $355 a month for a larger, newer, higher-quality unit at our property.

Hector attended the public hearing on the Groske development, and was horrified by the
characterizations that he heard about low-income people. He was offended that his family was considered --

MR. JONES: Mr. Stewart, if you could wrap up.

MS. FLORES: I'll sign up and give him my four minutes.

MR. STEWART: Well, I will submit the rest of my remarks in writing.

MR. JONES: Well, let me -- I'm going to ask you a question. So I think maybe you can say what you need to say, Mr. Stewart, in response to my question, because it's probably headed where you're going.

I think you raise a very -- excuse me. I think you've raised some interesting and very valid issues. I also think it's even more complex than you're stating it is, from the pressures that -- involved here.

MR. STEWART: Yes, sir.

MR. JONES: Obviously, you know as well as I do there are times when communities and developers work very well together, and wonderful results have occurred. And you've seen the results of that, as have I.

And we also see that in these instances where everybody is at each other's throats, you know, it harms the whole process. And certainly, the example of Hector that you're raising -- he's, unfortunately, one of the
people that are harmed.

Also, too, from the perspective of this board and this department, when we went through Sunset a couple of years ago, and people wanted to do away with this, one of the overwhelming reasons was due to the fact that we weren't responsive to public, and we weren't responsive to public comment. And we were accused of ignoring what the public might have to say to us.

And the Legislature told us that that was one of the reasons why they strongly considered putting us out of existence, and saying we shouldn't even operate for the state.

So there are a lot of issues here, and there are a lot pressures. And I wouldn't even refer to that as political pressure, because I would have to say this. I do think state government wants to be responsive to citizens. And I think that's valid. I don't think that's political. I think it's valid.

I think it's part of the process that you're suggesting. And frankly, I kind of like the idea. I would like to know why it works sometimes, and why it doesn't work sometimes. And the Mayor has eloquently stated that in Houston --

MR. SALINAS: The thing is, that nobody else in
the state has any problems, except Houston. And he needs to go to the Houston City Council, the Travis County Commissioner's Court, and every little community there, and they need to take care of what you want. And there has never been anything here has been rejected, has been approved by Planning and Zoning in any community in the State of Texas except Houston.

Now, you cannot blame us for that. Now, we approve anything that comes -- and approved by the Planning and Zoning in this community. We haven't done anything. But when you have an area like Houston, that now you want to include the whole state, which is false, because we have never denied anybody. We have denied when we have a lot of people out of Katy -- when you had 600 people at a public hearing opposing your project.

Now, you cannot ban the rest of the state. I represent a city. I'm a mayor of a city. And I have a planning and zoning. We are going to go according to what that planning and zoning in that community -- and they have public hearings, and they decide the zoning that we have. And then the developer can do what he wants to with that zone.

But in Houston, you don't have anything. You want us to do everything for you. Well, we're not going
to do that, especially when you have people that have problems with that contract or that area. It's very hard for us. And then one of the problems we have to have -- we have to be responsible to the taxpayer, and to listen.

We can't just not rubber-stamp, just simply because the staff says it's got to be done.

MR. STEWART: Mayor Salinas, my remarks here this morning are not intended to be about a specific development, but --

MR. SALINAS: Well, but you said the whole state.

MR. STEWART: Well --

MR. SALINAS: I don't think the whole state has any problems.

MR. STEWART: We definitely have problems in the entire state.

MR. SALINAS: I don't know if we had one here before.

MR. STEWART: We have had numerous -- I am here to propose a solution to work through some of these issues and make this process better. I'm not here to be critical.

I'm not here to -- and unfortunately, I wasn't able to preempt the three-minute time limit this morning,
because I do have some recommendations as it relates to putting a task force together to draft and address and put a framework around this issue.

MR. JONES: Well, to --

MR. STEWART: Currently, there is nothing existing.

MR. JONES: Right. Excuse me. Ms. Anderson has a question.

Ms. Anderson.

MS. ANDERSON: No, I have a -- it's my understanding the staff is in the process of working on some proposed rules for the board's consideration. And I think that Mr. Stewart's input might be very helpful, because I think he is raising very good points.

But I also want to echo the Mayor's sentiments, and caution you not to use hyperbole when you say denial of many projects. Since I've been on this board -- let me finish. And I've -- since I've been on this board, there have been two projects denied. One was your project in November.

There was also another development in Houston that was denied sometime last year because of very murky market demand issues for the project. And as the Mayor states, we approved over significant community opposition
projects in McKinney and in the City of Dallas, in the Duncanville School District last year.

This board works very hard to put affordable housing on the ground. And we do it, most of the time, in very, you know, strong partnership with our developers. I know you know that, because you were a part of that when you were here.

MR. STEWART: Sure. And again, I apologize, because I think this issue is bigger than this board, because what you don't see many times are the transactions that have difficulty with the permitting process at the local level, that have other issues that never make it to you.

So I am not at all suggesting that this is needed because so many developments have been denied at this level. You all are doing a spectacular job at what you're doing. And I think I truly understand what happened to us on the Katy issue, and that's not a blame thing.

This issue is an issue that there is not a law or there's not a single rule really that encompasses what we're dealing with here. And it's frustrating the development community. I know it's frustrating you all. And I know it's frustrating the neighborhood groups,
because of just the polarizing aspects that this discussion generates.

My remarks here this morning are strictly about trying to be a resource, and spark something to happen to start addressing this issue on a global nonspecific deal basis so that we don't continue to have the same levels of animosity about the programs, about these developments, about this agency, about the developers, about -- you know, this goes on and on and on. It's just such a negative situation.

And again, I'd be happy to submit this to you, because that's -- I'm not here about, you know, sour grapes about anything. I'm here to try and make something better.

MR. JONES: And please, I don't think we're taking it that way. I agree strongly with the Mayor's comments. I agree strongly with Beth's comment. But I also really think you're raising issues that we want to talk about, that we are talking about. And I share the Mayor's frustration with Houston, you know.

But you know, every which way, you wonder what's going on in Houston? But, you know, having said that -- sorry. I didn't mean to --

MR. BOGANY: I'm going to make a comment.
MR. JONES: But I would suggest that you submit those suggestions in written form so that we could read them and look at them, and about this task force -- because I think it's a really interesting idea.

Mr. Bogany?

MR. BOGANY: Okay. In regards to zoning, Houston had a deal come up with zoning. The citizens said they didn't want zoning in Houston. Houston is a very fine city. The reason it is the largest city and the reason it has been so dynamic is because it has not had zoning from a point that it has been able to grow.

We use deed restrictions in Houston to control the neighborhoods, to control what's going on in the community. I am very familiar with this area of Brentwood. My office is not far from there. I'm a graduate of Madison High School. So I am very familiar with Brentwood.

I am concerned that we have too many of these projects in Houston. I haven't been that way. Since the beginning I've been on this board there have been two studies, one in Wayne State University, one in Wisconsin. And either one of these studies have ever said that affordable housing or low-income tax credit as bringing a neighborhood down.
Actually, the neighborhood has gone up in value. And I'm concerned with the Katy issue. I thought that was overblown. I thought it was rabid. I just had never seen anything like it, and I have enough emails to -- that will last me forever.

And so I'm concerned, though, that the opposition of these projects are all normally put in minority neighborhoods, and it's not as much opposition in those particular neighborhoods.

And if you get them out to Houston, and dot it out, they're all in minority neighborhoods. So I have some sympathy for this Brentwood community, which is predominantly a minority neighborhood, in seeing that it's being set in my neighborhood.

On the flip side of that, I have one down the street from my house that I voted for, and my values have not gone down. I've got one that -- it sits right in front of another neighborhood in the Fort Bend area that the values have not gone down, and the values have gone up.

So I don't believe this stuff that the values are going to go down. But I do believe the values will go down if you heavily concentrate them all in one area. And if you've got the Aristocrats, or whatever, there and then
you put another one there, to me, that's
overconcentration.

If you go up and down 288 through the Houston
area, we've got them. We have too many of these projects
in Houston, far as I'm concerned. But if you get out in
El Paso, the colonias, these rural communities, people
want these projects.

And it just seems to me if I'm in the
development community, I would want to go where I'm
wanted. And it just really blows me away that all of them
are dotted in Houston, Dallas, San Antonio. They're all
sitting there. And it's heavily concentrated in our
general area.

And you know, I'm just -- I'm on the fence so
much with this because I'm tired of them being put in
minority communities all the time. And I think that's why
you don't get some opposition sometime, because people
work and they can't come up here. They don't have time to
come up here.

And they rely on us to make a decision. But as
the developers, you guys throw this at us to make the
decision for you. And it's not up -- it's not -- it's
your job to sell this to that community. And if you
didn't do a good sales job, you lost a sale. My feeling
is it's not us to make the decision for you.

    And I would like to see this board be consistent. And I think we have been consistent to a certain extent. But overall, I feel that the community doesn't want it in the neighborhood. We had public comment. And they don't want it. Then that's their choice. As the Mayor said, they don't have any other way to stop it.

    The deed restrictions don't allow it to be stopped. And you can do whatever you want to do in Houston, as long as you have strong deed restrictions. And this is what this neighborhood is trying to do, is protect their neighborhood through their deed restrictions.

    And I feel that I am very open in doing whatever -- I would love to sit on your task force. Anything we can do to bring this thing together. But I am tired of these projects being put in predominantly minority neighborhoods all the time.

    And in that Wisconsin study, and in that Wayne State University study, it says predominantly that if you put them in constantly in one area of concentration, it does bring values down. It's when you scatter housing, put them all over the community, that you don't have that
issue.

And I would just -- you know, I was listening to Houston taking all this beating here. But you know, we've got a great city. And there's a reason it's the number-one city in this state. And that's because of the growth, of not having zoning. And the citizens have said they don't want zoning. So that's where we are today with this.

But I -- you know, why can't we spread these out. And I -- you tried to put one in Katy. To me, that was scattered housing. You went out of the area. You went into an area that's not predominantly minority, and then turned around and tried to put a project.

And I think those people were misled. I think those people didn't understand. But that was your job to sell that project to them. That's not us to police that. That's your job to sell the project to those residents. And I applaud you guys for trying to go out and put it in another area.

And you know, it's just -- it's amazing to me how we constantly concentrate these all over -- in just the minority communities. And I bet if you go to Dallas, primarily they're all in minority communities. I bet you go to San Antonio, you'll see the same thing.
And so I'm just hoping that we can come up with a better program than what we're doing right now on this project. Thank you.

MR. JONES: Thank you. I think, too, if you could just let me echo, because I think we're getting some real good input here towards what you might want to write and address when you come back to us, Mr. Stewart, because, well, I echo Mr. Bogany's comments.

I mean, in my own neighborhood we have a development. And we wanted it. And in Tyler, Texas, let me say this, we want it. I mean, I can speak for the city council. You know, if TDHCA wants to come to Tyler, come on over.

So that's frustrating to me that, you know, there are -- that you know, it seems to me like there's so many communities that want us, and we're not there. And we have to explain why we're not there. And then to hear communities that don't want us, and for us to have to deal with that, is really frustrating.

So you know, just for whatever it's worth -- well, because I do think what we're struggling with is the developers that can come up with plans that can work with communities, and, you know, gosh, those are the guys that are really going to be getting the job done. Excuse me.
Mr. Conine.

MR. CONINE: Can I pile on just a minute?

MR. JONES: Yes.

MR. CONINE: Sure glad you opened up this can of worms for a discussion this morning. It's nice of you to do that.

MR. JONES: He didn't say Mr. President, did he?

MR. CONINE: What we need to remember here, keep in mind, is that tools that the development community has used in the private activity bond cap and the tax credit, whether they be 4 or 9 percent are just that. They're tools. They're not mandates.

And granted, maybe the low-income person is not necessarily represented in this discussion all the time. But on the other hand, we don't have to use every bit of private activity bond cap up. We don't have to use tax credit up. There is no mandate that says we have to do that. You have to keep that in mind.

One of the concerns that I've had repeatedly, and it's from this forum and others, is how we use those Federal resources, and how we're mandated by the State Legislature to use those Federal resources. And the lottery system stinks. I -- there's -- in my mind, it's
just the absolute worst way -- that, and the 120-day rule, which all of you are pressured to cram these things into, make absolutely no sense.

And between now and March 15, the guys over there right up the street need to produce a bill that will fix that problem. And I would encourage you, Mr. Stewart, and others, to go over there and help make that happen.

MR. STEWART: And we are working on it. In my mind, related but separate issues, framing something around acceptance of this type of development, allocation programs that in some part direct where they go. And I think those are both lofty goals that we can work with you on and the Legislature on.

MR. JONES: Thank you, sir.

MR. STEWART: Thank you.

MR. JONES: And I think maybe we've given you some ideas further for how you can address this.

MR. STEWART: Certainly.

MR. JONES: Thank you.

Mr. Chris Richardson.

MR. RICHARDSON: Good morning. Thank you very much. I'd like to talk about Agenda Item 3(b), I believe it is, the Woodway Square, and answer a couple of questions.
To start with, though, I just want to say that we were picked in the lottery. There was nothing about zoning or anything being required when our number was pulled out of the lottery. We agree that there should be a better way to allocate these funds, rather than a lottery. So we commend you -- your comments this morning on that.

But now we are zoned. We own the property. We have the property financed. My 120 days is up tomorrow. We're scheduled to close. You know, it's good to hear that you don't terminate any zoned properties. You know, so we're looking forward to moving forward.

We have also -- we had also neighborhood support. We had letters of support from our state representative, our -- the City of Austin, Travis County, are all in support of the project.

SEAN -- Southeast Austin Neighborhood Association, which covers about 4,000 families, has written a nice letter of support for us. That's another situation where we've had their support on prior projects. And I'd just like to answer any question.

I think Mr. Conine asked one question about the market itself. Our project is a 60 percent market. We engaged Angelou Economics to give us more -- not a market
study, but an economic report, you know, just what's going on in the areas of Austin, what's happening job-growthwise.

We went to their seminar that they recently had, and 26,000 new jobs estimated by them over the next two years in Austin, many of which should be in the southeast quadrant, you know, where -- primarily a Hispanic area right along I-35.

We view the market that we will be getting concessions in the 60 percent rent level of about 70 to $85 on the one and two-bedroom. Right now, we -- we're confident we can get the full 60 percent rents in the three-bedroom, you know, which is another indication of the three -- you know, the larger family demands.

So I think this year's QAP is good, but it's increased the incentive to go with the bigger units, to go with more three-bedrooms. So in hindsight, we probably should have gone with more three-bedrooms. But there is tremendous demand for affordable housing in the family-size units. And that's what we feel like we've got down there.

You do have underwriting from the staff that shows basically these same things. We're in agreement, basically, that the Austin market is soft. You know,
we're -- we've done the right thing about not having any 9 percents in the area this year.

So I think, you know, it's in an corrective stage, and we think we can own and operate this long term, and have faith in the market to come back eventually. Any questions?

MR. JONES: Thank you, sir. Ms. Cormier?

Ms. Janna Cormier. Am I saying that wrong?

VOICE: She stepped outside.

MR. JONES: Mr. Ocañas.

MR. OCAÑAS: Good morning, Mr. Chairman, Ms. Carrington, Mr. President, and members. I'm Reymundo Ocañas. I'm the executive director of the State Association of CDCs. These are the nonprofits that work in affordable housing and community economic development throughout the state.

I'm pleased to come before you to do two things. One is to invite you to our conference, which is just in about eleven days here in Austin. The cover sheet that you've got on there is actually a tour we'll be holding, where we've actually invited legislators and participants in the conference to go visit three different sites.

Two of them are affordable housing sites. One
is a business that's been assisted by one of our members that does lending to small businesses. And we actually do this every time we have a conference. This is the first time we've done it in Austin, since our conference is always here during the session.

And Mr. Bogany, you'll be happy to know that your fair city is the place of our conference next year, in March. So we'll be doing tours of the projects that the community development corporations have put together in Houston in March of next year.

So an invitation has been extended to all of you to attend. And Ms. Carrington will be speaking at a couple of moments, and we have a number of training sessions also taking place, including a Section 8 for homeownership training session that we're doing in conjunction with HUD and LISC, to teach the organizations and the developers here in Texas about how that can be done in our state.

We're having some trouble, I think, getting those kinds of deals done, but I think we're making progress. So we're going to have that training take place. So the invitation will be extended to you. We appreciate the work that you do.

The second item that I'm here to testify on is
actually on your budget. And I'm just here to voice support for the work of the agency and administration, and the presentation back to the appropriations process of the budget cuts.

I'm just here to let you know that we're going to be supportive of the agency through the legislative session in terms of making sure that if we can avoid cuts to the trust fund and any of your other general revenue dollars that go towards developing affordable housing in this state, that we are able to partner with you to do that.

We have a very small amount of money, and as a Texas, an embarrassingly small amount of money for what we could be doing in the state. And the conference has a speaker that is from the City of Los Angeles, which has $100 million housing trust fund for just the City of Los Angeles.

So hopefully, we can at least keep your five million a year. And if not, in the future, help you to increase that. So just sort of voice support for the agency and your budgeting process on this go-round.

MR. JONES: Thank you, sir.

MR. OCAÑAS: Thank you.

MR. CONINE: What -- what's your association's
response to the CHDO property tax issue floating around
over at the state legislature?

MR. OCAÑAS: I'm glad you asked. I will -- I
shall leave you with a package, I only have one copy of it
now, which has a study that we did on the tax exemption
legalization. And actually, I don't have a current copy
of our legislative proposal.

MR. JONES: Okay.

MR. OCAÑAS: But Ms. Carrington has one, and
we've actually drafted it in a modified version.
Representative Hamric and Representative Davis are the
representatives that we're working with on the House side
who are helping us draft an appropriate legislative
response -- Senator Lucio and Senator Van De Putte in the
Senate.

So we've -- our legislation is a response to
the Urban Affairs findings. We -- if you remember, there
was a charge that they had during the interim to study the
issue. So the position paper that we have and the
legislation we have is in line with what their
recommendations are for Urban Affairs.

Now we've got a response that I believe
appropriately addresses what the cities and schools are
asking for. We've been working with the Municipal League
and with the Association of School Boards to draft a
response that both takes care of the deals that have been
done so far, without damaging them -- putting them in
jeopardy, as well as going forward to make that a tool,
like you were saying, that we can still use going forward
without it being a detriment to these schools and the
cities that are losing a tax base over this issue.

So it's not going to be an easy issue to get
past this session. But if we lose it, it's yet another
tool in the tool chest that we're going to lose for
affordable housing. So we will get you a copy of it.

MR. CONINE: So we have a paper -- there is a
paper floating around that I can read to tell me --

MR. OCAÑAS: Yes. Our position paper is
getting -- is going to get copied to you. But I will also
forward to you the latest draft of the actual bill, that
hopefully will be filed by both Representative Davis and
Representative Hamric.

MR. CONINE: Okay. Yes. Thanks.

MR. OCAÑAS: Thank you.

MR. JONES: Thank you, sir.

Mr. Carlos Madrid. Mr. Carlos Madrid.

Mr. Marc Campos? Mr. Carlos Madrid?

MR. MADRID: My name is Carlos Madrid. Good
morning, ladies and gentlemen.

MR. JONES: Good morning.

MR. MADRID: I am also happy to be vice-chair for the Bexar County Housing Authority, who will have ownership to the Heatherwilde and the Primrose Apartment projects.

I personally drove from San Antonio to thank the board and the staff for making funding for these two projects a reality. Economic development in the south side of San Antonio where these two projects are to be built has been slow as far as economic development is concerned.

However, I’m sure of Toyota -- that everyone knows that Toyota is coming to San Antonio. What that means, it’s an $800 million investment, 2,000 jobs, and 16,000 collateral jobs.

Board and staff, this plant will be built in approximately one mile from Primrose and four miles from Heatherwilde. And this is an outstanding field for the City of San Antonio.

And the state went all out in making sure that Toyota would land in San Antonio. I applaud the Governor, and I -- also the vision of this board, to approving these two projects, and helping us making them a reality. I
think that San Antonio is in for a tremendous, tremendous
economic push as far as the south side is concerned.

And I think that a lot of the credit goes to
this board, and also to the state. And there will be a
tremendous improvement to the City of San Antonio,
economically-wise. So that's my whole purpose of being
here this morning, just to thank the board and to the
staff for assisting and helping us as far as the economic
of San Antonio is concerned. Thank you.

MR. JONES: Thank you, sir.

Mr. Marc Campos.

MR. CAMPOS: Good morning, members. My name is
Marc Campos. I am the owner of Campos Communications. We
are a small PR firm in Houston. I'm here in a capacity of
work for Jim Washburn, the Washburn Group, on the
development in Houston that people have been speaking on.

I generally get brought in to help the
developer on various affordable housing initiatives, to, I
guess, get them in touch with elected leaders, so they can
explain to them about the project, because as we all know,
you know, in some communities, when you bring up
affordable housing, it sends up a bunch of red flags.

And so we've been successful in the past on a
number of developments in the Houston area over the last
few years.

In this case, because the time schedule -- the
120-day calendar that we had to operate under, when we
goes and met with certain elected officials that represent
that area, or their staff, let them know about Washburn,
the history he has in this business. Invited them to go
to some of their properties.

And generally, we got a favorable response. I
don't think we are ever going to make, I guess, a
connection with the neighborhood. I think from day one,
you know, they saw this as the project that's across the
street from their neighborhood right now, the one that
they've been referring to in this.

And the Washburn project is certainly not in
that league. You know, I've visited those properties
before. I think it was interesting at the hearing, the
council member that represents that from the City of
Houston showed up.

I think she was one of the last to speak. And
she says, you know, Washburn -- you can quote her.
Washburn has a good project, but obviously it will not
work here. And you know, I took that to mean that, you
know, I mean, she saw the community. In our opinion, we
don't think the community has even attempted to listen to
what the project is.

I understand, because they had that -- the history of -- a 30-year history with that project right now. So unfortunately, but when we make these decisions, we can't make them there at the site.

You know, before I take on a project, I usually go eyeball the area, because it -- you know, understandably, these issues are going to come up. There is a big, huge Metro, which is a metropolitan transit authority -- a big, huge Metro facility right next to the property.

The property right now is used for dumping. I think since Mr. Washburn has gotten involved, he's had to go out there and have his crews clean it up. You know, I think, you know, the history of his projects will work out there.

I think oftentimes, you know, somebody has to make the decisions that, hey, you know, these things can work. It's interesting in that you don't have in your packets letters of opposition from elected officials in that part of -- in the area we've talked about, because I think we've done our job of keeping them up to date on the project and what's going on.

And they've -- you know, I've had discussions
with some of their staff, and they're kind of like, you know, caught in the middle. So we hope we -- you can support this project. Thank you.

MR. JONES: Thank you. Next speaker is Mr. Harris.

Mr. Mike Harris.

MR. HARMS: Defer to Item 5.

MR. JONES: Okay. Thank you, sir. The next speaker is Ms. Barbie Wynn. Ms. Wynn.

MR. JONES: Mr. Conine?

MR. CONINE: Yes?

MR. JONES: I just got an urgent message. If you don't mind, would you take the chair --

MR. CONINE: Sure.

MR. JONES: -- for a moment. Here are the remaining witness affirmation sheets.

MR. CONINE: Okay.

MR. JONES: Thank you, sir. I'll be right back.

MS. WYNN: Good morning. Thank you for allowing us to speak today. My name is Barbie Wynn. I'm a 33-year-old resident of Brentwood. I'm a single-parent college student. So this economically labels me as low income. So as a low-income voice from the community, I
ask that you all oppose this project.

I attended Hobby Elementary School. I attended church, which also lies physically in the neighborhood. As a previous property manager in several multi-family housing projects, those ranging from Class-A to Class-D, I know first-hand the cycles that these properties go through, not to mention the internal struggles faced by property management companies or their owners, especially in regards to budgets, which directly impact the property, which will directly impact the community.

Currently, Brentwood is surrounded by low-income and multi-family projects from the south, the west, and the north, all within a ten-mile radius. To the east lies the low-income single-family dwelling community project. Again, I ask that you oppose this project.

Thank you. Any questions?

MR. CONINE: Thank you. Any questions? Let’s see. No name on this one.

Ronald McKinney.

MR. MCKINNEY: Good morning.

MR. CONINE: Good morning.

MS. ANDERSON: Good morning.

MR. MCKINNEY: The chairman left, but the esteemed body is here, so I’ll go ahead.
What I want to deal with is a few of the public policy issues. As Ms. Walker said, we are not egocentric. And nor are we eager to keep this development out of the community as such.

But when the system operates as a vehicle for cruel and unusual punishment to the Brentwood community, and it's against public policy, we must object. Harris County is the largest county in the State of Texas. And there is enough room for everyone to grow.

I have two questions that I've asked Mr. Washburn. Why does a developer want to piggyback on this community, and what can he do to relocate the development? We want to work with him and help him find a development that maybe we can work with. Find some other area.

There are too many instances when developments of this kind have been flipped and turned into state-supported public housing. It happens all the time. You heard the questions. And the public policy issues raised.

We're talking about increased crime. We're talking about undue burden on sewer systems and drainage systems that are already overtaxed. An undue burden on schools that are already overcrowded. This area of construction is in a cul-de-sac. There's no room for growth as far as traffic is concerned.
Gentlemen, based upon public policy, it is in our prayer that this development should not and cannot be allowed to continue. Thank you. Any questions?

MR. JONES: Thank you, sir. I appreciate it.

Ms. Janna Cormier, I'll call again. Has she come back?

Well, I think that brings us back to Mr. Washburn.

MR. CHARLES WASHBURN: I yield my time to Jim Washburn.

MR. JONES: Okay.

MR. JIM WASHBURN: Thank you for the opportunity. I'd like to just address a couple of the comments made earlier regarding -- and they are brought up in your packets regarding crime, because that's always -- that word that you drop -- you know.

I think that we're a little different than a lot of other developers out there. I've met with the community. I've told them that we're the kind of people that come in. We develop it. We build it. We own it. We manage it. We have the same concerns that you have.

We're not -- we have no opportunity to flip this. We're in this business for the long haul. We don't want the same things that you're concerned about. That's why we have gated communities. That's why we have our own
management company. We screen the residents. You can't move in if you have a felony record. If you're harboring anybody who does, we're going to evict you.

I mean, we fight the same battles that every community fights. And I think we're able to do that because we have the control to do so. The drainage issues -- we are not in a hundred-year floodplain. We are on a four-lane divided boulevard that in spring of 2005, according to the City of Houston will be cut through, and will be connected to 288.

Right now, there is not a lot of traffic on this road. There will be more traffic. There will be more visibility when this boulevard is cut through.

The schools -- I do -- in your packet, I have the enrollment for Hobby Elementary School for the last five years. The enrollment in that school has decreased 17 percent in the last five years. Those statements -- those facts came directly from HISD.

Now, does that mean that they're overcrowded? I'm unable to get capacity numbers. But there is a trend here that -- and it ties to this community. This is an elderly community, a retired community. There are no longer students in that community. And it's showing in Hobby Elementary, specifically.
And you'll see that across that whole area, unfortunately, you see a decrease in the school enrollments at every elementary school in that district. Now, up at the high school level and at the junior high, there are increases. I will admit to that.

But the -- I want to address those issues. They're all part of your packet. You know, we again feel like that we will be an asset to the community. We have talked to the people of the Hirom Clark Civic Club. We will work with them.

I've offered opportunities to get involved in our management, because we are involved from day one till the end. And we talked about opportunities for them to be involved. So again, I just wanted to answer those questions.

MR. JONES: Thank you, Mr. Washburn.

MS. ANDERSON: May I ask Mr. Washburn a question?

MR. JONES: You certainly may. Yes, ma'am.

MS. ANDERSON: The credit underwriting report from our team says that the adjacent land to the west of proposed site has HUD/loan housing tax credit, multi-family housing on it.

MR. JIM WASHBURN: Yes, ma'am.
MS. ANDERSON: Okay. You're familiar with the site --

MR. JIM WASHBURN: Yes, ma'am.

MS. ANDERSON: -- and where I'm pointing west. Is that the same thing as this Aristocrat or Palomino thing that I keep hearing about?

MR. JIM WASHBURN: Yes, ma'am. Yes, ma'am.

MS. ANDERSON: Okay.

MR. JIM WASHBURN: It would be.

MS. ANDERSON: Okay. So that is a low-income -- that's one of our --

MR. JIM WASHBURN: It was originally a 100 percent Section 8 housing development.

MS. ANDERSON: Okay.

MR. JIM WASHBURN: Two years ago, they acquired tax -- there was a change in ownership. There was an acquisition and a rehab done on that property. And I believe that if you asked Ms. Walker, she would say that they have improved since then.

Now, they did make promises that were not -- that according to the Hirom Clark Civic Club were not met, with regard to we'll help you with police patrol, security-type situations. But yes, they do have tax credits through a rehabilitation.
MS. ANDERSON: One more question. What are you and your family's company willing to do with regard to security patrols, additional enhancements to security beyond perimeter fencing and a limited access gate?

MR. JIM WASHBURN: This is what we discussed when we had lunch. Now, currently, this subdivision does not have the ability to collect homeowners dues.

MS. ANDERSON: Right.

MR. JIM WASHBURN: But we talked about that I do have money in our budget to add security. Now, how much money, we never came to that decision. How can I help you specifically? How much will it cost to get people out there? There is nothing there right now.

I believe that we can help with visibility. We talked about specific hours of the day that they were concerned, specifically maybe when they're gone. That's usually when crime happens. We talked about maybe doing some drive-throughs in the morning, helping to pay for those things. But that's what we talked about specifically.

We also talked about beautification of the area. That was a big concern. There is a lot of trash to the entrance. And there would be an entrance to the -- to where our developers and our people would come. So I have
the same interest in making sure that that thing gets
cleaned up.

MS. ANDERSON: Great. Thank you.

MR. JONES: Any other questions? Thank you, sir.

MR. JIM WASHBURN: Thank you.

MR. JONES: Now, are you related to the other Mr. Washburn?

MR. JIM WASHBURN: Uncle Charlie.

MR. JONES: Okay. I see. The uncle yields
ground to speak. I -- that's always good for us to do.

MR. CHARLES WASHBURN: I've had my turn, so --

MR. JONES: I understand.

MR. CHARLES WASHBURN: It's time for him to
take the heat.

MR. JONES: I got you. At this point, now,
we'll close our time for public comment. I have three
individuals who have not spoken yet. But they've
requested to speak to agenda items and we will call them
at that time.

MS. ANDERSON: And we will call them at that
time.

MR. JONES: So the time for public comment is
now closed, with those three exceptions. We will then
turn -- I believe the next order of business is to Item 1 on our agenda, which is the Presentation, Discussion and Possible Approval of Minutes of Board Meetings of December 17, and January 8.

MR. BOGANY: So moved.

MS. ANDERSON: Second.

MR. JONES: Okay. We have a motion to approve. It's been made and seconded. Further discussions, questions, comments? Hearing none, I assume we're ready to vote. All in favor of the motion, please say Aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. We then move to the financial items. Mr. Conine?

MR. CONINE: Thank you, Mr. Chairman. The first one is the possible approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for the North Vista Apartments in Houston, in an Amount Not to Exceed $14,000,000. Is Mr. Onion going to do these, or is it Ms. Carrington?

MS. CARRINGTON: I will start out --

MR. CONINE: Okay.

MS. CARRINGTON: -- Mr. Vice Chair. And then
if we need Mr. Onion or Mr. Gouris --

MR. CONINE: Okay.

MS. CARRINGTON: I would like to suggest, as we consider Items 2(a), 2(b), and 2(c), that we also consider Item 3(a). The bond -- the approval of the issuance of the bonds, of course, is 2(a), 2(b), 2(c). The tax credits are all lumped together under 3(a).

MR. JONES: I think that's a good idea.

MR. CONINE: Okay. Marry them up.

MS. CARRINGTON: Behind Tab A, this is 400 -- 14 million proposed issuance in tax-exempt bonds, with a proposed interest rate of 5.66 percent. The conditions that we have identified for you are under Tab 4, page 8 of this development. And these are fairly typical of the kinds of underwriting conditions. If you have any questions, I'll be happy to answer those.

The map showing where this development is to be located is behind Tab 6. As you can see, it is in far north Houston, up on Interstate 45, north of Houston. And then also, the transcript for the public hearing, or the public comment is behind Tab 8. And the public comment on this particular development did last about an hour.

There was some opposition at that public hearing related to schools, crime, security maintenance,
and other upkeep. There was, as you will note in all
three of the public hearing transcripts that you have with
you today, there was a dialogue with the developer and the
citizens of the community.

There is also included a petition with 75
signatures, and there is two letters, and there is one
e-mail. The staff is recommending the approval of the
issuance of the tax-exempt bonds, and then also the
accompanying tax credits in an amount -- as soon as I find
it, I'll tell you.

The bonds are 14 million, and the tax credits
are --

MR. CONINE: 643,239.

MS. CARRINGTON: Thank you. And that is
staff's report.

MR. CONINE: Mr. Chairman, I move for approval
of Item 2(a), and this -- the tax credits to go along with
it represent -- and 2(a) represented by Resolution Number
03-07 for the North Vista Apartments in Houston.

MR. JONES: Should -- just by way of
clarification, should that then be -- if it's a motion to
approve Items 2(a) and 3(a). Is that right?

MR. CONINE: 3(a) includes --
MS. CARRINGTON: Part of 3(a).

MR. CONINE: -- part of 3(a).

MR. JONES: Part of 3(a).

MS. CARRINGTON: Yes.

MR. JONES: And which part of 3(a)? Would that -- that would be 02-463?

MS. CARRINGTON: Yes, sir.

MR. CONINE: That's it.

MR. JONES: Okay. So that's the motion of the board. Excuse me.

MS. ANDERSON: Mr. Chairman, I just have one technical question, maybe if Mr. Onion --

MR. JONES: Okay. Mr. Onion?

MS. ANDERSON: Mr. Onion, my question is just part of my continuing education in bond finance. I noticed that this particular deal has credit enhancement on it. And I'm not used to seeing credit. I don't think I see credit enhancements, at least not consistently on this.

Can you tell me what the conditions that lead to the bonds needing -- correct me -- just talk to me about -- not specifically about this deal, but why often they don't have credit enhancement, yet this one does?

MR. ONION: There is two ways that a bond
transaction can be done, either a private placement, or publicly offered. A private placement is a direct placement to an institution, be it Bank America, Charter Mac, et cetera, directly buys the bonds and holds them.

A publicly offered transaction -- what happens is is it's sold to the public. But usually an insurance company -- their large insurance company will underwrite the transaction, and give it a triple-A rating, and the public who purchases these bonds look at the rating, and the repayment of those bonds from the insurance company, thereby getting a lower interest rate, because there is less risk involved to the ultimate purchaser of the bonds.

MS. ANDERSON: Okay. Thank you. I get it. Thanks.

MR. BOGAN Y: I have a question.

MR. JONES: Yes, sir.

MR. BOGAN Y: Mr. Onion, how many projects in this general area, that low-income tax credit, whether a 9 or 4 percent?

MR. ONION: I would have to get back with you and give you a map in this particular area. I would -- it certainly did pass our concentration policy. And --

MR. BOGAN Y: Okay.

MR. ONION: -- we are not aware of an
overconcentration in this area.

MR. BOGANY: So it did pass the concentration policy that we allot, all of you guys set?

MR. ONION: We currently have in place. Yes, sir.

MR. BOGANY: Okay.

MS. ANDERSON: Yes, it did. Yes.

MR. JONES: Further questions? I believe we have a motion on the floor. Unless my mind's bad today, I don't think we have a second. Do we have a second?

MS. ANDERSON: Yes, I --

MR. JONES: We do have a second. Excuse me. Ms. Anderson seconded it. 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, nay.

(No response.)

MR. JONES: The motion carries.

MR. CONINE: Item 2(b), Ms. Carrington?

MS. CARRINGTON: Item 2(b) is the Enclave at West Airport Apartments, to be located Houston, Harris
County. The amount of the issuance of the bonds would be 10,150,000. These bonds would be unrated and unenhanced, as Ms. Anderson was asking clarification on that.

Again, with the same kind of order in your materials, the underwriting conditions to this development are in Tab 4, pages 8 and 9. They were generally the same underwriting conditions that we have on most of our multi-family -- on most of our tax-exempt developments.

Behind Tab 6 is a map of where this development is to be located. And then behind Tab 8 is the transcript of the public hearing. Public hearing did last about an hour and a half. There was dialogue with the community, with Jim Washburn, the development -- developer.

As has already been mentioned to you, Ada Edwards, who was the councilwoman in that district, did attend the public hearing, and you have heard the opposition this morning. And there are letters also in your packet from the Hirom Clark Civic Club. That was a letter to Jim Bowie over at the Bond Review Board.

This staff is recommending the issuance of the tax-exempt bonds on this transaction, and also the tax credits.

MR. CONINE: You going to read in the amount, or do you want me to?
MS. CARRINGTON: If you still have your finger on that place, yes, sir.

MR. CONINE: $502,188 is what it looks like to me. 02-464.

Mr. Chairman, I move for approval of the Enclave at West Airport. Again, our bond resolution number is 03-06. And the accompanying tax credit is under 02-464.

MS. ANDERSON: Second.

MR. JONES: The motion has been made and seconded. Discussions, questions, comments?

MR. BOGANY: I have some discussion.

MR. JONES: Yes, sir.

MR. BOGANY: And I'll be very brief. I feel that if we're going to be consistent, we've got residents here that says they don't want this project in their neighborhood. And they've taken the time to come up here. I think we need to be consistent, as we've done in other projects that we've denied. And I'm speaking against the project.

MR. JONES: Thank you, sir.

MR. SALINAS: I will go ahead and echo his -- the denial from this project.

MR. JONES: Thank you, sir. Further
discussion? Questions? Comments?

Hearing none, I assume we're ready to vote. Is that correct?

VOICE: Seconded?

MR. JONES: Yes. The move was seconded. Ms. Anderson seconded it. All in favor of the motion, please say aye.

(A chorus of ayes.)

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

(A chorus of ayes.)

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

(A chorus of nays.)

MR. JONES: Three/three.

MR. SALINAS: Three/three.

MR. JONES: The motion does not pass.

MR. SALINAS: Not passed.

MR. JONES: Mr. Conine?

MR. CONINE: Item 2(c), Ms. Carrington?

MS. CARRINGTON: Creekside Townhomes, otherwise known as Mayfield Apartments. This is to be located in Arlington, in Tarrant County, Texas. The tax-exempt piece of the financing on this transaction is $15 million. Item
interest rate of 6.75.

Again, underwriting conditions, Tab 4, page 8 of the underwriting conditions, your map on where this development is to be located. Tab 6 -- you can see it's basically between Fort Worth and Dallas, in the southern part of Tarrant County.

And then also behind Tab 8 is the transcript of the public hearing. This one, I think, probably lasted about an hour. There was also a dialogue with the developer in this public hearing. And there were certainly many questions from two members of the neighborhood, but there was no voiced opposition at the public hearing to this transaction.

So the bonds would be in the amount of $15 million, and the recommended tax credit allocation amount is $672,439.

MR. CONINE: Mr. Chairman, I move for approval of the Creekside Townhomes at Arlington, Texas, a $15,320,000 bond issuance signified by resolution number 03-08, and the appropriate tax credits to go with it, under 02-465.

MS. ANDERSON: Second.

MR. JONES: The motion has been made and seconded. Further questions, comments, discussion?
Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MR. CONINE: Next, Item 2(d), we have approval of our first quarter investment report, Mr. Bill Dally.

MR. DALLY: Good morning, Chairman Jones, Mr. President, board members, Ms. Carrington. I'm asking here for your acceptance for the first quarter investment report for the period ending November 30, 2002. You'll find that under Tab D.

This contains all the elements required by the Public Funds Investment Act. Overall, the portfolio did decrease by $23 million, to a total of $1.18 billion in carrying value. The portfolio is made up of 67 percent mortgage-backed securities, 27 percent guaranteed investment contracts and investment agreements, 4 percent repurchase agreements, and 2 percent other.

I can report that we had actually $49.3 million worth of purchases in mortgage-backed securities over this last quarter. So that's an indication of the activity in our single-family bonds.
Overall, the market value increased by $3.4 million. That again is reflective of the low interest rates and stuff -- the environment that we're in right now. And if there aren't any questions, I would ask for your acceptance for it.

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

MR. BOGANY: Second.

MR. JONES: That's great. Questions, comments, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. Item 2(e), Approval of Our Revised Budget for Fiscal Year 2003 for TDHCA. Again, Mr. Dally.

MR. DALLY: Yes. The tab under there makes reference to where that was located on our website. Hopefully you have printed copies. Or it looks -- this is the -- it would be dated February 4, the Organized Budget. This is a financial piece of our overall reorganization that the agency has been -- embarked on over the last six, seven months.

This gives the financial picture for that
reorganization. The plan here is to regroup and have these folks operating in this reorganized fashion March 1.

Now, what's happened is, if you'll flip to -- well, we also included in this package the two different organization charts, so you can see the --

The first chart is where our reorganization will be come March. The second chart showed you the original organization as we were when we began the year.

If you'll flip to page 1, then on that left-hand side, you'll see the operating budget that you approved on August 29, the beginning of this fiscal year. The bottom line on that budget was $20,572,094.

We then take -- from that column, we move to the right. We take out the capital items. Those items, once you set up in a capital budget, they're sort of taken off the table, and not part of any one division's budget anymore, although we use those resources.

The second column -- we had an adjustment for -- I apologize. That's got an acronym on it. The SORM stands for the State Office of Risk Management. They're a new body that's a part of the Attorney General's office. And they handle all of the insurance policies and risk management in the state, that they were gathering up to look at from the state's perspective.
And last year was their first year in existence. And we had a very large premium applied to our agency. And I think that was across the board at all agencies. This -- the second year, though, we got news in the middle of this budget that that premium went down from $300,000 to $60,000.

Now, the reason for that is because they gave us more credit. They do a weighted average of several -- four different factors. Payroll and the size of your FTEs is one. But they also factor in the weight of your actual claims instance, experience, and what those claimed actually dollar value were. And because ours are very low, we're a beneficiary of a much-lower premium this year.

So that then brings you to a net operating budget of $19,868,000. But we then -- but that was the starting point for reorganizing the divisions. If you flip to the second page, you'll see -- if you go to the right-hand side and go down that right-hand column.

And about the elements where you start seeing the zeroes on that right-hand side, beginning -- it's titled over on the left-hand side, Reorganized Divisions and Sections, the Housing Research Center, Bond Finance, Single-family, Housing Programs, Admin, LIHTC, HOME,
Housing Trust Fund.

These are the groups that we had at the beginning of the budget year, that now those personnel are being redistributed and are now going to be functioning along the functional lines. So we took those elements of their budgets -- now, we needed to leave enough budget to take them through March.

Then as we flip over, then we're taking turns from that point forward in redistributing them to the new groups, which is what you see up at the top part of that page.

We've also got -- you can see some of the head counts and the way people were moved around among the various divisions. And that's the chief driver on where the funds have to follow, where that payroll changes were.

The other element -- now, we began this reorganized budget -- I think we had personnel decisions made at the end of December. So beginning in January, we began working with the new managers and directors to build this budget in very short fashion so we'd be ready in March.

Then about January 23, we got a letter from the Governor and the Speaker and the Lieutenant Governor asking for 7 percent cuts -- agencies. This budget does
not yet reflect those cuts, because we were -- it would very much confuse the situation if we had tried to reflect that here.

We will be able to bring a report -- once we get down to this bottom line, as we organize, we will be able to bring a report and show you where those cost savings are going to be. But this bottom line does not reflect those 7 percents yet.

You'll also see the -- the other elements that you'll see -- the methods of finance on page 1. You'll see General Revenue, Earned Federal Funds. Those two categories are what's referred to as Pure General Revenue. And those will be the line items that will be reduced the rest of this year.

The remaining -- then the next line is the Federal Funds. And that's just the portion that supports the payroll and operations of the department. And then the next -- the Bond Admin Fees, LIHTC Fees, Affordable Housing Disposition Fees -- those are what we refer to as our housing fees that support our department.

This isn't on the report, but I did -- just to give you the mix of the percentages -- currently under this budget, the General Revenue and Earned Federal Funds make up 13 percent of our operating budget. The Federal
funds make up 29 percent, and the remaining local funds make up 58 percent of our funding.

So we -- a 7 percent cut was against the 13 percent of our operating budget, as well as the system benefit funds, and things I'll get into in our mix. I'm talking about the 7 percent cuts.

Are there some questions on our process here? Or --

MR. CONINE: Mr. Chairman, I move for approval for Item 2(e), the Approval of the Revised Budget for Fiscal Year 2003 for TDHCA.

MR. BOGANY: Second.

VOICE: Second.

MR. JONES: Motion's been made and seconded. We had two seconds. You can pick. Kenny, choose whoever you want.

MR. CONINE: I've got a question very quick.

MR. JONES: Sir?

MR. CONINE: Can you tell us what the process is from here once this gets approved? Does it go to LBB, and how long? And when is it heard, and --

MR. DALLY: No. This is the 2003 budget. So we have this already appropriated and approved through the session. Now, we went and presented that February 6
letter to the House Appropriations Subcommittee yesterday
as our plan for the 7 percent cuts.

To be honest, I was looking for a nod of
approval, or what's the next step. And that really didn't
happen.

MR. CONINE: Well, but I'm asking -- forget the
7 percent cut.

MR. DALLY: Oh. Okay.

MR. CONINE: I'm -- whenever you amend --
whenever a agency amends its existing approved budget --

MR. DALLY: Oh, yes. Yes.

MR. CONINE: -- is there any further process
that that --

MR. DALLY: Yes.

MR. CONINE: -- amended budget has to go
through?

MR. DALLY: Yes. Yes. We'll send that on.

MR. CONINE: And what's the time frame that
they will hear it and say -- and they'll call us back and
say it's okay?

MR. DALLY: Well, typically, we're going --
it's an information item. We send it on to them. But
you've approved it. And it's an information item to them.
MS. ANDERSON: It's sort of an internal exercise, isn't it? Because we're not changing the dollars. We're just moving the buckets around?

MR. CONINE: So in the future, if we want to change it, you know, after the fact, we can do that --

MS. ANDERSON: Now, I'm not going to be on record having indicated that.

MR. CONINE: -- without anybody else looking over our shoulder?

MS. CARRINGTON: I don't think we can do that.

MR. JONES: If you're a president you can. Yes. That's part of being president.

MS. CARRINGTON: I don't think we're going to take on another reorg anytime soon, Mr. Conine.

MR. CONINE: Sometimes I ask questions that have unintended consequences. Okay. It's --

MR. JONES: We can tell it's going to your head.

MS. ANDERSON: I have a question for Bill. On these methods of finance, we look at the reorganization adjustment, you know, and there's a decline, or a negative, you know, factor, on general revenue. And we're making up most of that on -- a little bit on ORCA, but mostly on bond administration fees. Can you explain to me
what the nature of those shifts are?

MR. DALLY: It happened that when we looked at the personnel and as they were moving, this particular person was moving away -- was moving out of the Housing Trust Fund and some of the associated expenses. He was moving over to be a construction monitor and a compliance person over a broader mission.

MS. ANDERSON: So it's really tied to, like, one person, or a couple of people?

MR. DALLY: To a couple of people, yes.

MS. ANDERSON: Okay.

MR. DALLY: Yes.

MS. ANDERSON: Okay.

MR. DALLY: That -- in the new reorganization, their role didn't make sense. Now, it does help -- it also helps our general revenue savings.

MS. ANDERSON: Yes. I understand. I'm with you. Thanks.

MR. JONES: Are there any questions, comments, discussion?

MR. DALLY: Let me --

MR. JONES: No, I was really talking to them. I wasn't talking to you. No, go ahead, Bill. I'm sorry. I was just teasing.
MR. DALLY: So far as this budget and approvals and stuff, the 2003 budget was underneath that umbrella of the 2002 and 2003 appropriations. And what we -- we've gone through an exercise to reshuffle it, and still underneath that appropriation level.

Now, to go and amend and change the budget beyond appropriation level -- that would be --

MR. CONINE: No, but I -- you know, what I was referring to was, you know, borrowing from Peter to pay Paul, occasionally. And that's okay. I understand.

MR. JONES: All right.

MR. CONINE: Are we ready to vote? All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries.

Item 2(f), Mr. Chairman, Presentation of the 7 Percent Cost Savings Plan that Mr. Dally referred to.

MS. CARRINGTON: Bill and I are actually going to do this together.

MR. CONINE: Okay.

MS. CARRINGTON: Before we start this, I want to thank the staff in the budget area, David Cervantes,
and David Aldrich, and Bill, who has a newly constituted division. I mean, he's chief of agency administration with a couple of divisions under him that he didn't have before.

And they have worked through getting this revised budget done. And then also, worked through the 7 percent that was the presentation that Bill and I made yesterday. And then of course, next Wednesday, we go over to the Legislature to Senate Finance, to talk about or LAR for the next couple of years.

So I want to commend the staff in Bill's area for the work they've done, and for the cooperation of the rest of the staff in getting the numbers to him -- getting the information to him. So good job, Bill.

(Applause.)

MR. DALLY: Thank you.

MS. CARRINGTON: Okay. Bill and I did go yesterday, along with Ruth and Michael Lyttle, spent the afternoon at the Capitol. And we were fairly late in the afternoon to the General Government Subcommittee on Appropriations.

And what we were reporting out was where we have identified the 7 percent cut in our budget for the remainder of this fiscal year. So it's just for the
remainder of this fiscal year, which will end August 31. And then the presentation we'll doing next week will be for '04 and '05 LAR, and an operating budget.

You actually have -- we not only respond once, we responded twice to the leadership's letter. But what we said in the letter of February 6 was that this is what we will look at. This is where we'll look to go to find, to identify our 7 percent.

That we were suspending out-of-state travel until further notice, unless it was absolutely necessary and approved by executive capital purchases, and contracts for consultants and for professional fees, hiring of new personnel expended -- suspended, except for critical areas determined by executive. And then other administrative costs were under review.

Our letter of February 11 actually gives you the bottom line, where you look at Schedule A, which is the revised Schedule A, far right-hand column, three-quarters of the way down the page, Total Appropriation Reduction. Our 7 percent -- this is, including System Benefit Fund, is a total of $1,506,877.

As Bill has said already to you all, we -- this department is really in a fairly advantageous position in that we don't use a lot of general revenue. It also hurts
us, because it means if we are using general revenue for something, it's something that's usually pretty critical for the department. So it's sort of a blessing and a curse.

We divided this up, really, into two sections. If you'll look right above that, Subtotal General Revenue Related, is $753,187. We've sort of gotten some mixed signals about whether they wanted System Benefit Fund to be included in our potential cuts. So that's why we separated that out.

System Benefit Fund is general revenue. It's considered dedicated. Yesterday, we were hearing the word "Trust Fund" related to it. So I think in our minds, that was going to require us to looking -- look a little bit more, perhaps, at the legislation on the system -- the creation of the System Benefit Fund, and find out indeed if it is an opportunity for it to be on the table.

So looking at pure general revenue, and not putting anything on the table as far as a reduction in the Housing Trust Fund, that amount is 753,187. And then, as I said, System Benefit Fund is 753,690.

On your -- going back on your letter of February 6, on the second page of that, you will see -- although there is an adjustment for your February 11
letter, you'll see where we looked to make those reductions. Out-of-state travel, 10,000. In-state travel, 35,000. Professional consulting services, 90,000.

Salary and staff savings -- these are basically vacancies that we've had throughout the year. So we've had salary savings there. Office of Risk Management -- Bill has already explained that to you. Our premium is a whole lot less than what we thought it was going to be.

Other administrative costs -- I think there is things like trainings, workshops, seminars, et cetera.

Mr. Bogany?

MR. BOGAN: Yes, I had a question on staff salary savings.

MS. CARRINGTON: Uh-huh.

MR. BOGAN: So any openings that we get, we just combine this with another job, or just somebody is spreading a risk out on that job?

MS. CARRINGTON: We average about 14 vacancies a month. Since our agency has 323 employees, you know, we do have turnover. And it takes a while to get a job advertised, to interview, and to hire. And so what we looked at was what have our salary savings been because we haven't filled positions, in some cases, real quickly.

MS. ANDERSON: So you're saying it's not a
hiring freeze. It is savings that we're actually --
frankly, already coming to us in the normal course of
business because of the lag?

MS. CARRINGTON: What you see on the dollar
figure right there is correct. The other thing that is
correct is on the bullets, on February 6, which we've said
hiring of new personnel has been suspended, except for
critical areas, as determined by Executive.

So we have savings currently. And Bill, did we
do a projection on the 260,000 -- 400 -- I'm sorry,
160,000 -- was that to-date? Or was that projecting also
some salary savings through August 31?

MR. DALLY: It's a little bit of both. It's a
little bit of both.

MS. CARRINGTON: Mr. Bogany, that was probably
the -- kind of the heart of your question.

MR. BOGANY: Yes.

MS. ANDERSON: Yes. What would the financial
impact be if we just didn't fill those vacancies? How
much incremental -- we're talking about 14 --

MR. DALLY: Well, to date, I'm only aware of
maybe a couple that we're considering hiring.

MS. CARRINGTON: I think we have three right
now. Yes, that we've interviewed for, that we're in the
MR. DALLY: Three?

MS. CARRINGTON: And --

MS. ANDERSON: That's not my question.

MS. CARRINGTON: I know. I guess what I want to put on the table is, we've got 7 percent without doing that, and we certainly would like to have it underway --

MS. ANDERSON: I understand that. I'd still like an answer to my question. It's an informational --

MS. CARRINGTON: Yes. And I don't know that we -- I don't know that.

Do you know, Bill? Do you know right off?

MR. DALLY: No. No.

MS. CARRINGTON: We can certainly get it for you.

MS. ANDERSON: Okay.

MS. CARRINGTON: And maybe you'd want it when the meeting is over.

MS. ANDERSON: Well, it may just be -- it just may be important --

MR. CONINE: Could you repeat the question?

MS. ANDERSON: -- as we move forward. I'm asking what the fiscal impact would be is if we had a real hiring freeze of those 14 positions --
MR. CONINE: Oh.

MS. ANDERSON: -- you know. What we're getting, most of this 260 -- some of it's coming from maybe a freeze. But most of it sounds like it's coming from just the normal course of operations. Savings we would capture anyway, because there's a lag and you don't see -- aren't paying that salary in the 90 days it takes you to recruit/hire.

MS. CARRINGTON: Yes.

MS. ANDERSON: Yes. So I'm just trying to understand what the impact of a freeze would be.

MS. CARRINGTON: Yes.

MR. DALLY: Your going-forward salary savings of a freeze?

MS. ANDERSON: Yes. There's no urgency to know that. I just --

MR. CONINE: Is this an action item? I would hope so.

MR. DALLY: It's a -- no, it's a presentation, because --

MS. CARRINGTON: Because we presented this yesterday.

MR. JONES: Yes, I --

MS. CARRINGTON: I mean, it's --
MR. JONES: I'm curious if it's really a
direction of the board or a direction of the staff.

MR. CONINE: Well, I got a little gas related
to some of these items. One, the out-of-state travel. I
guess I'd like to hear some discussion of that. Does that
eliminate all future, from now till the end of August --
any out-of-state travel?

MS. CARRINGTON: The letter that we received
from Leadership on January 23 -- and Bill, you probably
have a copy of that letter -- if you don't, we can get a
copy very quickly.

That letter said to us -- it gave us
flexibility. It indeed gave state agencies flexibility
about where to find their 7 percent, that made some very
specific recommendations to us of where we would want to
look.

The first one was foreign travel. We said
that's not a problem for us. The next one was out-of-
state travel. The next one was in-state travel. And then
it basically listed, you know, a variety of administrative
costs, potential -- they didn't say hiring freeze. They
did not use that word. But taking a very hard look at
where we could capture some general revenue to meet our 7
percent.
MR. CONINE: Well, we're not the only state agency that's involved in national trade associations that benefit not only the executive director, but the board members and other staff who participate in those events.

And I, obviously, being one who participates in that on several levels, think that's very important. To go in a -- to cocoon ourselves into the State of Texas doesn't necessarily enlighten us to other states around the country at are, quite frankly, going through the same issues that -- as we are here in Texas.

I happened to participate in a phone call yesterday with some of the NCHSA people, who at their legislative conference in March in Washington, D.C., are going to have a forum on the issue of state budgets and crunches, and how other states are dealing with -- and other agencies around the country are dealing with some of the crises.

And I understand the message that you send when you say no more state -- out-of-state travel. But geez, it's only $10,000. And my hunch is, we can find $10,000 somewhere else. And I would -- I guess I have a problem with just totally acquiescing to that.

I can understand maybe some other speaking functions, or other events that aren't critical to the
operation of this agency. But that's one I know, Ms. Carrington, that you are directly responsible for our representation in that. And I would hate to see Texas make that decision.

So I don't -- you know, if we're not approving this thing, then I don't have a way to amend this particular report. But --

MR. JONES: Well, we could certainly approve it if we wish to. So --

MS. ANDERSON: May I pile on to the president here for just a minute?

MR. JONES: Certainly.

MS. ANDERSON: You know, I understand what you're saying. And I also know that the Governor's office has suspended its membership in the National Governors Association. It has suspended and eliminated its membership in the Council of State Governments. We can argue about whether those are -- you know, whether you would have done those things had you been governor or not.

But I think the Governor is setting an example. And while I would not want to telegraph in any way today that I'm proposing that we eliminate our membership in these organizations, at some point, and it may not be today with the 7 percent. We don't really know what our
appropriation is going to look like for the next biennium.

At some point also, I know we're all very interested in protecting the services that are provided to our residents that come out of our programs, and frankly, a lot of the staff that's needed to deliver those services. And so while I understand the spirit of what you're saying, I will just say that others are leading in a very visible and dramatic way sort of around that topic.

MR. JONES: So I think right now, as Chair, I need direction. Is there a motion to approve the presentation we've just seen?

MR. CONINE: No. Because it's information.

MR. JONES: Okay.

MS. ANDERSON: Now, I do have one more question. You --

MR. JONES: I'm just trying to figure it out.

MS. ANDERSON: I do have one more question.

MS. CARRINGTON: Presentation only. Information only.

MR. JONES: Okay. Yes, that's what I thought it was.

MS. CARRINGTON: Yes.

MR. JONES: Excuse me.

MS. ANDERSON: It's my understanding that in
the course of this 7 percent process, that you went out to
the various departments and asked for their cooperation,
and specifically, their suggestions on what they thought,
you know, were reasonable reductions they could make, I
assume without, you know, dramatic negative impact on the
people that we're trying to serve. Is that right?

I'm sorry. I'm sorry, sir. Thank you for
reminding me. Usually people don't have any trouble
hearing me. It's my understanding as part of this 7
percent budget reduction process, that the leadership
asked us to do, that you went out to the departments, or
at least some of the departments of the agency to seek
their input and ideas for how they could make reductions
in their own departments without severe negative impact on
the function of those departments. Is that right, that
you went out to the departments?

MR. DALLY: We did.

MS. ANDERSON: Okay.

MR. DALLY: We did.

MS. ANDERSON: Good. Were you pleased with the
level of participation from your department directors and
so forth, and their creativity in coming up with ways to
create some reductions?

MR. DALLY: Yes. I think so. I think that's
fair to say.

MS. ANDERSON: Okay. Did the total amount of the reductions they proposed equal or exceed the $753,000 number? I didn't ask you what number they came up with, but I just said does it -- did it equal or exceed?

MR. DALLY: Yes.

MS. ANDERSON: If you added up all their proposed reductions.

MR. DALLY: No, I'm still -- I'm going to be honest with you.

MS. ANDERSON: Okay.

MR. DALLY: I still have to exercise some -- and I do approve of all expenditures and stuff. So as we go forth, particularly on the line item of other administrative costs --

MS. ANDERSON: Yes.

MR. DALLY: -- which are some of the furniture and equipment and various things, I'm still going to have to exercise some discretion. And I informed Ms. Carrington of that as we put this letter together, that yes, I got good cooperation, and a lot of items were laid out on the table.

In particular, we looked at the some of the capital items and some of the other projects. And I would
say that the central database project is not going to be affected by this, because it is not funded one penny by the general revenue --

MS. ANDERSON: Why --

MR. DALLY: -- or the Federal funds.

MS. ANDERSON: I'm with you.

MR. DALLY: Now, in our normal growth areas, though, we were buying computers and various things. Some of that -- things not spent, not done --

MS. ANDERSON: Get deferred.

MR. DALLY: -- are on hold. We may be doing some shifting, and we're actually doing some things where -- we did need to recycle some laptops where we had instances where people had a desktop that was fairly new. That's been switched over to somebody else, and now they have a docking station for $200, which makes a lot more sense than having their own PC.

So to some extent, I've still got to exercise some, you know, veto power or whatever, on some budget items.

MS. ANDERSON: Okay. Because -- so we didn't quite -- we didn't get to 750, based on what they sort of put on the table for you?

MR. DALLY: And in fairness, the other thing
that I want to point out is that we didn't touch the Housing Trust Fund. If you looked at that Schedule A, you saw that was about $370,000, if you just went 7 percent against that $5 million.

So we had to go deeper over in the operating side of it. So the other thing to remember is that previous -- the previous reorganized budget of the 700,000 in operating costs -- about 570,000 is this budget and this group's reduction. And the other 183,000 is coming from the Manufactured Housing Division --

MS. ANDERSON: Yes.

MR. DALLY: -- which you know has another budget.

MS. ANDERSON: So this is a combination of those two. Yes.

MR. DALLY: And --

MS. CARRINGTON: Okay. Well, the letter of January 23 did specifically say, "with minimal impact to direct services." And we certainly believe the Housing Trust Fund and the System Benefit Fund are as money for direct services.

MS. ANDERSON: I just want to raise one more issue that -- and I don't necessarily -- I don't think probably for an answer today, but just something that's
been on my mind as I thought about what you all must be struggling with, because this is not anything anybody ever wants to have to do.

But because we get so much of our funding from Federal sources, and frankly, you know, a ton of funding from fee income, I'm very concerned as we go through this process, and I'm really talking about the next biennium now, that we be realistic about what our fee income should be, and -- but not overly aggressive, so that we end up getting caught short, since that's such a huge part of our revenue stream.

And then the other thing is because we get so much in Federal funding, you know, I want to make sure that our Federal partners are in every way possible paying their full fair share of the administrative costs associated with the programs we administer on their behalf.

While that might make your allocation formulas more complicated, you know -- I want to free up as much -- I want to make sure that they're paying their fair -- no more than their fair share, but that they're paying their fair share of that freight.

And that also has the impact, and I've talked to Ms. Carrington about this, and I'm comfortable -- very
comfortable with her answer.

That I don't want the staff and this agency -- and they're all well intentioned and very hard working, to think that, Well, you know, I'm in the X program, and I'm totally funded by HUD, so I don't have to worry about a 7 percent cut. We're going to take it all out on poor Homer in the Office of Colonia Initiatives, because that's a general revenue-funded program.

So I think you -- you follow -- I want to make sure that we're doing everything proper, but that we -- but we don't overly take our state-funded programs and make them pay more of the price of reductions than we need to if we can ask our Federal partners legitimately to fund some of those things.

MR. CONINE: That might -- in order to do that, though, it might require Ms. Carrington to go to Washington, D.C. I don't know.

MS. ANDERSON: That's what telephones are for.

MR. JONES: It's a fair fight. Anything else on the Finance Report?

Mr. Conine?

MR. CONINE: I guess not. We're done. We're done. Can we take a five-minute break?

MR. JONES: Well, let me suggest this. It is
now 12:20. I would like to suggest that we break for lunch now. How long does people -- do people want for lunch? Do you all want to try to be back here at 1:00? 1:00 sound good?

MR. CONINE: Sounds wonderful.

MR. JONES: Hearing no comment, we'll be back here at 1:00. Thank you.

(Whereupon, at 12:20 p.m., the meeting was adjourned, to reconvene this same day, Thursday, February 13, 2003, at 1:00 p.m.)
AFTERNOON SESSION

(1:10 p.m.)

MR. JONES: We will then move forward, and call the meeting back to order. And we are on Item 3 of the Agenda, I believe Item 3.

MS. CARRINGTON: 3(b).

MR. JONES: 3(b). Thank you. 3(b). And Ms. Carrington, 3(b).

MS. CARRINGTON: Thank you, Mr. Jones. And if you don't mind, I'll move this stuff you've signing.

MR. JONES: I'll get out of your way. I apologize.

MS. CARRINGTON: Item 3(b) is to approve the Issuance of a Determination Notice for -- well, this is a Multi-family transaction that has another issuer, which is the Travis County Housing Finance Corporation. And they will be issuing the bonds. And the department is recommending a credit allocation of $658,490 on this particular transaction.

I would like to point out to the board for your consideration on the underwriting report on the conditions on page 10 of the underwriting report. Item number 3, EARAC, Executive Director and Board acceptance of the contradiction in the Market Analysis conclusion.
that there is no capture rate violation in light of the conclusion that the market rate is greater than the maximum tax credit rent but the consensus of the Market Analysis, Applicant, Lender and Underwriter that the maximum 60 percent tax credit rents cannot, at least temporarily, be achieved in the submarket.

You heard some public comment related to that this morning. We did have the discussion in EARAC. Our recommendation is a conditional recommendation, and we believe it does warrant discussion with the board members on this particular transaction.

MR. JONES: Thank you, ma'am.

MR. CONINE: Move for approval of Item 3(b).

MR. JONES: We have a motion. Is there a second?

MR. BOGANY: Second.

MR. JONES: Motion's been made and seconded. Any discussions, comments, questions? Hearing none, I are we ready to vote? Excuse me?

MR. BOGANY: I have one question --

MR. JONES: Yes, sir, Mr. Bogany.

MR. BOGANY: -- for Mr. Onion on this project. We've -- you know, we talked a little bit about the depressed Austin market. And I'm just wondering. Could
you kind of explain to me real briefly why this is going
to make it where other apartments in Austin have high
vacancy rates? I'm sorry, Mr. Onion. Tom can come up and
do it, too.

    MR. ONION: Yes, I -- the department is not the
issuer on this.

    MR. GOURIS: This property -- Tom Gouris,
Director of Real Estate Analysis, next week.

    MS. CARRINGTON: Getting him thinking in that
mode.

    MR. GOURIS: This development is -- the
financial structure is structured so that it does not have
to achieve the maximum 60 percent rents in order to meet
its debt service obligations. So it's actually
structuring -- it's actually anticipating rents at less
than the 60 percent maximum rents. And that's how it's --
how it will be feasible.

    MR. BOGANY: Okay. Thank you very much.

    MS. ANDERSON: Can I have a follow-up question
for Mr. Gouris?

    MR. JONES: Sure.

    MS. ANDERSON: There is a comment in the
salient resident issues discussion about -- and I assume
this is like if the Austin market -- I'm sorry. If the
Austin market recovers and so you can get max credit rates, then you could get a debt coverage ratio above 125?

MR. GOURIS: That is correct.

MS. ANDERSON: And of course, we all hope all of economy recovers. And then that upside accrues to the developer. There is no adjustment made midstream in a deal to --

MR. GOURIS: That is correct.

MS. ANDERSON: Okay.

MR. JONES: Anything else? 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: I would like to read into the record -- it is an approval of Low Income Housing Tax Credits in an amount not to exceed $658,490. And it is project number 02-464.

MR. JONES: And that was all part of the motion made by Mr. Conine.

MS. CARRINGTON: Ah. Thank you.
MR. JONES: 3(c).

MR. CONINE: It was 461, or 464?


MR. CONINE: 461, I believe.

MS. ANDERSON: Well, on here it says 461.

MS. CARRINGTON: We will verify that. But the printed material in the book -- actually, it is 461. So the agenda is correct, 461.

MR. JONES: All right.

MS. ANDERSON: Well, President -- he's got an eagle eye, doesn't he?

MR. JONES: So we understand the motion that we've just passed, and it's amply approved in that respect. And then we will move into Item 3(c), I believe?

MS. CARRINGTON: Yes, sir. Item 3(c) is requesting the approval of the board for Correction of a Deadline to Commence Substantial Construction for a Development called Bachon Investments.

And this is to correct an administrative error at the board meeting of last month. The incorrect date was on the date for the extension, which the board did grant. And we are asking a correction of that to January 31.

MR. CONINE: Move for approval.
MR. BOGANY: Second.

MS. CARRINGTON: Okay.

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

Any 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. 3(d)?

MS. CARRINGTON: 3(d) is to Approve the Extension for the Commencement of Construction. Their new deadline request is February 21, 2003, and staff is recommending that this extension be granted.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

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

Any questions, comments, discussions? Hearing none, I assume we're ready to vote. All in favor, say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: Motion carries. We will then move
into Item 4 of the agenda.

Mr. Gonzalez.

MR. GONZALEZ: We'll call Mr. Gaines also. We had our -- a meeting earlier this morning. And the law stated to go over a brief summary of what we covered.

MR. GAINES: Mr. Chair, members of the committee. I'm going to be real brief. If you care for me to elaborate on any of this please speak up.

The first agenda item, 4(a), is Quality Assurance Review of the Internal Audit Function. The conclusions by the independent auditor were that we fully comply with the standards. She pointed out some best practices and opportunities for improvement which we've accepted and will be moving forward on.

The second item is the -- a review of the department's responsibilities under its Affordable Housing Disposition Program. The report was very positive towards the agency, and very complimentary of the efforts spent to date. No suggestions for improvement.

Report item number C, 4(c), is a report prepared by the State Auditor's Office, Legislative Summary Document Regarding TDHCA. In this document, it is provided to members of the Legislature and oversight committees.
It's a recap of different audit reports over the last couple of years, going back to the last legislative session. There may be reference to earlier reports and instances where those reports are referred to.

This is just something I want to bring your attention to. You've previously been emailed copies of it. It's being passed around. So be aware of that.

The next item, 4(d), we've recently had the state auditors complete a Performance Measurement Certification Audit on the agency. The results of the audit overall was four of like seven measures were incorrect, which means they deviated greater than 5 percent.

Two of those measures -- the incorrectness came about as a result of additional information coming in after the end of what we believe was the reporting period. And the state auditor believes we should go back and amend those reports.

One of the areas related to how complaints are defined, and what we were calling complaints in the Manufactured Housing Division. And there was one more relating to our definitions of -- there was one more area that we've acknowledged, that escapes me without going through my notes.
Read -- the others were what they call certified, or within 5 percent with qualification, which means that they felt like we needed greater controls on how we compiled the documentation and had it reviewed and approved for entry into ABEST, the information system of the LBB, and a key issue there is once it's entered, we need to verify that it's entered accurately.

Management is receptive to all recommendations and has already taken corrective actions on several of them, and intends to fully implement those issues.

The next agenda item, Status of Prior Audit Issues -- off the top of my head I believe there was 19 -- six -- seven -- I am being real brief. I believe seven were implemented.

MS. CARRINGTON: Sixteen issues, David.

MR. GAINES: Sixteen issues.

MS. CARRINGTON: Yes.

MR. GAINES: We discussed, basically, those that were still open. A good handful of those related to the HOME issuance. The department continues to work with HUD on those. We have a meeting planned.

Our discussions of the meeting with HUD are in place to sit down and have them go through and share with us their conclusions regarding documentation that we've
submitted and proposals that we've provided to them.

Agenda item 4(f) is Status Review of Tax Credit Inspection Fees. The financial information -- we'll start with changes since we last reported to you.

Just this week the department has billed a -- this is kind of interesting. I'm going to try to get my notes in front of me real quick here. The Construction Fees -- Financial Information hasn't changed; the bottom line is $100,000 due to the department.

About 203 of that -- that's the net due to.

And we -- the recap of that is 203 due to the department, and another 100,000 in refunds due back to the developers.

About this week, Accounting Division and Financial Services Division has concluded that the documentation analysis were conducted to date is sufficient for them to resume billing.

We billed 103,000 this week -- excuse me, 108,000 this week. In the next several days, it expects to bill another hundred and -- excuse me, another 40,000.

And documentation of the remaining balances of approximately 47,000 is being evaluated. Accounting groups, financial services groups -- they can make it through that and get that billing done within the next two weeks.
Just as a footnote to that, the Internal Operating Division has a draft report of its review circulating with management right now, affording them an opportunity to provide input. We expect that back on Tuesday, at which time it will arrive at Executive for input for the same opportunities and that will be released upon completion of that process.

And finally, we reported the Status of the Central Database. We talked about primarily the compliance monitoring trading system module. The development phase of that module is now complete. The remaining deployment pieces relate primarily to entering tax credit data that has not previously been entered -- has not previously been captured in automated fashion. That's a significant effort that the department will be working on.

In connection with including that module, the department, to build a team, anticipates completion of the Affordable Housing Disposition Program portion of that module by the end of February.

The completion of this and doing away with the Legacy System has led the department to renegotiate or to negotiate the contracts with the independent providers of those services $100,000 less than originally anticipated.
This is a real savings that we're recognizing as a result of this, a savings that we see going forward year in, year out. So we're excited about that.

There has been some slippage, primarily due to viewing that piece of the database completed relating to final fixes and enhancement on the compliance monitoring tracking system.

The Compliance team, the functional users, the Steering Committee, the Technical team have all agreed that no more than 10 percent will be exerted on CMTS going forward -- the Compliance Monitoring Tracking System.

Since it is now complete from the development stage, that's very reasonable. We don't see any additional time charged to that project unless it's called a show stopper, in which case it needs to come before an independent group to say yes, this needs to be done.

So that has pushed back the other milestones. When one -- the one currently being worked on from -- pushed it back from March 18 to June 18, something about like -- about three months pushed back on that. And I'm kind of shooting off the top of my head, trying to be brief here. But the committee's acknowledged that, and we're really just looking forward to moving forward with it.
Our money is anticipated to expire or to be completely expended by the end of March, except for a $12,000 balance that we'll continue using for Contract Programming services. Our strategy is that the Technical team believes enough design work has been completed on the system to keep them busy -- the programmers busy through August, at which time we're hoping the new appropriations will kick in for the 2004, and we'll -- at that point get a designer back in here.

Should those appropriations not materialize, we plan on going forward with our current in-house staff, and we will still have the functionality of the systems developed to date.

I'll entertain any comments, questions.

MR. CONINE: Move the acceptance of Audit Committee Report.

MR. BOGANY: Second.

MR. GAINES: Thank you.

MR. JONES: Motion's been made and seconded. Any questions, discussions? I think it was Mr. Bogany. Questions, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay? Motion carries.
We will the move to Item 5 on the Agenda.

Ms. Carrington.

MS. CARRINGTON: Thank you, Mr. Chairman.

MR. JONES: We -- excuse me. Before we move to Item 5, I'm sorry. We have a couple of witness affirmation forms with regard to Item 5, now that we're there.

Mr. Halla.

MR. HALLA: Thank you, Mr. Chairman, members of the board. My name is Barry Halla. I'm with Life Rebuilders. We have made an application under the HOME Program Number 20020021. Even though it was the highest-scoring application in the HOME round, it unfortunately was denied. And the reason for its denial is that staff is not sure that it would be an eligible HOME activity.

I know I've only got three minutes, so let me just give you a brief history if I may, and I'll get back to that point in just a second. This project is called Grace Townhomes. It was built in Ennis, Texas. Strong community support. We were invited in to do additional units.

Our first development in this area was the Creekside Terrace Apartments. A very successful project, and the City of Ennis really wanted us to do another
community, so we did. We were successful in the bond round, and couple that of course with 4 percent credits.

Two things happened. We were leasing up last fall -- actually, winter, if you will. Two things happened. A 250-unit development -- also a bond at 4 percent, started leasing up. We were ready to stabilize our leasing at 90 percent. A combination of the holidays, and you normally have a fallout from the holidays, plus this new project started leasing took us back down to about 60 percent occupancy.

We have worked very hard this last year. We took over management. We have two people full-time on site, plus my chief operating officer makes at least one trip per week to make sure that an extensive social service program that we've instigated is working.

It has worked. It is working. We're now almost 95 percent leased, and I believe the occupancy is right at 94 percent.

The second thing that happened to us that we have no control over either, was the utility allowances. And just to be very brief, if your rents are, say, $600, and your utility allowances are $50, you would charge a net rent of your tenants of 550.

In Ennis, Texas, the utility allowances have
virtually tripled. The one bedroom has gone from $39 to $100. The two-bedroom UAs have gone from $46 to $128, and the three-bedroom allowances have gone from $59 to $145.

The point of that is that with occupancy now stabilized and expenses stabilized, we have $1,200,000 in an earn-out account, that economically this project will never, ever be able to see. There is just no way in the world.

We applied for the HOME funds to cover this gap. We struggled with staff. They have -- they wanted to figure out a way to approve it, but couldn't find an eligible basis. We think we have found a reason that it will be eligible activity -- excuse me, not eligible basis, but eligible activity.

The bond buyer is putting a lot of pressure on us now, Charter Mac, to -- as they put it, to restructure this. In other words, they realize with the economics the way that they are, that 4,300,000-plus or minus is all the bonds that this development will ever be able to justify.

Life Rebuilders has almost three quarters of a million dollars cash of our own money into this project, deferred developer fees of almost 900,000, which I don't know if we're going to see much of that, if ever.

We're in a precarious situation due to
circumstances way beyond our control. We have worked very hard to honor our commitment to the City of Ennis. We have a beautiful bunch of tenants now, with a social service program second to none.

We've been able to -- we've had people in this --

MR. JONES: Can you wind up, sir?

MR. HALLA: Okay.

MR. JONES: Thank you.

MR. HALLA: I would like to respectfully request this be -- we sent an appeal to staff, as we're supposed to. I would like to respectfully request that this be kept on the agenda so that we can have additional time to work this out with staff in order to either prove that it can't be an eligible activity, or that it can. Thank you very much. I'll be happy to answer any questions.

MR. JONES: Thank you, sir. The next person who would like to have a comment, Mr. Mike Harris --

MR. HARMS: Harms. And I would just answer any questions on the agenda.

MR. JONES: Okay. Thank you, Mr. Harms. And then lastly, I have called her before.

Ms. Cormier? Okay. The reason I'm -- I tried.
I tried.

Okay. Now, that will close all public comment, unless somebody tells me I've missed somebody. And I see that I missed no one. Thanks.

We will then turn to Item 5 on the agenda, Ms. Carrington.

MS. CARRINGTON: Thank you, Chairman Jones. What you have before you this afternoon is staff requesting approval for six transactions that would be funded out of the CHDO funds in the HOME Program. The HOME Program requires that 15 percent of the funds on an annual basis go to community housing development organizations -- CHDOs.

And this is actually the CHDO money from last fiscal year, '01/'02. It was actually 8.3 million, or is 8.3 million that is available out of that CHDO funding cycle.

The department received 24 applications. Those applications totalled 16.2 million. What you have in the chart behind the memorandum, about four or five pages over, and then also on your board agenda also, are the six transactions that we are recommending to you today.

These funding recommendations total $2,716,727. There is one of the six that did not meet the program
threshold requirements at the time of application. They have since met those threshold program requirements.

We are going to be requesting a waiver from you of allowing them to be in the recommended funding round today, because they have since met that threshold requirement.

And for your information, the two or three pages after the memo are the -- is outlining the threshold requirements, which was Item Number 4, Demonstrate Reasonable HOME Program Expenditure and Project Performance.

Basically, what we want any recipient to do is to have expended at least 30 percent of the HOME funds that they previously had through a contract to be eligible to participate. So that's a threshold requirement.

And then what we've also included for you in program administration is the ability to grant a waiver in that regard. The one particular development -- I'm sorry, not development, but the proposal, was from the Brownsville Community Development Corporation, Brownsville CDC. And they were requesting funds for homebuyer assistance in the amount of $500,000.

So we do have these six recommendations in front of you, with one of them, as I said, needing an
approval of a waiver from the board for it to be in the funding recommendations.

One of the things, certainly, that I asked staff when we had six that came forward -- we had 24 that applied was, well, what did the others look like? What did the other 18 look like, and what are we going to be able to do to be able to more fully utilize the CHDO set-aside in our HOME Program?

And staff has given me a detailed breakdown of each of the applications, actually all 24 of them, what they applied for, how much money, where they scored. You have some of that in your material.

And we are developing our strategy and our plan for how we work with many of these nonprofits around the state, so that they are able to develop and present to us competitive applications.

There were two or three of them that were not eligible activities under the HOME Program. Not much we can do about that except work with them so that they will know, or perhaps better understand what the eligible activities under the HOME Program are.

Some of them, perhaps, didn't meet threshold, or did not score high enough. So there really are a variety of reasons why we only are bringing six to you...
today.

We are in the -- we do have a HOME round going on right now. I think our application deadline is April 3 -- April 2. Okay. We are also taking applications under the CHDO set-asides, since we still have money in that set-aside at in this current round.

So this is a portion of that money. It's 2.7-.

But as we said, we actually have about 8.3 million, I think, to actually allocate out of this CHDO set-aside. So there certainly will be opportunities for other applicants.

So with that, we could act -- I could recommend, maybe, we do all of these together. Or we also have three that are contract-for-deed. There is a legislative mandate that $2 million on an annual basis does go out of the HOME Program to our contract-for-deed program.

And so actually what we have in front of you is also 1.3 million that we are recommending in the contract-for-deed program. And the total amount that we'd be recommending to the board today is $3,888,359. And that's for a combination of rental housing development, two applications that will be producing 20 units of rental housing, 12 units of rental housing.
Three applications that will be providing homebuyer assistance -- four applications for homebuyer assistance, 822,500. That's our second-lien money that we provide. And then three organizations that will be providing contract-for-deed services.

MR. JONES: What's the board's pleasure?

MR. CONINE: I'll move for approval just to get it on the table.

MR. JONES: Okay. The motion's been made for approval. And that would be of everything?

MR. CONINE: Yes.

MR. JONES: Okay. We have a collective motion for approval. Is there a second?

MR. BOGANY: Second.

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

MR. CONINE: Ms. Carrington, can you address Mr. Halla's -- is he a CHDO, I guess, or would have fallen within the CHDO set-asides, assuming that his activity would have been deemed appropriate for HOME funds?

MS. CARRINGTON: Yes, sir. All of these applications you're looking at today -- all 24 of them, as far as I know, did meet the definition of a community housing development organization. I didn't see one that did not.
And staff's determination on Life Rebuilders group is that the application was for a refinancing, which is not an allowable activity under the HOME Program, unless the initial financing was with HOME funds.

MR. CONINE: Okay. And he's going to get documentation. It sounds like it's going to say something different. So we can -- my point is, we can consider that later on, as a different event?

MS. CARRINGTON: Yes, sir. We certainly can.

MR. CONINE: Okay.

MS. CARRINGTON: We do have money, and we are working with -- we actually -- we had an applicant in the office two days ago that says they can provide us some additional information that would change our decision.

MR. CONINE: Okay.

MR. SALINAS: Where is this Organizacion Progressiva from?

MS. CARRINGTON: I'm sorry?

MR. SALINAS: Organizacion Progressiva -- is that --

MS. CARRINGTON: Under the CFD.

MS. ANDERSON: It's a --

MS. CARRINGTON: Oh, okay. Okay.

MR. SALINAS: I know Willis is there. I don't
know what county's there.

MS. CARRINGTON: That is -- I asked the staff next time to do where the activities were located. But Mayor, I can find that for you in just a --

MR. SALINAS: Is that El Paso, or --

MR. BEAIRD: It's El Paso.

MS. CARRINGTON: Organizacion Progressiva.

MR. BEAIRD: San Alizario. Yes, sir.

MR. SALINAS: Okay.

MS. CARRINGTON: Thank you, Skip.

MR. JONES: Further questions, comments, discussion? If not, we have a motion on the floor. Ms. Anderson?

MS. ANDERSON: I said this in the Audit Committee meeting, and so I will say it just for the benefit of the rest of the board members that are standing. But I've made this point once today. And I know Ms. Carrington's acutely aware of my sentiments in this regard.

Around Contract for Deed -- in several instances, we just have cases where our productivity on contract for deeds, or the apparent demand for the contract for deeds conversions is not up at the level of where we have it funded. This was true of a TSAHC
subcontract that's now become an audited -- it's on the Audit Issue list.

It's true here, where we've got this $2 million mandated HOME set-aside for contract for deed. It's not fully subscribed. We know that in some of our owner junior lien things it's not -- they're not fully subscribed.

And so I've just urged her and the staff to really think and rethink how we work more closely with the Water Development Board, who is doing Colonias infrastructure, or what other alternative strategies we can come up with to provide these funds where -- because we all have seen these colonias.

We know there's a need. You've got to find the right plots of land to do it on. But I'm concerned that we just consistently seem to be falling short. And I know that's not staff's intent, certainly not our intent. But maybe there are some things we need to rethink about contract for deed.

MR. SALINAS: Well, I know the Water Development Board turned down everything in El Paso simply because the elected officials are not doing their job as far as supporting and doing the model rules and bringing developers up to standards.
I don't think that there is anything the Water Development Board can do unless the elected officials down there -- and we're talking about El Paso and Fort Hancock and all those areas, start doing what they're supposed to do, and enforce the law that is along the Border and throughout the state.

I know that contracts for deeds have to stop one of these days. I think the Attorney General has made it very hard for developers to do that. I just don't know when it's going to stop. When are we going to --

You know, they ask us to put $2 million every time, just to keep somebody happy. That's not fair. I think that the local officials in the local counties have to do their job.

I know that there is a problem, and I know the Water Development Board said no to a lot of the proposals in El Paso simply because the elected officials are not doing what they're supposed to do. And this is what I heard from the Water Development Board.

MR. SALINAS: Well, maybe we need something other than contract for deed as a way to build more housing in the colonias, you know, or to make more housing available. But we know there are needs for the people that live in the colonias.
And I just am distressed that on numerous -- I just keep seeing this pattern on the takeup on the -- and maybe contract for deeds is not the way to get it done in the future.

MR. SALINAS: Oh, it's not. I think it's a very, very -- and I know they filed some lawsuits in the Valley. And I think one of the fines was $130,000 for the developer, for just not filing the contract for deed in time.

It comes back to the local officials doing their job. If they go out there and go to the county clerk's office, you see it's over 30 days, that's violating the law. And the prosecutors -- Attorney General should get after that.

We can't do anything about colonias and we can't do -- and one developer can't do anything about colonias unless the elected officials down in El Paso and Hudspeth County start enforcing the rules and filing some funding restrictions on their own subdivision model groups. I think that's what's happening.

MR. CONINE: They mayor is exactly right. And if the State Legislature would understand that they could statutorily eliminate contract for deeds, we would not have to convert them very much longer. So maybe they'll
hear this sometimes.

MR. JONES: I would like to join with my vote today. But it's not on the agenda. But it's a bad, bad process.

MR. SALINAS: We have that rule. People went to see us. And I talked to Ms. Carrington about the ones we met in El Paso. Well, Fort Hancock finally got a planning grant. I talked to the Governor's office, and they wanted us to meet with them in Fort Hancock to see if we can get a block grant from ORCA, or some of those people out there.

And finally they have a new county judge in Hudspeth County. So they're going to start enforcing the rules, and hopefully, ORCA and part of this group will support them getting a grant, so they can do infrastructure in those subdivisions.

MR. JONES: Excellent. Yes, we do have a motion on the floor. Any further discussion on it. Are we ready to vote? I assume we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay? Motion carries.

We then will turn to Item 6 on the Agenda, which is the Presentation, Discussion, and Possible Election of
Officers of the Board.

We need three officers. We need a vice chair. We need a secretary. And we need a treasurer, I believe. What is the board's pleasure?

MS. ANDERSON: I move retention of our very able officers of this board that are in place today.

MR. SALINAS: Second.

MR. JONES: We have a motion that's been made and seconded. It was the mayor. Any further discussion on the motion?

MR. CONINE: I'd like to amend the motion, if I could, and --

MR. JONES: Certainly.

MR. CONINE: -- put Beth Anderson in as treasurer.

MR. JONES: That would be great.

MR. GONZALEZ: Second.

MR. JONES: And do you accept the amendment to your motion, Ms. Anderson?

MS. ANDERSON: Do you think he's trying to make me a party to all this? Okay.

MR. JONES: Yes. She accepts your amendment. So we don't even need to vote on it, because we have that -- so the motion currently would be that the officers
would be, Mr. Conine as assistant chair. We would have --
and Mr. President.

And we would have Beth as Treasurer. And then
Delores as our Secretary. And if you don't vote for
Delores, we all need to disband. Any further discussion
of the motion?

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

(A chorus of ayes.)

MR. JONES: All opposed, nay. The motion
carries. We then turn to Ms. Carrington's report.

MS. CARRINGTON: Thank you, Mr. Chairman. The
first item is a great item of interest to this department,
and I think for the board that's sitting here. And that
is we did have the hearing and the vote on the
continuation of the Texas Department of Housing and
Community Affairs, which was the only Sunset Advisory
Commission recommendation, as opposed to a couple of years
ago, when we had several.

And the vote was to extend the agency over 12
years. It was a unanimous vote. There was no discussion
at that meeting. And I was going to check --
Michael Lyttle, do you remember who made the
motion and who made the second?
MR. CONINE: I don't.

MS. CARRINGTON: Okay.

MR. LYTTLE: It's a pop quiz.

MS. CARRINGTON: Anyway, it was a unanimous vote. So we're very pleased. Our legislation has been introduced -- the reauthorizing legislation has been introduced. It's about three lines.

Representative Dunnam, who sits on the Sunset Advisory Commission, introduced the legislation in the house. And Senator Lucio, who also sits on the Sunset Advisory Commission, introduced the legislation in the Senate. And so the legislation has been introduced for the department to be continued for 12 years.

And I would like to thank the board and their leadership that they have given the department during this period of time. So thank you all very much.

The second item on the agenda we think is noteworthy. As we have worked with our outstanding audit findings, many of them related to the HOME Program, one of the things that staff is also doing, and you heard this this morning in David Gaines's report, about how many projects and how many corrections we're actually having in IDIS, which is the system that HUD uses -- or it's HUD's system that we use to track the funds that have been
allocated, the activities that have done, and then closing out of those projects.

We have closed out about a million and a half in old loans. There were three loans in particular that had been hovering around the department since like '96 and '97. So that's good news. We're making great progress on that.

Two of the three of them, the developer actually had to come to the table with money, and he did come to the table with money for us to be able to close out the loans.

And I think this shows one more way that our compliance tracking is working very well, because having these outstanding loans was penalizing this particular developer, who wanted to participate in the Low Income Housing Tax Credit Program this year.

And so to be able to do that, he had to get the loans closed. And so it certainly is providing, at least in that instances, the stick that we need to be able to get the development community to act appropriately on the funds that they've been allocated.

So we plan to continue to have good news as it relates to our HOME Program and HOME closeouts. And as David said, identifying deobligating funds and then using
those funds.

The third item, the Young versus Martinez -- this is the HUD disapproval of the State's Consolidated Action Plan. What we have received officially from HUD is notification that our certification to affirmative -- Fair Housing has not been approved. And we do have a 45-day period to cure that. We're in the 45-day period now. And we are working with HUD and the Governor's office to resolve those issues.

Heatherwilde Estates, Item Number 4 -- Heatherwilde is a 9 percent tax credit transaction allocated in San Antonio last summer. It was the highest-scoring transaction in San Antonio. There was some discussion at the board meeting. There was a little bit of opposition at the board meeting.

What has happened since that time is that there has been, since the board took their action, there has been some substantial amount of opposition that has been raised to this particular development.

There was an open records request by State Representative Ken Mercer to the Attorney General's office, for all the records related to the allocation of the tax credits by this department. And we are working through those issues. We are asking for a meeting with
Representative Mercer's office, and do plan to be working through those issues.

Item Number 5, which you all have already heard mentioned briefly -- this is the Senate Finance meeting on February 19. So that's Wednesday of next week. And they're calling it our building blocks. We're basically taking our legislative appropriations requests, which this board did review and approve back last summer, that was over to the Governor's office and the LBB, for the next biennium, '04/'05.

And what we will be doing, or what Bill and his staff are doing is looking at what's been presented to the LBB. They are changing up a little bit how we're doing our presentations, doing it more from a building blocks perspective, as opposed to a strategy perspective.

I'm sure you all have heard the zero-based budgeting concept. So the idea is we are building it up from the bottom. And our hearing is Wednesday of next week.

As far as hearings go, we did have a hearing yesterday with Urban Affairs. We were invited testimony. That is the committee in the House that all of TDHCA's activities go through. It is a -- it's basically a brand-new committee.
There are only two members who are holdovers. One of them is Al Edwards. Actually, both of them, I guess, are both from Houston, Representative Al Edwards and Representative Kevin Bailey.

Five out of the seven members, I think, from Houston. They're calling them the Houston Mafia, Mr. Bogany, so -- and they talked about that yesterday. They don't know how they all got on from Houston.

The chair is Robert Talton, who is from Pasadena. And I did visit with Representative Talton on Tuesday evening in his office for about an hour and a half. He is a former policeman. He is an attorney now. Admits that he knows a lot about fire and police protection, but doesn't know a whole lot about housing. And so I did spend some time with him on Tuesday afternoon.

Yesterday, I would say the testimony probably was about ten to 12 minutes. There are some of the things that I felt like, since this was a new committee, that the department ought to discuss. And some of the things we discussed are what we felt like were the challenges that were facing the department.

We talked about Sunset and how well we've done in implementing Senate Bill 322. But some of the other
challenges we talked about were the audit findings that we have, and our diligence from the direction of the board in resolving those audit findings I would rather tell them than to have them come up and ask me about it a month or so later.

We also talked about the opposition to affordable housing that we are encountering, primarily in Houston, but certainly in other areas of the state. My staff went two days ago to an open house in Elgin. And the City Hall closed on that afternoon so they could all go over to the open house of a tax credit development. And so I think sometimes staff forgets that there really are many communities around the state who want affordable housing, and consider themselves very blessed because they have an opportunity.

So sometimes, as Ms. Anderson reminded me the other day, I sort of get bogged down sometimes. And so I do want to acknowledge to you all that we go to as many of those open houses as we can, and that generally we're very well received.

But when I met with Lieutenant Governor Dewhurst's person a couple of -- three days ago, we talked about the opposition issue, because I do think it's substantial, and I do think we are going to be hearing it...
during the session.

    We also talked, Mr. Bogany, about Qualified Census Tracts in my testimony yesterday, for the same reasons that you had mentioned earlier today. There are areas of the state that are designated as qualified census tracts. The developers get the additional boost to go into those areas. And what's happening is that some of them are becoming impacted.

    And at least in our 9 percent program, what we did this year -- Federal law says you have to give priority if you're in a qualified census tract. So they get the additional boost. And I think we're giving like one point.

    Last year it was five points if a development was going into a QCT. Now we're only giving one. So there's obviously many other ways that that one point can be offset in the Qualified Allocation Plan.

    My testimony was probably about ten, 15 minutes. And then after they were getting ready to adjourn, I went back up and said, Can I say one more thing, because I had said something to them that wasn't quite right, and I wanted to straighten that out. And I think we probably ended up with another 15 or 20 minutes of questions from the committee members.
But I felt like it was a good day for TDHCA. It's a group we don't know. And they're our oversight committee at the House. So it was very important, I think, for us to begin to develop that relationship with them. And then, as we've already reported, Bill, Ruth and I and Michael went over to the General Government Committee on Appropriations, and that went fairly well.

Update to Reorg. You've already heard. March 3. Since that's the first workday, we'll be in our new groups with an operating budget that reflects us working in that way. Certainly as I have visited with the legislators now over the past two or three weeks, they've been very interested in what we've done in the way of reorganization, and how we've aligned the agency, because it does some of the things, of course, that Governor Perry talked about a couple of days ago, when he said we've got 21 agencies in this state that do space planning and purchasing.

And I said, you know, we had four or five places in this agency where we did construction draws, where we did construction monitoring. And so what we're doing is creating, as you all know, those specialized areas. So that has played very well with the Legislature.
here? Gordon is our communications manager. And Gordon has been elected as president of the Statewide Association for Communications Directors who are with state agencies -- government. So I guess it's not just --

MR. ANDERSON: Primarily state, some cities.

(Applause.)

MR. CONINE: Another Mr. President.

MR. JONES: We've got presidents coming out of our ears.

MS. CARRINGTON: Well, you know --

MR. JONES: You know, executive director doesn't sound so good anymore.

MS. CARRINGTON: You know, I wasn't around.

But of course, you know, Mr. Bogany was Mr. President for a long time of the largest realtor association in the country. So --

MR. JONES: You've got to remember that too.

Yes.

MS. CARRINGTON: And Ms. Anderson and Mr. Gonzalez, are you all going to go out --

MS. ANDERSON: Oh, wow.

MS. CARRINGTON: -- go out for something?

MR. GONZALEZ: We're forced to now.

MS. CARRINGTON: We're very pleased. We're
proud of Gordon. And we have many staff who do
participate in their professional associations. And the
department values that kind of participation.

MR. JONES: Thank you, ma'am. I appreciate
your report, Ms. Carrington. Do we have need for an
Executive Session?

MS. CARRINGTON: Yes, we do.

MR. JONES: We do. Do I have the form for it?

I don't think I do. We will then go into Executive
Session. On this day, January 13, 2003, at a regular
board meeting of the Texas Department of Housing and
Community Affairs held in Austin, Texas, the board
directors adjourned into a closed Executive Session as
evidenced by the following.

Could you -- excuse me. Yes. Thank you. It's
hard for her to -- I try to go so fast she can't get it in
anyway. So when everybody else is talking, she can't get
down anything.

The board of directors began its Executive
Session today, February 13, 2003, at 2:02 p.m. The
subject matter of this Executive Session deliberation is
as follows:

Litigation and Anticipated Litigation, the
Century Pacific Corporation case; Consultation with
attorney pursuant to 551.071(2) of the Texas Government Code, regarding Multifamily Housing Mortgage Revenue Bonds (William Run Apartments); Young v. Martinez; Heatherwilde Estates Apartments; Personnel Matters taken in the case of Government Code, Section 551.074; and, if permitted by law, discussion of any item listed on the board meeting agenda of even date.

With that by way of introduction, we will move into Executive Session.

(Whereupon, the board was adjourned to executive session.)

MR. JONES: The Executive Session of the Board of Directors Texas Department of Housing and Community Affairs for February 13, 2003 has been completed, and it is completed on this day, February 13, 2003 at 2:28 p.m.

The subject matter of the Executive Session was Litigation and Anticipated Litigation concerning the Century Pacific Corporation. Action taken was none.

Consultation with the attorney pursuant to 551.071(2) of the Texas Government Code, regarding Multifamily Housing Mortgage Revenue Bonds (William Run Apartments), action taken, none.

The Young v. Martinez case, action taken, none.

The Heatherwilde Estates Apartments, action taken, none.
Personnel Matters, action taken, none. And if permitted, discussion of any item listed on the board meeting agenda of even date, action taken, none.

I hereby certify that this agenda of an Executive Session of the Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 of the Texas Government Code, posted at the Secretary of State's office seven days prior to the meeting, pursuant to Section 551.04 of the Texas Government Code.

That all members of the Board of Directors were present. There were no exceptions. Everybody was there. And that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551 Texas Government Code as amended, signed by myself.

And with that, I'll entertain a motion that we adjourn our meeting.

MR. GONZALEZ: So moved.

MR. SALINAS: Second.

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

All in favor of the motion, say aye.

(A chorus of ayes.)

MR. JONES: The motion carries.
Whereupon, at 2:30 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: Texas Department of Housing and Community Board meeting

LOCATION: Austin, Texas

DATE: February 13, 2003

I do hereby certify that the foregoing pages, numbers 1 through 160, 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.

02/24/2003

(Transcriber) (Date)

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