TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

11:30 a.m.
Thursday,
March 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 (not present)

TDHCA STAFF:

Edwina Carrington, Executive Director
Tom Gouris
David Gaines
Robert Onion
Ruth Cedillo
Brooke Boston
Eddie Fariss
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EXECUTIVE SESSION
Consultation with Attorney Pursuant to Section 551.071(2), Texas Government Code-
Appeal by Enclave at West Airport, Houston Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464

OPEN SESSION
Action In Open Session on Items Discussed in Executive Session

ITEM 1: Presentation, Discussion and Possible Approval of Minutes of Board Meeting of February 13, 2003 | 50

ITEM 2: Action on Appeal by The Enclave at West Airport, Houston, Multi-Family Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464 | 50

ITEM 3: Presentation, Discussion and Possible Approval of Financial Items
a) Loan in the Amount of $909,657 to be Made Under the Multi-Family Housing Preservation Incentives Program | 59
c) Resolution Authorizing an Interest Rate Reduction for Certain Fannie Mae Expanded Approval Loans Made Available Through Residential Mortgage Revenue Bonds, Series 2002A, Residential Mortgage Revenue Refunding Bonds, Series 2002C, and
ON THE RECORD REPORTING
(512) 450-0342

Residential Mortgage Revenue Bonds, Series 2002D and Other Related Matters (Program 57A)

ITEM 4  Presentation and Discussion and Possible Approval of Low Income Housing Tax Credit Items:
   a) Policy on Process/Procedures for USDA "Rescue Transactions" To Request a 2004 Forward Commitment of Tax Credits
   b) Interagency Contract Between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs Concerning the Low Income Housing Tax Credit Program Rural Set Aside
   c) Additional Extension of Deadline for Commencement of Construction For: 01-144 Autumn Oaks at Corinth
   d) Request for Relief by Kingfisher Creek Apartments, Austin, LIHTC 00-062

ITEM 5  Presentation, Discussion, and Possible Approval of Programmatic Items

ITEM 6: Presentation and Discussion of Report from the Audit Committee: FY 2003 Annual Internal Audit Plan Discussion

ITEM 7: Presentation and Discussion of Report On TDHCA Legislation Filed Through February 28, 2003

ITEM 8: Presentation and Discussion of Update from Community Affairs

ITEM 9: Presentation, Discussion of Bond and Tax Credit Approval And Disapproval Factors

REPORT ITEMS
Executive Directors Report
1) Young v. Martinez, Civil Action No. P-80-8-CA, U.S. District Court Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed
Settlement Agreement and Release
Heatherwilde Estates Apartments,
LIHTC No. 02-075
EXECUTIVE SESSION

Litigation and Anticipated Litigation, (Potential or Threatened, under Section 551.071 and 551.103, the Texas Government Code, Litigation Exception), Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al. Cause No. GN-202219, In the District Court of Travis County, Texas, 53rd Judicial District;
Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code-
(1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A;
(2) Young v. Martinez, Civil Action No. P-80-8-CA, U.S. District Court Eastern District of Texas, Analysis of Impediments to Fair Housing, HUD Disapproval of FY 2003 Consolidated Action Plan; Proposed Settlement Agreement and Release;
(3) Heatherwilde Estates Apartments, LIHTC No. 02-075;
(4) Bond and Tax Credit Development Approval- Disapproval Factors
(5) Appeal by Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464;
(6) Request for Relief by Kingfisher Creek Apartments, LIHTC No. 00-062 Personnel Matters Under Section 551.074, Texas Government Code
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
CHAIRMAN JONES: I would now call to order the Board Meeting of the Texas Department of Housing and Community Affairs for March 13, 2003. The first order of business is to certify a quorum. Ms. Anderson?

MS. ANDERSON: Here.

CHAIRMAN JONES: Mr. Bogany is absent.

Mr. Conine?

MR. CONINE: Here.

CHAIRMAN JONES: Mr. Gonzalez.

MR. GONZALEZ: Here.

CHAIRMAN JONES: Mayor Salinas?

MR. SALINAS: Here.

CHAIRMAN JONES: And Mr. Jones is here. We do have a quorum.

Our next order of business will be public comment. We have a number of people that wish to speak to us today. And due to the number of people that wish to speak to us, we will have to impose a time limit, unless the board members feel otherwise. And that will be a three-minute time limit.

The first speaker I have is Ms. May Walker. You didn't want to be first? Excuse me. I apologize.

MS. WALKER: Good morning.

CHAIRMAN JONES: Good morning.
MS. WALKER: I want to thank your for giving me the opportunity to speak again. The most important point that I would like to make is that the Brentwood subdivision area is overconcentrated with tax credited and low income apartments and homes.

Of course, you are aware from the last meeting, of the Aristocrats, now the Palomino Apartments, that are a tax credited unit with some low income families that sit right across from the Brentwood subdivision.

As I've stated, there is enough tax credit and low income units in our area. We have been overextended. Plus, we have many reasonably priced apartments in the area on Scott Street, Reed Road, Main Street. There are many apartments that are not fully occupied.

We've heard that the Washburn Group has someone trying to pass petitions to support their project in Glenwood Ares subdivision. If Glenwood Ares subdivision wants that project, we do not object. We are talking about Brentwood subdivision.

I hope you would bear with me. Due to the time factor, we were not able to raise the money for a market study. So we went out and physically gathered this information. Just one-fourth of a mile in walking distance of our subdivision on West Orem, there is a large area of tax credit and low income rental houses.
Just down the street on West Airport, across from Hiram Clark, we have the -- a Cambridge Village Apartment that is tax credit, with some low income houses and HUD Program, and not fully occupied.

Then on Main Street, about a mile away, we have the Bartel Condos that are reasonably-priced, that are not fully occupied. All up and down 288, about a mile and a half from our location, we have many units that are tax credited and low income, and some HUD properties.

And the Chateau Village on West Fuquay, just 1.6 miles from Brentwood, which is only 80 percent occupied. Please don't forget about the Aristocrat, now the Palomino Apartments, just across the street from us. It's a tax credited with some low income residents, and is only 70 percent occupied.

We are well aware that a few tax credited and low income units will not lower our property value. And we want you to understand that we are not against low income families, because if you notice, the majority of the Brentwood community are senior citizens. We're on a fixed income that would be considered low income.

But you know there has been studies that show if there is a concentration in one area, property value will be lowered. We know that some of the units are not fully occupied. If this unit is built next door to a unit
that is not fully occupied, that will result in some of those residents moving to the newer unit, causing the older unit to deteriorate more due to the lack of residents.

We are not opposed to single-family houses. Adjoining the Palomino Apartments on the southeast side of Brentwood subdivision, there is Mr. Harry Reed, a developer who would be building single-family houses which would be called the Brentwood Park. Construction will begin in October.

Then on the northeast corner of Hiram Clark and West Airport, there is Mr. Walter Scarborough, a developer who has his plans all ready to begin building single family houses. This area will be called Brentwood Village.

As I have pointed out, we have many tax credited low income affordable apartments and houses all around us in a one-mile radius. And many are not fully occupied. I hope you can agree with us. I hope you can agree with me that there is no need for additional units within this one-mile radius. I'm just talking about this one-mile radius.

I appeal to you. If you felt that there was no need for more tax credit and low income projects in Katy and West Houston, why would you want to place them in our
neighborhood, where we are already overconcentrated? In
the southwest part of Houston, and in the Hiram Clark
area, there are a number of areas that need and can
accommodate this type of project, and we hope you will
please consider that and support your previous vote to not
allow this project in our community. Thank you so much.

CHAIRMAN JONES: Thank you, ma'am.

Any questions? Thank you.

Ms. Margie Taylor.

MS. TAYLOR: Good morning. I'm Margie Taylor, the -- district chairperson for the Hiram Clark Civic
Club.

I'm here to talk to you mostly about our
schools in the area that the children from the Enclave
Apartment will be going to. These schools are Hobby,
Dowling and Madison. In your handout there, you have
something from the Houston Independent School District,
where Mr. Warner Irvin is the superintendent there.

He also gave to you the core capacity of these
schools and the total capacity of the schools. Now, the
core capacity at Hobby when it was built -- that's the
main building, was to house 576 students. It now has 900,
with about nine temporary buildings.

The Dowling Middle School was to have 1,680
students, the main building. It now has 1,745. Hobby and
Madison was to house 1,936 students, the main building. It now have about six or seven temporary buildings, because now its enrollment is 2,090. They are now trying to get another temporary house because it is over the capacity for what it's supposed to be.

But if, with the 93 homes that's going to be built the start of this October, you can imagine what kind of enrollment we will have at these schools.

However, some of these people may be able to take their kids to private schools. But with the Enclave apartments, we doubt that there would be any to go to private schools, since it's a low income facility.

Now, the school at Madison is a magnet school. It's a meteorology school. So we get kids bused in from other neighborhoods who wants to take that special course, which will add to the crowdedness of the school.

So with the addition of 200 units, I think it would place a burden on our schools. So we ask you to protect our neighborhood and school.

We have a stable neighborhood. Our seniors are all -- most of the neighbors in Brentwood have been there 20 to 30 years. And if it becomes concentrated with apartments, we're afraid we'll start having people to move out. And the longer people stay in the neighborhood, the more stable the neighborhood is.
Now, when you start on moving, you get somebody in, and everybody got to learn the new deed restriction and rule, and it's a big fight to keep the neighborhood up. So I'm asking you to understand -- we understand that Mr. Washburn wants to develop his property. But I hope he understands that we're trying to protect our investment.

There are 768 houses in the Brentwood subdivision. They are now selling between 80 and $100,000 -- $107,000 was the last one. So if you multiply that 768 homes by 80 or $107,000, you will see that we have quite an investment to protect also. So we are asking you to help us protect our investment. We need to. Thank you.

CHAIRMAN JONES: Thank you. Any questions?

(No response.)

CHAIRMAN JONES: Mr. Roland Brown.

MR. BROWN: Good morning.

CHAIRMAN JONES: Good morning.

MR. BROWN: The facts that I would present will give some idea of the impact that a new apartment complex will have upon the traffic and the drainage in the area in which we live, which is the Brentwood subdivision.

The street on which the apartments will be built is the main thoroughfare into a neighborhood. West Airport provides access into the Brentwood subdivision,
and it also provides access to the now Aristocrat
Apartments, or the Palomino Apartments.

There are 768 homes in the Brentwood
subdivision, and 272 units in the Palomino apartment
complex. The 200-unit apartment complex proposed by
Enclave Housing is to be built on West Airport, on the
east side of the present 272-unit complex, where Airport
comes to a dead end.

According to our city planning committee, there
are no plans to extend West Airport eastward in the near
future, which means that there will only be one way in and
one way out of the new apartment complex, that is, if it's
approved.

Hiram Clark -- it intersects with West Airport.
It is a main thoroughfare. And on this corner where the
intersection takes place, we've had many accidents to
occur there because of the busy intersection and the heavy
traffic that's in this freeway,

West Airport at Glenwood, which is about a
block off of Hiram Clark is a bus pickup point for school
children, and additional traffic in this area would
present a risk for all the school children.

As far as the drainage is concerned, as I said
earlier, West Airport dead-ends about two blocks beyond
the Aristocrat Apartments. At the part where the
barricade is built, water stands at this point all of the
time right now, by the barricade. And beyond the
barricade, about two city blocks, I suppose, is where they
propose to build these new apartments.

And if water is standing there now, the
thinking is that there will be flooding with the addition
of -- added to the drainage system that's already there.

Thank you very much.

CHAIRMAN JONES: Thank you, sir. Any
questions?

(No response.)

CHAIRMAN JONES: Mr. Dawson? David Dawson.

Good morning.

MR. DAWSON: Good morning. My name is David
Dawson. And I'm with the law firm of Akin, Gump, Strauss,
Hauer and Feld. And we represent Enclave Housing on this
appeal matter.

We have four representatives who would like to
testify in favor of this project today. They are -- at
least the way we did this at the appeals hearing --

CHAIRMAN JONES: That would be fine.

MR. DAWSON: -- was in order of Charles, Jim,
Lisa and then myself. If we can take that order, that
would be appreciated.

CHAIRMAN JONES: That would be great. Just --
I'll just kind of turn that over to you, Mr. Dawson.

MR. DAWSON: Sure.

CHAIRMAN JONES: I would also just say this. And you can handle it any way you want to. Obviously, I think the other two board members were in the audience when you all made your previous presentation. You just might keep that in mind as you make your next presentation. Thank you, sir.

MR. DAWSON: We certainly will. Thank you.

MR. C. WASHBURN: I'll be brief. Okay. I don't want to repeat myself either. Sir, I had to finally tell you that I lost probably two minutes, because they don't want me talking without pages. I'm getting too old, you know, and I forget everything. I'm elderly also.

My name is Charles Washburn. I'd like to thank the board for the opportunity to speak here today. And I'm speaking in support of affordable housing in general, and I'm speaking in support, particularly, for Enclave at Airport.

Our goal with this property was to build an upscale affordable apartment community of 200 units, one, two and three bedrooms, and to provide safe and attractive and decent housing to those that can't afford to go to a market unit.

We have a lot of -- I'm not going to get into
a -- it's low density. I've already told the board that. It's only 13 units to the acre. The whole thing is going to be perimeter-fenced for all residents' safety with access gates.

We'll have a lovely clubhouse with -- that I've described before, that had a lot of amenities, including educational and computer facilities. And we intend to run classes out of there. And we'd like to do community activities out of there as well, and have -- and a numerous other projects that we have.

The apartments themselves are spacious. Is there anybody that didn't hear this before? Did you -- do I need to go -- I mean, you know, you --

MR. CONINE: I've heard it.

MR. C. WASHBURN: You've heard it. Okay. All right. Well, I'm going to cut it real short, then, and just say that lastily but not least, I believe this was summed up best by an opponent of the -- at the TEFRA hearing, who -- and I quote her directly. "We like where we live because it is convenient." We like that for our tenants also.

"It is close to the medical center, close to a lot of city services. It's close to the museum district. It is close to our church and a hospital. It is close to shopping areas. And we like where we live. I don't want
to move far out." Thank you, gentlemen.

CHAIRMAN JONES: Could I ask you a question, Mr. Washburn, if I may?

MR. C. WASHBURN: Yes.

CHAIRMAN JONES: One issue that comes up, or that has been made is that, you know, you've spent so much money in this before you knew there was any opposition. Right. When was the first time you sought out community members and tried to get their opinions on this?

MR. C. WASHBURN: Very early.

CHAIRMAN JONES: Okay.

MR. C. WASHBURN: Very early.

CHAIRMAN JONES: And when would that be, exactly?

MR. C. WASHBURN: And we knew we would have opposition, not --

CHAIRMAN JONES: And you went ahead in the face of the opposition?

MR. C. WASHBURN: Well, we -- yes, we -- because we were told by people that it wasn't that heavy an -- and they mentioned Glenn Ares. If you look over here, Glenn Ares is just about as close as they are to us. Have to get oriented here. Right?

Yes. This is Glenwood. This is Glenn Ares. They were supposed to extend Buffalo Speedway, and also
West Airport in there. And they were certainly -- we've been told by City Planning sometime around 2005.

CHAIRMAN JONES: But I guess, going back to my question --

MR. C. WASHBURN: Yes?

CHAIRMAN JONES: My question to you, simply -- really early on in the process, you knew you had public opposition --

MR. C. WASHBURN: We had some -- we had some opposition. We worked with the civic club. We took everybody in the civic club around and showed them our 9 percent and 4 percent tax -- or -- they're all 9 percent deals that we had. And we took them to some other 4 percent.

We worked with them from the beginning. We thought we'd quelled a lot of the opposition. We didn't realize there was going to -- that was after the TEFRA hearing, that we were going to have so much opposition as we came up to review the board.

CHAIRMAN JONES: Obviously --

MR. C. WASHBURN: And also we had been told by other people -- the officials and other people they weren't going to oppose this at all.

CHAIRMAN JONES: Well, and then you bring up another point, and I hesitate to even bring it up for fear
that I might be misquoted. But at this point in time, there is actually opposition that's come to us from civic leaders. Correct? I mean, there are letters, which we didn't have before.

Before, you had indicated that you didn't think the civic leaders -- and again, I'm not quoting you here, but I'm recalling testimony from the for side to the extent of, Well, you know how community leaders are. They won't, you know, get out in front of this issue. It's too political.

MR. C. WASHBURN: Well, let me say that we were told in private -- you know --

CHAIRMAN JONES: They didn't have the guts to do it?

MR. C. WASHBURN: -- they didn't have a problem, and they think we ought to go forward doing it.

CHAIRMAN JONES: Okay.

MR. C. WASHBURN: Now, this was a private conversation I had, no proof of that.

CHAIRMAN JONES: Sure.

MR. C. WASHBURN: But that was told to us then. We thought that everything would be okay, basically. We felt we -- well, we know we have a beautiful project. We know it's going to be an asset to the community.

Sometimes there --
CHAIRMAN JONES: Well, obviously there's some disagreement over that. But you have -- let me ask you this. With regard to the acceptability of this particular site, I mean, obviously, you've heard with me serious community concerns. Right?

MR. C. WASHBURN: I've heard that. Yes, sir.

CHAIRMAN JONES: Now, would you agree with me that all of these people are not just, quote unquote, NIMBYs. You would agree with that, wouldn't you? That they have logical, sound concerns?

MR. C. WASHBURN: Well, yes, sir. Some of them are logical and sound, and some of them may not be. For instance, the flooding issue. We're not in a floodplain. And there is no flooding issue over there.

We've talked to the engineering, the City of Houston have confirmed that. And I'm sure when we build this apartment community, that we'll cure the drainage problem that may very well be there because there's no development there. It's just stops.

I don't know. They may have improper -- it could even be clogged up storm sewers, because it has storm sewers there into that drainage ditch. But --

CHAIRMAN JONES: Again, back to my question, though. I mean, you would agree with me that, you know, these citizens have voiced concerns. Right?
MR. C. WASHBURN: Right. Yes, sir.

CHAIRMAN JONES: And they certainly -- you understood it was going to be public hearing, whenever this came up for final approval before this board. You always understood there would be that process. Right?

MR. C. WASHBURN: Yes, sir. We did.

CHAIRMAN JONES: And you understood that they would be able to provide those concerns to us?

MR. C. WASHBURN: Absolutely.

CHAIRMAN JONES: And you understand that we're required by law to listen to them?

MR. C. WASHBURN: Yes, sir. I do.

CHAIRMAN JONES: And you understand that those concerns would deal with all different types of aspects of the issue of the acceptability of this site. Right, sir?

MR. C. WASHBURN: Well, it's proven that way. Yes, sir.

CHAIRMAN JONES: Okay. And that's certainly something that's known from the beginning of the process. Right, sir?

MR. C. WASHBURN: Yes.

CHAIRMAN JONES: Okay. Thank you, sir. I appreciate that. That's all the questions I had.

MR. SALINAS: This member -- council member, District 7 -- is your project in District 7? In Houston?
MR. C. WASHBURN: District 7? I assume -- who are we talking about?

MR. SALINAS: The city councilman that sent us a letter that he's against this project.

MR. C. WASHBURN: I have -- no, I don't believe so. I think it's in Ada Edwards's.

MR. SALINAS: Yes, Ada Edwards. And she sent us a letter that he -- it says, "He respectfully wants us to oppose this project." You might want a copy of this letter. And I'm --

MR. C. WASHBURN: Well, that's fine. We'll take a copy. But like I said, we have conversations before, and she didn't. And she had been approached.

MR. SALINAS: It's a she? It's a she?

MR. C. WASHBURN: It's a she. Ada Edwards, I believe, was a she. I've never met her. Jim knows her, and she talked to -- in fact, he's the one that had the conversation with her. It'd probably be best to ask him when he gets up here.

MR. SALINAS: She says, "I support the committee's original vote against this project. And ask that the committee oppose this appeal on the grounds that there has been no material changes in the conditions associated with the project." We do have a change. We don't have Mr. Bogany here from Houston to represent you.
So this is a letter from this lady, or I thought he was a he. A-D-A Edwards is opposing this project.

MR. C. WASHBURN: Uh-huh.

MR. SALINAS: One of the other things is that your attorney said that we should not listen to anybody else about the rules. We should have sent that to the people that were going to drive all the way to Houston over here, that their objections were not going to be considered.

MR. C. WASHBURN: Well, I don't think he was saying that. I think he was saying that you needed to listen to public opposition with the rules in mind.

MR. SALINAS: But what I've been told, and I understand this, well, you can listen all you want to, but you know, you have to follow our rules. Now, is that correct? Where is the legal counsel?

I mean, if that's going to be the case, then we should not ask anybody to come and have public hearings in our buildings, or have public hearings in Houston. Who held the public hearing in Houston for this project?

Where is the employee?

MR. C. WASHBURN: We held a TEFRA hearing, sir.

MR. SALINAS: Who was there from our agency?

MR. C. WASHBURN: Was Ms. Carrington there?
I'm --

MS. CARRINGTON: No, it was Robert Onion.

Robert, were you there?

MR. SALINAS: What's the meaning of having a public hearing if it's not going to be making a difference? Public hearing is to have input from the community, right?

MR. ONION: Yes, sir.

MR. SALINAS: Okay.

MR. C. WASHBURN: Well, we didn't take their comments lightly, Mayor Salinas. We actually went around and tried to quell their concerns by taking them around and showing them what we built. Most of the concerns at first was that it was not going to be what it -- what we built, you know.

It wasn't going to -- it's -- they're comparing old 30-year-old HUD Section 8 projects with our former communities that we built, and they're not the same animal. They're completely -- and you know that.

MR. SALINAS: Yes. I understand. But we have -- we can't be compared -- not even South Texas can be compared to Houston, because we have --

And we have people that serve in those public --

MR. C. WASHBURN: Sir, I have no way of
controlling Houston zoning.

MR. SALINAS: I understand that. But you're alleging in this petition that you asked for us to go ahead and continue us. That I am the one, I guess -- that says statement of Mr. Salinas. I really want you to understand that I would support the project if only the whole neighborhood could be in -- content.

One of the problems is that what I'm here -- told here by you, is saying that I should not listen to anybody else but the rules here that we have in the Housing Agency. And I don't think that's fair.

So if we are going to be dealing with those kind of rules, then we should tell these people to stay home, and we should not have any public hearings, why don't you just do whatever the hell we want to do here.

You know, it's not fair. It's not fair, because in every area that I know of, it is public hearings. It's a very important item on anybody else's agenda. And for your legal counsel to say that we have --

MR. C. WASHBURN: I'm sorry, sir. I'm going to let him speak to it.

MR. SALINAS: -- for us to be compared to a dumping area in Starr County, it's not fair. You know, they made a decision. Do you know where Starr County is at?
MR. C. WASHBURN: I do know where Starr County is.

MR. SALINAS: Okay. I do know where Starr County is. I went to school there. But I know they don't have any zoning. You know, it's about the only county probably inside Texas doesn't have any zoning. But they're getting there. And their legal landfill in no way can be compared to this item on our agenda today.

MR. DAWSON: I'm trying to understand your concern. Is it --

MR. SALINAS: My concern is the public that is not in agreement with you. The city councilman from Houston is not in agreements with you. And I'm supposed to say that's -- that doesn't count?

MR. DAWSON: So what you're saying is that we have a representative -- a city councilperson, rather, a public official who writes the letter. And then we've got a couple here who are against the project, and you've got to vote no?

MR. SALINAS: And we're supposed to say your opinion is not going to be taken into consideration at all, because according to what you said, Mrs. Carrington and the appeal, saying you all should not listen to them. You all should stick to the rules.

So if we're going to do that, I say to myself,
Why have public hearings and do this? Or have any kind of people from Houston traveling all the way here today, and to tell them -- and if that's the case, the board vote here will tell them, No, you do not have any say-so on what we're doing here today, because this is what you asked us to do in your petition to ask for an appeals process.

Now, I've been asked this morning to do -- to be on that board by Mr. Jones, and I refused to be on the executive session with our legal counsel. I think -- let the marbles fall where they're supposed to fall, and let's discuss it the way we did this morning. And you know it was a two-way. And my concern is this, that Mr. Bogany, who represents this area, is not here. And he was one of your objective voters last time.

That's what I'm -- that is my big question. Do we take public comments into consideration, or we just ignore them? What is the answer?

MR. DAWSON: The answer is that you may consider public comment. But when you consider that public comment, you have to do so in the context of your rules.

MR. SALINAS: Yes. My rules. Not the agency's rules. My rules. Me having to go to bed tonight. I have to go to sleep tonight. And if I do what anybody else is
telling me to do, I have to live with myself tonight and tomorrow, and every other day. You know, and this is -- I have -- the only thing I have to do is live with myself. And the only thing I have to do in this world is die. But I've got to live with myself another few years.

MR. DAWSON: I understand what you're saying, sir.

MR. SALINAS: And I'm concerned about public hearings here. And one of the things -- one of the reasons that the agency was on a assessing commission to less them, was because we do not have public involvement. And you only -- this board has done a beautiful job in the last 12 or 13 months.

So we were off the Sunset Commission. We were given another 12 years. And one of those reasons was because we had a lot of public involvement, and we had a lot of public image. And Mr. Jones could find that very well the last 12 months.

And if we stop doing that, and we just go ahead and ignore public hearings and ignore public comments, and ignore their objections, we can't have it all one way.

You know, you might get this thing done today. But I -- everybody knows how they feel. I just wanted to ask those questions because I was reading your appeals. And my name is mentioned in almost every item with your
appeal.

MR. C. WASHBURN: It is.

MR. SALINAS: That's why I resay my things that have to be on this record. That I still feel that public hearing is the most important thing. And Katy, Texas -- we had another public hearing. For 1,600 people are against it, and nobody was in favor.

And they expected us to vote in favor of it. I voted against it. I felt that 1,600 people is a lot of people. And nobody was in favor. So I just wanted to reassure myself was that --

CHAIRMAN JONES: Mr. Dawson, I've got a couple of questions.

MR. DAWSON: Certainly.

CHAIRMAN JONES: I think now is a good time, please.

MR. DAWSON: Mr. Washburn is kind of turning over the questions. Now, if I understand your appeal, the first appellate point you make is that you don't understand why we did what we did before. Right? And we should have given -- under our rules, we should have given notice of the grounds for our decision to deny it.

MR. DAWSON: Correct.

CHAIRMAN JONES: Okay. Now, if we were to agree with you on that and grant the appeal on that issue,
and then go back and provide you with those grounds, where are we?

MR. DAWSON: Well, you've got a transcript from your other hearing, which from a practical standpoint casts in stone the opinions upon which, and the analysis upon which, this board made its decision, at least two of you, these board members.

CHAIRMAN JONES: So in other words, you're saying you don't know why I did what I did?

MR. DAWSON: You were silent, so I don't know why you did what you did. But I do know why Mr. Bogany and Mr. Salinas voted the way they did. And we have a transcript identifying that.

CHAIRMAN JONES: So then you're saying that that particular appellate point is really kind of moot, because we don't need to go back and provide you with that, because you've already got the transcript and you've gotten what you need?

MR. DAWSON: We know why two of the board members voted. We do not know why the entire -- what the decision of the entire board was. So --

CHAIRMAN JONES: So then I go back to my question. My question to you is simply this. If we do grant your appeal on the first appellate point, I think it was you're complaining to that, then where do we go from
there?

MR. DAWSON: Well --

CHAIRMAN JONES: List the procedure as you think we'll follow at that point.

MR. DAWSON: Explain to me what you mean by grant the appeal. Do you mean to approve the project, or to --

CHAIRMAN JONES: No, just say, Yes, we need to do that, and we do it.

MR. DAWSON: Well, I think it's too late for that.

CHAIRMAN JONES: Okay. I just want to make sure that was your position. Secondly, since it's too late for that, let's discuss some of the rules that the mayor -- I have great respect for him. He's a wonderful board member. I don't know that any of us, though, always agree on everything.

Now, when I look at the rules that we're operating under is the 2003 QAP. Right? Is that what we're talking about?

MR. DAWSON: Well, it's the 2003 QAP. It's the Administrative Code, as well as the government codes. So we have three sources of -- one source of statutory authority and two sources of rule.

CHAIRMAN JONES: So when you say we have not
operated under our own rules, you're referring to the 2003 QAP. Right, sir?

MR. DAWSON: No, I'm not.

CHAIRMAN JONES: The 2002?

MR. DAWSON: Under the 2002 QAP.

CHAIRMAN JONES: Okay.

MR. DAWSON: What I am referring to would be the Section 33.11(a) of the Texas Administrative Code.

CHAIRMAN JONES: What I'm trying to get at is this. And it -- are you saying that the board is simply a ministerial act?

MR. DAWSON: No, I'm not.

CHAIRMAN JONES: Okay. So the board did have -- the board had to make a decision based on the evidence it had before it. Correct?

MR. DAWSON: Based on the evidence before it, and in the context of the stated criteria that you're required to review that evidence.

CHAIRMAN JONES: Okay. And -- okay. So there was a decision to be made. It's not a ministerial act. And in your position --

MR. DAWSON: Correct. Absolutely.

CHAIRMAN JONES: You're not taking the position that once staff makes a recommendation to us, then we shall approve that recommendation as a ministerial act.
That's not the position that you're taking. Correct?

MR. DAWSON: No.

CHAIRMAN JONES: Okay.

MR. DAWSON: Can I address the board, since we're talking about board approval?

CHAIRMAN JONES: Certainly.

MR. DAWSON: What your rules require is that if you're going to overturn a staff recommendation, then you must show good cause.

CHAIRMAN JONES: Uh-huh. Okay. Now, next, would you agree with me that one of the factors that we are supposed to use in evaluating these decisions is the local needs, and the impact on a development such as this as part of a revitalization or a preservation plans?

MR. DAWSON: Sure.

CHAIRMAN JONES: Okay. Would you not agree with me that there was testimony all throughout that record that dealt with that issue? I mean, I'll tell you right now, with your brief -- you know, I have a problem with it.

I think, number one, you take isolated statements out of context from certain board members, and decide that's why they voted. You know, you take a statement in a vacuum. And you all are implying that that was what was going on in your mind. I personally think
that's very dangerous.

Secondly, there is testimony in that transcript where on those two issues I just suggested to you, and couldn't those be used to testify whatever decisions are made?

MR. DAWSON: There is a couple of issues with that.

CHAIRMAN JONES: Certainly.

MR. DAWSON: One is, all we have to go on is the transcript, because again, we were not afforded, under due process, a written explanation of why the board did and did not make its decisions. So for us to try to --

CHAIRMAN JONES: You've already just told us now that you don't want us to fix that. And that's --

MR. DAWSON: No, I'm telling you it's too late for you to fix that.

CHAIRMAN JONES: Okay. Okay. So you're saying now it's a ministerial act. Is that what you're saying? Where we had no discretion, since that error was made? In your opinion that error was made. I'm not saying that it was or it wasn't. But in your opinion it was made, so now you're saying it was a ministerial act in your administration?

MR. DAWSON: Well, at this hearing, a de novo review of the evidence is permitted.
CHAIRMAN JONES: Okay. Thank you.

MR. DAWSON: I -- as you read your agency's appeal rules, it does not require you to consider this de novo on the record. Sort of silent with respect to that regard. The problem with that is that you have put in place a requirement that limits us to provide the unity of, and it's for you to consider seven days before the hearing. Yet you've permitted what is in effect the other side to provide testimony up to right now, which makes it very difficult to us to analyze that testimony.

And there's been various statistics given regarding school populations, for example. It's here right now. It's very difficult for us to, if that's the basis, for example, you wanted to base your decision on, to address that, to analyze it, or to provide you with any information from our point of view with respect to that. Yet, we are required to limit the information that we provided to you as of March 6. That doesn't seem fair. It's not fair.

CHAIRMAN JONES: Well -- yes, you want to talk about fairness, the other side could tell us a lot of things that this process is unfair to them, too.

MR. DAWSON: Sure.

CHAIRMAN JONES: Let me ask you this. Also, under our rules, would you agree with me that the existing
supply of comparable properties is something this board is
supposed to look at?

    MR. DAWSON: You are required to look at the --
whether the development -- whether there is a -- what the
comparative need for housing is. That's what you are --

    CHAIRMAN JONES: Right.

    MR. DAWSON: -- your statute says. Now,
whether -- and to the extent that there are these
developments in the area is relevant to that decision, I
don't know.

    CHAIRMAN JONES: You don't know? I mean,
wouldn't you think it would be? I mean, be fair. I mean,
yes. I mean, Mr. Dawson, wouldn't it be -- wouldn't
comparable properties -- wouldn't it be relevant?

    I mean, you all bring a lady here who just
testified about her -- certain guidelines she went by.
Isn't that just as relevant when they bring the opposite
evidence in?

    MR. DAWSON: Well, I guess I'm making a more
technical point. But the point I'm making is if you -- if
there was one project that is next door to the other
project, is that dispositive evidence the public should or
should not be considered? In what manner do you consider
it? I think you -- certainly you considered it.

    But what you've got to look at in terms of
comparative need is, well, what are the waiting lists on, you know, on the other areas? How many other projects are there? Are there other developments that are planned?

CHAIRMAN JONES: And are they full or not? Are they -- do they have vacancies or not? Right?

MR. DAWSON: Certainly.

CHAIRMAN JONES: And the only way we can find that out is where people come to these board meetings and tell us.

MR. DAWSON: Certainly. But what I'm --

MS. CARRINGTON: Wait a minute.

MR. DAWSON: But what I'm saying is, as of the meeting that we had, there was no evidence regarding that on the record.

CHAIRMAN JONES: Well, and there is elements of market studies. I mean, we had those, correct?

MR. DAWSON: Certainly.

CHAIRMAN JONES: And you all referred to an independent market study.

MR. DAWSON: Uh-huh.

CHAIRMAN JONES: When you refer to it as independent, what do you mean?

MR. DAWSON: Independent in that the person who provided the market study is not -- he is -- it is an independent firm, and it's not a firm that is associated
with or affiliated with Enclave.

CHAIRMAN JONES: And who paid for it?

MR. DAWSON: It's a company that provides market study information as their business.

CHAIRMAN JONES: Who paid for it?

MR. DAWSON: We paid for it under -- because we're required to under your rules to pay for it.

CHAIRMAN JONES: Okay. I understand. I'm not -- I mean, I'm just questioning the term "independence."

MR. DAWSON: Certainly.

CHAIRMAN JONES: In a court of law, it wouldn't be referred to as independent, would it?

MR. DAWSON: Well, if you look at the standards by which market -- under Texas Appraisal and other governing bodies by which market study analysts are required to follow, I think it probably would be viewed as independent, even though we paid for it.

CHAIRMAN JONES: Even though it's paid for by one side. Okay. Thank you, sir. Those are the questions I had. Thank you, Mr. Dawson.

MR. DAWSON: Certainly. I don't see a need to go back through my testimony again, unless Mr. Conine or Mr. Jones, or the other board members would like me to. Thank you.
CHAIRMAN JONES: Thank you. Is there anybody else you'd like to speak? Mr. Dawson?

Sure. Thank you.

Mr. Washburn?

MR. J. WASHBURN: Can I just -- yes, My name is Jim Washburn.

CHAIRMAN JONES: Yes, sir.

MR. J. WASHBURN: And I just want to make two comments. And they're both addressed to some comments that Mr. Salinas said.

I had presented the board back at the previous board meeting an outline of the times and dates when I met with members of the organizations, the civic clubs, Ms. Ada Edwards's office. I first met with Ada Edwards on December 18, not in any of those. She was against that development. She could have written that letter on December 18.

Well -- let me finish, please, if you may. And then I'd also like to quantify what -- when we talked -- the neighborhood. We had 60 people at the TEFRA hearing in opposition. And it's the same -- and I agree with your comments, Chairman Jones, that we should listen to the public.

I believe Ms. Walker and I have had some very good conversations, and I believe that she would agree
that we have gotten along just fine. And we have talked.
And he had open lines of communication.

But what I'm saying is you've got a small group
of people, a small cross-section of 23,000 people that
have continued to show their opposition. They have that
right. Now, we agree with that. But I don't think that
they represent the entire 23 population -- 23,000 people
that called in our market study. That's all I have to
say.

MR. SALINAS: They have a chance to vote
against Ms. Ada Edwards, when she comes for reelection.

MR. J. WASHBURN: That is correct. And I met
with that --

MR. SALINAS: And then that's the beauty of the
whole thing, you know?

MR. J. WASHBURN: I'm not going to argue with
you.

MR. SALINAS: How do we get reappointed here?
I mean, we all would be -- if we all would run for office
here and run for these positions --

CHAIRMAN JONES: Who would ever want to be?
Can you explain that to me? If you could, I'd appreciate
it.

MR. J. WASHBURN: She was in a difficult
position, Mr. Mayor.
MR. SALINAS: Well --

MR. J. WASHBURN: She has supported it. Saw
the constituents were against it. Wrote you a letter
after the board's made a decision. That's the fact.
That's all there is. Thank you.

MR. SALINAS: Thank you.

MR. J. WASHBURN: I'd also like to show for the
record that we have people here in support of this
development, if they would stand today. Thank you.

CHAIRMAN JONES: Excuse me. If everybody would
come to order. And the next -- there is a Mr. James M.
Washburn.

MR. J. M. WASHBURN: I just have a couple of
comments. I wasn't really going to state, but thank you
for this opportunity. My name is James M. Washburn. I'm
also a principal of LCJ Management. I'm a principal of
Enclave at West Airport. And I would just like to -- I
understand where the people -- the opposition is coming
from.

But my problem with that, and we've tried to
address every one of their issues. We've addressed their
issue of traffic, we've -- flooding, zoning, whatever
their issues were, we tried to work with them.

Now, I think the problem comes in, and the real
problem is the way people look at affordable housing today
versus affordable housing 30 years ago, or 40 years ago, or even 20 years ago.

I mean, you have a program in place here that helps the people that need to be helped. And if this group -- if you say to this group right here, this opposition group, these -- this project will not be good for you because you don't want it in this neighborhood, for these reasons, which -- and they haven't backed up any of their reasons or fact.

But if you do that, and you make that statement, you might as well tell every developer and every builder not to come here, because you're going to hurt somebody, just like these people. That's all I have to say.

CHAIRMAN JONES: Ms. Lisa Campbell.

MS. CAMPBELL: Good afternoon. You heard mine earlier. My name is Lisa Campbell. And I am a resident of Garden Gates Apartment in Katy for about 15 months. I'm the single mother of two children, eleven and 15. And I work at a propane company, downtown Houston, as an account analyst.

I'm not here to defend the builders or the contractors. I'm just let you to know how low income housing has affected me. I understand the residents' concerns and their opposition, what they're saying.
You know -- it's -- you know, it's understandable. But all I'm saying is, Yes, they're building single-family housing. Well, still, some people might not -- can't afford single-family housing, or the upkeep on a house.

These apartments give the people opportunity, like if something breaks down, you do have someone to come and fix it. And as far as like, public assistance, I paid $700 a month. So does most of -- many of the people in my apartment complex.

That's not small change. Nor does that consider us on public assistance. And like I said, the residents in the communities are young couples, single parents, one-income parent families, elderly people on fixed income. They're nurses, firemen or business people. We're not trying to lower the community or their subdivision. We're just trying to -- let's just have something we can call our own, have something that we can accomplish and achieve.

I just think it's sad for someone like me not to be able to have that opportunity to live in a complex like this, like Garden Gate, or the one that they're trying to build, because it's a wonderful environment, a wonderful place, and wonderful opportunity.

And I just want to give you -- I want to say
thank you for the opportunity to speak today, and
providing housing people can afford, for me and my
children.

MR. SALINAS: Let me ask you a question. Do
you rent, or do you --

MS. CAMPBELL: I rent.

MR. SALINAS: You rent? Do you know that we
have a HOME Program, that you can buy your home and get
some assistance for the down payment and closings, where
you can buy your own home and be a --

MS. CAMPBELL: And I've heard of that. And
that's fine for some people. I choose not to go that
route. I mean --

MR. SALINAS: But this state and this agency
that does so much for housing, and so much for everybody
else in the State of Texas. For us to be pointed out in
Houston -- you know, we would love to have this project in
South Texas.

MS. CAMPBELL: Okay. We'll let's get it in
South Texas.

MR. SALINAS: But the thing is that we all are
getting away from what we are really all about. We're
about taking care and respecting everybody else's right.
And if you want to be there, that's fine. But you're
not -- you're paying rent. And this is fine.
You know, I probably would go ahead and rent one of these days because I don't want to pay any more taxes.

But the thing is, we are doing everything we can for the state. And we've done so much in the last 13, 14 months that I've been here. And we're doing it every day through the HOME Program. It's through this program itself. We have not stopped spending and doing for everybody in Texas. Not one time.

MS. CAMPBELL: And I commend you.

MR. SALINAS: And then Houston, we have the most. Senator Lindsay was complaining that he has so many of them -- too many CHDOs, too many nonprofits. But we have the senatorial hearing on our confirmation, that he wanted to stop -- as a matter of fact, they want to do away with CHDOs, the nonprofits, because they don't want them in Houston. They want people that are going to be paying taxes. And maybe this is one of the projects.

MR. C. WASHBURN: We are a for-profit, Mayor Salinas. And --

MR. SALINAS: Yes. I understand that. I'm telling you what the concentration is. Bogany, who is from Houston, was -- this is what his biggest concern is. And it's sad to see that we don't have him on the agenda today. But he was one of the oppositions to this project.
And I respect him for it. And I just don't think, you know, we should have taken this item today without him. But we're going to do it today.

MS. CAMPBELL: Well, if it was that big of a desire for him, I think he should have took that that time to be here.

MR. SALINAS: I agree with you. I agree with you.

MS. CAMPBELL: Thank you.

CHAIRMAN JONES: Ma'am, can I ask you one question?

MS. CAMPBELL: I'm sorry.

CHAIRMAN JONES: Did I hear right? You're paying $700 per month in rent?

MS. CAMPBELL: Yes, sir.

CHAIRMAN JONES: Thank you. I just wanted to make sure the record reflected that.

Mr. Paul Seals?

MR. SEALS: I pass.

CHAIRMAN JONES: We will now move to other public comment. I think that's all the public comment we have on the Enclave matter. Is that correct? It is. Mr. John Henneberger.

MR. HENNEBERGER: Mr. Chairman, board members, my name is John Henneberger. I'm co-director of the
nonprofit Low Income Housing Information Service. I'm here today to speak on Item 5(b) on your agenda, which is -- relates to your Public Housing Plan.

I -- this is sort of my annual appearance here on this issue, to raise again the issue which I raise every time, which is the board is -- as it currently sets, lacks a representative of the poor, or a consumer voice among the -- among your members.

Federal law requires clearly that this board have a representative of your public housing clientele sitting on the board making decisions on all of the issues that come before the board.

You know -- I have no problems with the plan, per se, except I do want to go on the record again, and urge that the staff convey my comments as part of the public record on this hearing to HUD, that the board is still improperly constituted, and as noted in your Public Housing Plan, the Governor is still studying the idea of including a public housing resident on the board.

And I think four years is long enough to study the thing. And the board would be well-served, the people of Texas would be well-served, and your public housing constituency, the thousands of families who you represent, would be better served if there was a person who -- with that representation here at the board.

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So again, this is not your fault. I'm not here to complain about you all. You're doing a great job. You've got a good plan. Everything is going fine. I just want to try to get some attention to this issue. Thank you very much.

CHAIRMAN JONES: Thank you. I appreciate all your help.

Mr. Ron Anderson.

MR. ANDERSON: I was actually going to speak, but this came up on the agenda. My name is Ron Anderson --

CHAIRMAN JONES: You have that option, sir.

MR. ANDERSON: Okay. Thank you.

MR. CONINE: Which agenda is it?

CHAIRMAN JONES: It's 3(a). And the next individuals would like to speak on Item 4 of the agenda. And Mr. Carl Conley. Okay.

MS. CONLEY: I'll speak at the time of the agenda item, please.

CHAIRMAN JONES: Okay. Mr. Tom McMullen.

MR. McMULLEN: We're going to speak at the time of the agenda item.

CHAIRMAN JONES: Mr. Ryan Luxon.

MR. LUXON: It's Luxon. Yes.

CHAIRMAN JONES: Oh, excuse me. Ms. Cynthia
Bast.

MS. BAST: Agenda item here.

CHAIRMAN JONES: And Mr. McLean -- William McLean.

MR. McLEAN: Agenda item.

CHAIRMAN JONES: Agenda item. Thank you. I will then move to individuals who want to speak concerning items on the executive session.

Julie Lane? That will be fine. You just tell me where you want to be. And I think there are three of you. Is that correct? Thank you.

MS. LANE: Thank you, Mr. Chair.

(Pause.)

CHAIRMAN JONES: Well, you're sure? You're sure now you'd like to --

MS. LANE: Testify. Thank you.

CHAIRMAN JONES: Okay. Thank you, ma'am. That then will close the time for public comment. Have I missed anybody? We will then close public comment.

MR. CONINE: Move for a five-minute break, Mr. Chairman.

CHAIRMAN JONES: We have a motion for a five-minute break. Without objection, then, we'll take a five-minute break.

(Whereupon, a short recess was taken.)
CHAIRMAN JONES: We will now turn our attention, since public comment has now been closed -- oh, excuse me. We will now turn our attention, since public comment has been closed, and the first executive session we will not have, to the Open Session Item Number 1, is Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of February 13, 2003.

MR. CONINE: Move for approval.

MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's been made and seconded. Further questions, comments, discussions, amendments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? Motion carries. We will then turn to Item Number 2 of the agenda, which is Action on Appeal by The Enclave at West Airport, Houston, Multifamily Mortgage Revenue Bonds and Low Income Housing Tax Credits, 02-464.

And I -- we did have a committee meeting. The chairman of the Appeals Committee was Beth.

MS. ANDERSON: Yes. Thank you.

CHAIRMAN JONES: You have a report to make?
MS. ANDERSON: Yes, I do. Thank you, Mr. Chairman. We did meet, as you know, this morning, and heard testimony on this item. And the committee voted in a two-to-one vote to report this to the full board with a recommendation to change the previous decision and approve this project for tax credits and bonds.

CHAIRMAN JONES: Is that the form of a motion?

MS. ANDERSON: Oh. Yes.

CHAIRMAN JONES: It didn't have to be. It didn't have to be, Ms. Anderson. If you don't care to make a motion, I understand.

MS. ANDERSON: Right. It -- I prefer to just to leave our -- it as a report at this point.

CHAIRMAN JONES: Thank you. I didn't mean to put words in anybody's mouth.

MR. CONINE: I'll make a motion. I move we accept the committee's report in the form of a motion.

MR. GONZALEZ: Second.

CHAIRMAN JONES: Okay. The motion's been made and seconded. Discussion of the motion?

MR. CONINE: Could I ask to speak to Tom Gouris, if I might?

CHAIRMAN JONES: You certainly may.

MR. CONINE: Tom, thanks for coming up. Have any of the issues you've heard here today change or affect
the staff recommendation on this project, I mean, and underwriting, if you will, on this project?

MR. GOURIS: I don't believe so. I'm Tom Gouris, by the way, Director of Real Estate Analysis. I don't believe so. I've been trying to track the comments that were made to identify, you know, if we found any of those issues to be relevant, or if we find this consistency with those issues. And without having them to really review to ensure that, it's hard to do.

But with regard to the other comparables that they claimed and the other flooding issues -- I don't think those -- I think we addressed those issues in the report, and I don't think those issues -- would change our positions right now.

MR. CONINE: Have you had a chance to go back and re-review since our last board meeting, the decision on this project, the market study, and kind of comb through it one more time?

MR. GOURIS: Yes.

MR. CONINE: And again, your opinion is that the market study was well done, and served us well in the analysis?

MR. GOURIS: It served us to make affirmative recommendation. Yes.

MR. CONINE: Thank you.
MR. SALINAS: Okay. Can you give us what the City of Houston gave you on the flood zone? Can they guarantee that this is not a flood zone?

MR. GOURIS: The documentation that we're provided clearly reflects that it's not in a flood zone.

MS. ANDERSON: Are you finished?

MR. CONINE: I'm finished.

MS. ANDERSON: Okay. Before he sits down, may I have a turn? We heard in testimony from Ms. Walker this morning, and I have a copy of it if you didn't get a copy, where she refers to several area, you know, apartment complexes, you know. Says that they're tax credit, you know, affordable low income-type housing developments.

The ones that she referred to in her testimony -- are they reflected in the market study that you previously reviewed last month, and have reviewed since that time?

MR. GOURIS: The ones that she mentioned as being tax credit transactions, I don't believe, other than Palomino -- there is another transaction she didn't -- or another development that she didn't mention that is in the area that is a tax credit. She didn't mention that.

But the other ones she mentioned as tax credit developments, I don't believe -- we don't show them in our records as being tax credit developments. I didn't get a
copy of that. She didn't confirm addresses or anything, but I don't believe that those were actually tax credit ones.

They may, in fact, be affordable developments. They may have had some other source of affordable financing on them. But I don't believe they're tax credit developments.

To the extent they were considered in the market study, I believe they were because the market analysts would have taken into consideration anything -- should have taken into consideration anything that would have provided a comparable unit.

The issue with Palomino, and I think with some of these other that may be affordable -- have some other form of affordable financing on them, is that they really target a lower income strata than the transaction that is currently being proposed, because they have some -- Palomino has, for example -- or had, and should continue to have some form of public assistance that's project based, and that's going to target a lower income strata.

MS. ANDERSON: Okay. So be sure that I understand, then. From you all -- from your department's review of the market study that was set, you know, with our -- last month, and again, since then, it's your judgment that all of the appropriate properties that
needed to be included, you know, per our concentration and
those kind of things, and all the things that -- all the
developments that impinge on our concentration and
calculations and so forth, in fact, that they were
included. The market analysts didn't miss one, or --

MR. GOURIS: That is correct.

MS. ANDERSON: Okay. I have one other
question. In the underwriting report, the definition of
submarket that's provided by the market analyst -- this is
unusual, and I frankly did not see this last month.

Instead of most of the market studies we see
have some sort of mile radius, oftentimes it's the three
to five miles, this one defines the market area as a
three-zip-code area. Can you give me some approximation
of three zip codes -- particularly these three zip
codes -- what does that equate to in terms of a mile
radius, which is sort of the way I'm used to thinking
about these?

MR. GOURIS: Let me first respond by saying
that the zip code designation is not uncommon for market
studies, and it's used oftentimes because better
information with regard to population census information
is often available through a zip code method than through
a radius method, because a radius method, you're actually
cutting up census tracts or zip code tracts, or whatever
you're base information is based on.

I don't know exactly what the equivalent radius is -- would be. I could find that out for you. My guess, based on how big zip codes are would be the equivalent to, you know, something like a two-mile -- two to three-mile radius. But part of my -- each zip code of these three zip codes --

MR. SALINAS: Well, we have about a mile.

MR. GOURIS: So I guess it would be comparable to --

MS. CARRINGTON: May I ask Robert Onion to come up, because Robert also, after the last board meeting, both Robert and Tom worked through these questions and issues, and Robert, will you --

MR. ONION: Within your package, here is the delineated market area that the market analyst used. The following map behind shows a three-mile radius. And I think the three-mile radius is slightly larger than the delineated market area.

MS. CARRINGTON: Thank you.

CHAIRMAN JONES: Further questions? We -- excuse me. Public comment time is closed. I'm sorry, we've engaged in debate. By our own rules, we cannot take any more public comment.

Further questions, comments, discussion,
arguments? Are we ready to vote? We have a motion on the floor that's been made and seconded. I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay?

MR. SALINAS: Aye -- nay.

CHAIRMAN JONES: The motion carries. Before we leave this particular item, though, I would like to just, in accordance with the fact that we had a vigorous opportunity to enjoy public comment on this matter, and I know we're looking at policies with regard to this, I would just like to give the staff some input from myself with regard to some of the policies they've been talking about here today.

One of the things that I really want to say -- you know, I respect the board members that voted for it. I have great respect for the board members that have voted against it. I understand what a difficult situation this is. I disagree with a couple of points with regard to public testimony.

I disagree, number one, that every time we turn down something based upon receiving input from the public we're telling developers they can never do anything.

The second thing I really disagree with is that our developments work best when it's a joint endeavor.
Where the community, the developer, the department can all
work together on the same page. And when you know your
community is vastly opposed to it, I do think you proceed
at some risk.

And secondly, I think this board, if we say
anything, we've said this. That -- I've had developers
tell me before, that a lot of times they try it, you know,
went low on the radar screens scope with development. We
want to work with communities. And that's where we're
going to do the most good. And when we work opposite to
the community, that's when we're all going to have
problems. And this decision's been made.

Please do not take these comments in any way,
shape, form or fashion as being negative toward the
decision. I'm not. But please take them as these are
policy issues I hope we consider as we look at these
rules. So that's the only thing I had to say. Anybody
else got anything they want to say?

MR. SALINAS: I just feel bad for Bogany, where
he's not here to attach his vote. I think that this
should have been a decision of the full board. We don't
have a full board. I still say that he would have had a
lot of input in this decision, the way he did the last
time. So I just feel sorry for the people of Houston.

CHAIRMAN JONES: Thank you, Mayor. With that,
if we could, let's take a short break for lunch. And then we'll turn to Item 3 on the agenda. We have the food, I think, already brought in. And it's back there.

So you can get your sandwiches. And in about ten minutes, I'll reconvene this, if that's all right with everybody. Thank you.

(Whereupon, at 12:45 p.m., the hearing was adjourned, to reconvene this same day, Thursday, March 13, 2003 at 1:05 p.m.)
CHAIRMAN JONES: We will move forward. We're at Item 3 of the agenda. I have several people that would like -- or one person who would like to speak on Item 3, Mr. Ron Anderson. Mr. Anderson.

MR. ANDERSON: Hi. My name is Ron Anderson. I'm the executive director for a affordable housing sponsor called Housing and Community Services, based out of San Antonio. Our job, or our mission is the acquisition and rehab of existing affordable housing that has normally some Section 8 kind of on it.

The proposal that is before you today is -- I'd like to say it's like a poster child for housing preservation. This is an 82-unit complex in San Antonio built under HUD's 231 Program. It's restricted to elderly and handicapped.

The owner -- the for-profit owner is bailing because as the HUD rules become more and more complicated, they are more and more onerous for these individual owners to follow. He wants to put it on the market, but is giving us, the nonprofit, the chance to purchase it. And the loan that you're considering which is before you, the low interest loan, will help us -- will help make that happen.
What it's going to do is preserve 82 units of Section 8 housing for Texas, not only for the 82 folks that are living there now, but for the next 82 households, and the next 82 households, and the next one. So I thank you for your consideration of this proposal.

I also want to take an opportunity to thank the staff of your -- at the agency for their work. We've worked with them, oh, for a number of years, and have always found them to be responsive and helpful, in particular this -- they encouraged us to look at the preservation fund and see if we could make it work for our project.

They helped us get through it, and brought it to you. So I really want to acknowledge them for their hard work and their consistency. So thank you.

CHAIRMAN JONES: Thank you, sir. Any questions? All right. That will end, then, the public comment for Item 3. I don't have anybody else that signed up for Item 3. Mr. Conine, we'll take up these items.

MR. CONINE: Thank you. The first item is the Loan in the Amount of $909,657 to be Made Under the MultiFamily Housing Preservation Incentives Program. And Ms. Carrington, are you going to handle this one?

MS. CARRINGTON: Yes, sir. I am. Thank you.

Staff is recommending the approval of this loan in
$909,657. It is under our Preservation Incentive Program. You'll see on your summary sheet that if the board approves this loan this afternoon, that what we'll have left in this program is about $322,670. As Mr. Anderson said, it is 82 units.

It's currently Section 8 assisted. It is elderly. It has occupancy over 90 percent. And the department is providing favorable loan terms for a 15-year period, and staff is recommending this transaction.

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

MR. GONZALEZ: Second.

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

MS. ANDERSON: I have some.

CHAIRMAN JONES: Thank you.

MS. ANDERSON: Not the last, but I do have some of the first. And I think maybe I need Mr. Gouris's help.

I'm understanding that the purchase price on this thing is -- the acquisition cost to buy the property from the for-profit that owns it now is 1,850,000. And we're going to give him $909,000 in this loan. And 725 of that is cash to the seller. And so then that leaves 175,000 for the new owner to do something with. Do I have that about right?

MR. GOURIS: That's about right.
MS. ANDERSON: I know I must be confused about something, because this doesn't look like a preservation deal to me. You know, in our QAP rules, we indicate that -- now, I know this is for -- those are for tax exempt developments, and this is -- these are taxable bonds in the junior lien program. But in our QAP, we talk about needing $6,000 per unit in rehab costs as a criteria. And $6,000 a unit times 82 units is 492,000, not 175. Tell me what I'm missing.

MR. GOURIS: There is not a limit for a minimal amount of rehab.

MS. ANDERSON: I mean, I really think -- you know, I really think preservation is terribly important. I thought that the junior lien is a very creative thing that the agency staff came up with.

You know, I totally support the junior lien bond program, but I -- for this reason that I -- there is not that much, you know, going into rehab, and I have other concerns about, you know, the CHDO and whether a pilot's in place, and all those kinds of things that aren't addressed in this application, I'm going to oppose approval of this.

MR. GOURIS: But might I comment on the preservation issue?

MS. ANDERSON: You bet.
MR. GOURIS: I mean, this is something that staff has struggled with as well. But there is some preservation that's occurring here, and that's the preservation of the affordability of these units, and the HAP contract that's -- that affects them.

If this property is sold to market, that HAP contract could go away, that the affordability could go away, and because this property is in reasonably -- actually very good shape, there is a very good likelihood that that could happen. So what we're preserving is the affordability and the federal assistance that's already on the property.

MS. ANDERSON: Okay. May I ask you another question?

MR. GOURIS: Yes, ma'am.

MS. ANDERSON: The HAP contract -- those are annually renewable contracts, or are they multi-year contracts?

MR. GOURIS: In this case, I believe it's an annual renewal. But in -- it can be a variety of renewal time periods.

CHAIRMAN JONES: Further questions, comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay?

MS. ANDERSON: Nay.

MR. SALINAS: Nay.

CHAIRMAN JONES: The chair joins the nay. The motion is defeated. Item 3(b).


MS. CARRINGTON: Thank you, Mr. Chair. The department issued bonds, 2001 Series A,B,C,D, which is Program 57. But staff is recommending the current deadline for the purchase of the certificates, for the delivery of certificates is May 2003, which is this May.

What staff is recommending is to extend the certificate purchase date for this program to May 2004. You will see that we had total lendable proceeds in this program of $60,844,000. We only have $1,818,000 that is still available in this program. But we do need this additional time to make sure that loans are originated, loans are packaged, and the certificate purchase period has expired.

MR. CONINE: Mr. Chair, I want to move that we move for approval. And this is Resolution 03-12.
MS. ANDERSON: Second.

CHAIRMAN JONES: Motion's been made and seconded. Further questions, comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? Motion carries.

MR. CONINE: Item 3(c) is Resolution Authorizing an Interest Rate Reduction for Certain Fannie Mae-Expanded Approval Loans Made Available Through a series of Mortgage Revenue Bonds.

Ms. Carrington?

MS. CARRINGTON: Thank you. This was series 2002A, B, C, and D, with this Program 57(a) for us. These proceeds were made available last summer. This program included -- we were the first state housing finance agency in the country to include what's called the expanded approval EA 1 and 2, which is a Fannie Mae program to assist borrowers who might have some minor credit problems. You can see that the rates when we issued the bonds in '02, it's the old TDHCA EA rate of 7.2 percent and 7.45 percent. What we have done is restructure a portion of this, and we now have new interest rates of
6.20 and 6.50 that would be applicable for the expanded approval program. And staff is recommending the approval of the board to restructure for these loans.

MR. CONINE: Mr. Chairman, I move for approval of staff recommendation. Again, this will be Resolution Number 03-14.

MR. GONZALEZ: Second.

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

MR. SALINAS: Is that only for the newcomers, or people that are in existing loans right now?

MS. CARRINGTON: No, sir. That would be for new mortgage loans, for new borrowers, new loans.

CHAIRMAN JONES: Further questions, comments?

All in favor of the motion, please say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? Motion carries.

MR. CONINE: That concludes my report.

CHAIRMAN JONES: Item 4 is the Presentation and, Discussion and Possible Approval of Low Income Housing Tax Credit Items. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chair. This is Item 4(a), and what we are asking the board to do this afternoon is to consider a policy that will enable
developments that have funding from USDA -- U.S. Department of Agriculture Rural Housing Services that are experiencing foreclosure at loan acceleration to be submitted to the board for recommendation from a forward commitment of Low Income Housing Tax Credits for the '04 ceiling, from the 2004 '04 ceiling.

Last year, as you all were debating the QAP, one of the things that we did talk about in our work session was how the department -- what kind of mechanism the department could create that would accommodate the transactions -- the old Farmer's Home Transactions is basically what we're talking about, that were going through either a foreclosure, or for loan acceleration, because in many instances, when that was happening, it did not necessarily concur with when the department had an open cycle.

This is a set-aside. It's the at-risk. It's the preservation set-aside. It has typically been undersubscribed with the department. And what we would be requesting the board to do today would be basically create the ability for these transactions, if they are funded through the rural housing services, and that they can provide evidence to us that they are either in foreclosure, or that their loan is being accelerated, that they would be able to apply to the department, and would
be eligible for an allocation of '04 credits through a forward commitment. And let me ask with that, if Brooke Boston would like to add anything to my presentation.

MR. CONINE: I hope she does.

MS. BOSTON: Hello. I'm Brooke Boston. The only thing I would add is just to note that we have proposed the policy in a way that those developments are not scored. And that's kind of unique for that, for the credit ceiling.

We anticipate that there will probably be very few of them. I would suggest maybe a handful at the most, and we're talking about pretty low credit amounts on those deals.

MR. CONINE: Okay. Well, don't leave. I have a question or two. There will be a way staff could -- when those come back before you, staff could run through our scoring criteria, not for -- in this particular example, not for the '04, because we haven't determined the '04.

But under the '03 QAP scoring system? And I guess it would be staff's intent to then bring those back to the board for ultimate approval? Or is this an automatic deal without board action?

MS. BOSTON: The policy is drafted so that we would bring it back to the board -- development -- by development, as they promised.
MR. CONINE: Okay.

MS. BOSTON: We don't anticipate that they'll come in at one time. It may be -- we might have one in April, and another one in August.

MR. CONINE: And so -- and again, the information that we get in our packets, for you to be able to score them, is that a difficult chore? Or something that would be busy work? Or -- is there a value in that?

MS. BOSTON: It's probably more problematic for the applicant to need to put together a whole Volume 4 if they're not competing against anyone. I mean, we can definitely require them to do so.

But you're asking them to, you know, do much more front-end paperwork. And generally, people do that because they're competing and they want to beat out the other applicants. But in this case --

MS. ANDERSON: It seems to me that the granting the special situation where they don't have to compete, which is, you know, in their favor, that that might be reasonable to expect them to make some effort in return for that so that we have some sense of whatever it is we're approving.

MR. CONINE: Especially if they're about to be foreclosed on.

MS. BOSTON: I mean, I guess my question would
be if they go for absolutely no points and get a zero and
still meet threshold, are you going to --

MR. CONINE: Well, they're going to get some
points. I mean, they're going to score 40, 50, 100 --
whatever they score, aren't they?

MS. BOSTON: Well, what's in it? If you
indicate that there's an incentive for them to, yes. But
if it looks like they would be approved when they came to
you based on --

MR. CONINE: Well, no, no. I think -- I would
think the board would still have the ability to turn down.
This isn't an automatic situation.

MS. BOSTON: Okay.

MR. CONINE: I hope that's not what you're
suggesting.

MS. BOSTON: It was just that based on the
merit of them meeting all of the threshold requirements,
and then being evaluated for their financial feasibility,
material noncompliance issues -- if they met all those
standards, then we would bring them for approval.

You are -- I mean, we can redraft the policy if
you'd like to see a minimum number of points that they
would have to satisfy.

MR. CONINE: No. I don't know that that -- the
rule is necessary, because each of the rural situations is
so different, you know. I have a feeling for that, but I -- you know, if there is -- could be a negotiation, if you want to call it that, where maybe some more social services would be provided at the complex that haven't been in the past in exchange for the acceleration of tax credits coming in and bailing them out of a particular situation, that's some leverage that I would think would be beneficial not only for the department to have, but also ultimately the residents that live in that property.

MS. BOSTON: Okay. We can definitely have them submit a Volume 4, and when we present their report to the board, it will include what their score was, and what items they got points for.

MR. CONINE: Now, under the proposed policy, if we were to do two or three of these things, and we have a set-aside for at-risk anyway, what would happen, let's just say we get a flood of them for some strange reason, and at-risk set-aside then becomes oversubscribed or overspent?

Well, do they bleed over, then, into the rural set-aside at that point?

MS. BOSTON: Actually, to clarify, it's out of the rural set-aside. It's not the at-risk set-aside.

MR. CONINE: Okay.

MS. BOSTON: It's that subset-aside -- the 25
percent -- of the rural deals that are also USDA, so it comes out of that subset-aside within the rural set-aside. So it would continue to come out of the rural set-aside. So it would count towards the 15 percent. It would also be backed out of the regional allocation. So for instance, if a region had $2 million, and we allocated 200,000 of it throughout the year, then for '04, they'd have 1.8.

And it doesn't have to be that way. We can back it out off the top. But the way we proposed the policy was that it would be backed up regionally, and by the appropriate set-aside.

MR. CONINE: You know, we can never create a perfect world here, but you know, I would hate to think that the rural -- these folks with these type of projects would cause their projects to be in a -- headed toward a foreclosure procedure just to skate the competition. And I'm -- I say that up front just in case it ever comes back up. At least it will be on the record. But I would hope that staff could -- and underwriting could kind of see through some of that if it starts to happen.

MS. BOSTON: Okay.

CHAIRMAN JONES: That's all the questions I have.
MS. ANDERSON: Do we have a motion on the floor, Mr. Chairman?

CHAIRMAN JONES: I don't think we do.

MR. CONINE: I don't think -- I didn't put one on there.

CHAIRMAN JONES: We -- Delores remembers.

MS. ANDERSON: I mean, I think the discussion between Ms. Boston and Mr. Conine was very good, and you know, it gets to some of the issues that I have, and so what my -- I guess my question is, is it -- does it make more sense to, you know, try to write a motion on the policy with all of the changes you all just talked about? Or does it make more sense to have you all bring it back?

I mean, I don't know if staff has a -- bring it back next month? I don't know if staff has a preference on it.

MS. CARRINGTON: We certainly can bring it back next month, that incorporates this discussion.

MR. CONINE: Move to table till next month.

MS. ANDERSON: Second.

CHAIRMAN JONES: The motion's been made and seconded. All in -- any discussion of the motion?

(No response.)

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

CHAIRMAN JONES: All opposed, nay. The motion carries. The nay -- that's the motion to table carries. Item 4(b), I believe. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. Over the last several months, we have been in discussions with the Office of Rural Community Affairs, otherwise known as ORCA, in discussing the Interagency Contract Between ORCA and TDHCA for the joint administration of the rural set-aside in the Low Income Housing Tax Credit Program, as required in Section 2306.6723 of the Government Code.

I have attended three or four ORCA board meetings, where I had an opportunity to discuss not only the tax credit program, but the characteristics of transactions that go into the rural set-aside, and also the Qualified Allocation Plan.

You all will remember, I think, two months ago also, that you had a work session. Maybe it was actually --

MR. GONZALEZ: November.

MS. CARRINGTON: November. Thank you. Oh, how time passes. Committee of this board had a work session with a committee at the -- of the ORCA board. What we have is a -- basically an agreement with ORCA as to how we will jointly administer this rural set-aside, the
involvement of ORCA in public hearings, in EARAC Committee meetings, when we review applications that have gone into the rural set-aside, the role of the ORCA board, and helping us develop the criteria for threshold scoring, underwriting.

It also says per our statute that the TDHCA board and the ORCA Executive Committee, which is actually their board -- the nine-member board, they call it an executive committee -- will hold a joint workshop prior to the approval of the next year's QAP. ORCA is in agreement with the text of this interagency contract. It does follow and track the language in our statute.

I might point out that the effective date is or was September 1, '02, and actually expires on August 31, '03. So we are very close to an expiration of this. But we have been -- I think I first attended an ORCA board meeting in October of last year.

So we have been working on the language in this agreement since then. And staff is recommending that the board does approve the authorization of the execution of this contract.

CHAIRMAN JONES: Questions? Comments?

MS. ANDERSON: I have a comment and a recommendation. And I know we don't have a motion on the floor at present. I have looked at this agreement, and I
have reviewed the applicable section of the Texas Government Code.

And one of the things that concerns me about this agreement is the -- and I don't see it directed by the Government Code, is the notion of now we have two agencies doing on-site compliance inspections. And this agency is supposed to pay for that, both for our own inspection, which we do now -- compliance stuff we do now, and have -- this agreement contemplates that ORCA will participate in that.

So before I take action on this, I would like to have, effectively, a fiscal note from our staff that says, What is the financial impact to this state and to our taxpayers at a time when we have huge -- and our staff's doing a great job of trying to work through all these fluid budget situations for our own agency.

And it seems to me we are -- this sets a policy that layers on expense at a time when that is exactly what our taxpayers don't need in this state. And so I'm going to move to table this until we have that information from staff.

MR. CONINE: Second.

MS. CARRINGTON: May I supply some clarifying information. If the question is on Section 3, Contract Performance, C(2), "ORCA shall participate in the site
inspections of all projects proposed under the rural set-aside." Is that the phrase, Ms. Anderson, that you are questioning?

MS. ANDERSON: Uh-huh.

MS. CARRINGTON: Because what that actually is, is when an application is placed with the department and scored, we do a site inspection prior to making any recommendations to the board. This is not any kind of ongoing monitoring or compliance.

MS. ANDERSON: Okay.

MS. CARRINGTON: This is saying if it's in the rural set-aside --

MS. ANDERSON: Right. My same --

MS. CARRINGTON: Okay.

MS. ANDERSON: I had my same concern about -- you're right. I misspoke. It's not compliance. It's on-site inspection during the application process. Same issue, though. Duplicate expenditure.

MS. CARRINGTON: They're actually performing it on behalf of the agency. So we're not going out and doing a site inspection. They're doing it. And we have provided training to the ORCA staff, using our site inspection form. And then we've provided them training, because they're out in these rural areas. And so they would be performing it on behalf of the agency.
CHAIRMAN JONES: Let me make sure I understand what you're saying, Ms. Carrington. The inspection under C(2) would be done by them, not by us. Right?

MS. CARRINGTON: If it's an application that is in the rural set-aside. Yes, sir.

CHAIRMAN JONES: Okay. And we would be the ones that are not rural set-aside?

MS. ANDERSON: Correct. And that's because the staff of this agency and ORCA agreed to that, because today we do them. Right? I mean, in prior cycles we have done that.

MS. CARRINGTON: In the cycle last year, and help me out, Brooke, but I know that we did training for the ORCA staff. And then did the ORCA staff then conduct the inspections on our behalf, or did we coordinate with ORCA and both agencies go out?

MS. BOSTON: Last year, ORCA did the state inspections until -- when CDBG was inside of TDHCA, they actually, because they had those field offices, had already been doing the 9 percent site inspections for us. We -- because of the volume of applications we get, coordinated with CDBG and OCI to have people help us go out and do them. And so when they moved out of ORCA, we still went -- you know, it works better for us since they're already in the rural areas, to go out and do those
inspections for us. We just make sure they continue to have the appropriate training.

MR. CONINE: Brooke, excuse me. What -- when do those inspections typically take place in the cycle?

MS. BOSTON: They generally take place April, May, after a date is entered, and generally, the planners are starting to do some scoring. And then we coordinate on -- we try to do it roughly when they're being underwritten.

MR. CONINE: Okay. So we've got some time.

CHAIRMAN JONES: Okay. We have a motion from -- on the floor that this particular matter be tabled. And we have a second. Further discussion of the motion?

MR. CONINE: The motion will also include a fiscal impact coming back to us next month.

CHAIRMAN JONES: Right. And I think my understanding is that would go to the fiscal impact of c(2). Correct? I want to make sure I understand it. Correct, Ms. Anderson?

MS. ANDERSON: Yes.

CHAIRMAN JONES: Thank you. So we have a motion on the floor.

MR. CONINE: Is that the case? Or do you want the fiscal impact of the whole agreement?
MS. ANDERSON: Well --

MR. CONINE: I mean, I think we ought to take a
look at the whole thing, because I for one have never seen
any sort of numbers on this. And I think I am -- I agree
with Ms. Anderson, on the duplication of effort scenario.
And it would take an examination of the whole document to
just -- you know, it may not -- none of it may be
duplicative. I don't know. But let's just take a look at
it and see. We can vote on it next month.

MS. ANDERSON: Well, yes. That would be a good
idea, because there are other things, like going to all
the public -- the -- like public hearings, all the QAPs
being developed. I mean, there is several cases where you
will have clearly purely incremental expense.

CHAIRMAN JONES: We have a motion on the floor
that I think Mr. Conine has well-defined it. Any further
comments, questions, discussion?

(No response.)

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

( A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay. The motion
carries. We will then turn to Item 4(c) on the agenda.

Ms. Carrington?
MS. CARRINGTON: Thank you, Mr. Chairman. We are requesting extension -- the developer is requesting extension of a deadline to commence substantial construction. It's a 2001 tax credit allocation, Autumn Oaks at Corinth Apartments.

The new deadline, actually, requested by the developer, was June 11, '03. But what the staff is recommending is April 30, 2003.

CHAIRMAN JONES: Is there a motion?

MR. CONINE: Yes. These kind of things burn me up. I need to hear the story behind this deal. So somebody tell me the story. I mean --

CHAIRMAN JONES: Well, we don't want Mr. Conine on fire.

MS. CARRINGTON: Okay. Well, I can tell you --

MR. CONINE: Turn the fan up.

MS. CARRINGTON: I will tell you part of the story, which is actually in the paragraph on the summary of the request, that the City of Corinth has an unusual zoning requirement that all infrastructure be completed and all foundations poured prior to the start of any framing.

What staff has done is there have been several extensions. Down at the bottom of your sheet you'll see prior extensions on the project. Construction loan,
closing was extended. And then commencement of
construction was also extended. And the board did grant
those, or they were either administratively granted or
board granted.

So of course, as that happens, then it backs up
everything else. It is my understanding that the
foundations have all been poured on this transaction, and
that framing is beginning to be underway. But they still
need until -- because they have a current deadline of
March 11, which was two days ago.

They missed that deadline. As I said, they did
ask us to June 11, but we looked at the progress they were
making, and said, We believe that they can have met this
deadline by April 30. We don't want to give them any more
time. We want to give them enough time to be able to meet
the City of Corinth's request, but not until June 11.

MR. CONINE: Okay. Move for approval.

CHAIRMAN JONES: Motion's been made. Is there
a second?

MR. GONZALEZ: Second.

CHAIRMAN JONES: Questions, comments?

(No response.)

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

CHAIRMAN JONES: All opposed, nay. The motion carries.

We can all turn to Item 4(d) of the agenda. And I think there are several speakers. In fact, I think there are one, two, three, four, five, six that would like to speak on 4(d). Why don't I let you all choose your order. Would that be best? Okay.

MS. BAST: Good afternoon. Thank you for the opportunity to be here. I am Cynthia Bast of Locke, Liddell and Sapp. We represent the owner of the King Fisher Creek Apartments here in Austin. And we have filed this request for relief on behalf of the owner.

Our request for relief is included in your board book. Briefly, the King Fisher Creek Apartments received an allocation of $225,813 of tax credits in 2000.

The complex was required to place all of its buildings in service by December 31, 2002. Due to extraordinary circumstances outside the control of the owner, the complex was unable to place all of its buildings in service by that deadline. As a result, the department sent a letter in January 2003 revoking the tax credits allocated to this complex.

What is not in your board book is a description of the extraordinary circumstances that led to this
result. The TDHCA staff has received reams of information on these circumstances, and they have been kept informed throughout the process.

We have here several members of the development team, who will describe what happened with regard to this complex. Then Ryan Luxon of Muni Mae Midland will describe the financial implications of the loss of tax credits. And then I will finish with a brief summary of the tools that the board can use to help us remedy this extraordinary situation. And so I will turn it over to Tom McMullen.

MR. McMULLEN: Good afternoon.

CHAIRMAN JONES: Good afternoon.

MR. McMULLEN: I would like to pass out a time line. Would that be permissible?

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

MR. McMULLEN: I appreciate the honorable members of the board, distinguished staff hearing us. My name is Tom McMullen. Our request before you today is very difficult to make. It's very humbling, and it's -- has a degree of embarrassment to it.

Until now, over the past 15 years, we have had what I feel is an exemplary track record both inside the State of Texas as well as outside of Texas. We failed to
meet the placed in service deadline of 12/31/02 of the department.

We made all of the tax credit deadlines, except that we received one extension for the substantial construction commencement, and we have made all of our deadlines in all of our past projects here in Texas. And we never requested an extension, other than the one.

We have been engaged in a almost a chess match with the neighborhood association, who has done everything they can to thwart our project. A huge difference between the City of Austin's code and other cities is that the code in Austin allows upon registration a neighborhood association to have standing in all permitting processes.

So what that means is that when a permit is issued, or when an administrative decision is made, the neighborhood association has up to 20 days to file an appeal. And this particular neighborhood association did that every chance that they had the opportunity to do that.

What happens is, the appeal must be heard by a city board or a commission. And even if it's frivolous, it delays us. So you can get a delay of anywhere from two months to five months on any particular issue. And there are several permitting processes here in Austin. So it really condensed our time down to build the project into
five or six months.

And while that appeal is pending, you must stop all construction. And the permitting process stops. So if it's -- it's tragic.

The fact of the matter is, is that these neighborhood tactics were designed to cause us to miss threshold department deadlines. Given that we only received one extension from your department, the -- you know, in spite of that, we made all the deadlines except for the one.

This particular association did not object to our project during the public hearing process in 2000 when the credits were awarded. In fact, we had a lot of support on the record, on the official transcript.

We spent an additional $200,000 on architectural, legal, engineering expenses, just designed to satisfy the objections -- the stated objections of this neighborhood, to reconfigure, redesign, and address concerns.

If the tax credits are not restored by this board, that poses a small possibility -- we -- because we don't know what's going to happen. We're trying to get through this today. And then we -- you know, I guess we'll try to restructure the project if we have to. But we don't know where we are.
Whatever happens, this project, in all likelihood, will not become a condominium project. And I say that because the neighborhood -- it's been conveyed to us that the neighborhood thinks, Well, if we don't have our tax credits restored, it can become a condominium project.

But we did not design this project as a condominium project. It doesn't have the amenities to sell it as a condominium project. So that's really not in eventuality what's going to happen. It's got a strong likelihood of losing its appeal and desirability, because we'll have to scale down amenities and so forth. And we'll lose the affordability to the rental community.

We have kept moving since the expiration of the place and service deadline in order to keep our promises to the department, and at great risk to ourselves. We continue to build. We funded draws. We have continued to do this without knowing the board's action on our request.

We have kept it moving, being that we feel that we were obstructed from making the placed in service deadline, and that we cannot -- you know, hopefully, we cannot envision this board not restoring the tax credits. We've kept the project moving, because the rules are in place to ensure timely completion of affordable housing projects.
The rules were not written, I don't think, to be used by an opponent of the project as a tool to kill a project.

CHAIRMAN JONES: Could you wind up, please.

MR. McMULLEN: Yes, sir.

CHAIRMAN JONES: Thank you.

MR. McMULLEN: Rules are fine. But when we are obstructed at every turn, and in fact, prevented from meeting a deadline, the rules allow the department to grant leave under several provisions of the QAP.

Certainly rules are not in place to penalize a willing developer, his lender and investors, given these types of circumstances. We humbly ask for mercy from the board.

And I would like to introduce two members of our team that will explain the specifics of the types of things that happened to delay us at this point. Mr. Carl Conley, and Mr. Bill McLean.

MR. CONLEY: Members of the board, my name is Carl Conley, and I own Conley Engineering. I've worked in the Austin area for over 30 years in commercial and residential land development, and have over 300 projects in which we've dealt with. And without a doubt, this has been one of the most difficult processes we've had to deal with.
This project began in August 2000, and onto the completion -- toward the completion in the latter part of this last year. The typical project -- it runs 12 to 18 months. And this project has run over two years, due to the extended delays caused by the involvement of the neighborhood.

We began the project again in August 2000, with a site plan that TDHCA had seen and approved. We had zoning on the property for 36 units. We don't look just to build only 35.

The property was a legal tract, and did not need to go through the subdivision process. And we had a letter from the City of Austin regarding the availability of utilities, including domestic and fire flows.

We also had a letter of support from the City of Austin for an affordable housing development section. We chose to participate in the City's S.M.A.R.T. Housing Project, which required us to meet with the neighborhood, and get their input.

During the site plan process, the neighborhood requested us to lower our density from 35 units to seven or eight units, which was economically unfeasible. At some point during the process, we offered to reduce it to 28 units, and that was not acceptable to the neighborhood.

During the process, the neighborhood contacted
some of the environment elements of Austin at a time that
was -- gave us very short notice to address. We worked
with the City staff and provided additional setbacks from
waterways, and what appeared to be elements of
environmental concern.

The developers also sought to add 1.5 acres of
additional land to the property with no increase in the
number of units, to help reduce the density of 12 units to
the acre down to 7.7 units to the acre.

Doing this triggered the need to go into the
city zoning and subdivision process. This process added
about 60 to 90 days to the project. During the zoning,
the property was thought to be reduced from --

MR. CONINE: Could I stop you right there?

MR. CONLEY: Yes, sir?

MR. CONINE: If you added an acre and a half,
or whatever it was, to an already-approved density, why
was that decision made, other than just to try to appease
the neighborhood?

MR. CONLEY: It was designed to appease the
neighborhood and to provide additional environmental
setbacks, as requested by the City of Austin, and to
basically just provide a better project.

MR. CONINE: So 35 units that were designed on
the -- whatever amount of acreage you had before you
bought the one and a half did not meet all the
environmental setbacks the city had asked for, or any
other criteria, maybe?

MR. CONLEY: They did meet all the
environmental setbacks. There was some issues about some
areas that were perceived possibly to be wetlands. Again,
they weren't definitive, but we worked with the
neighborhood, and also with the city staff particularly to
create these additional setbacks.

MR. CONINE: Could the project -- in your
opinion, could the project have been built without the
other acre and a half?

MR. CONLEY: The end result was that we did
build the project on the three acres within the city's
rules, without variance. Yes, sir.

MR. CONINE: So you didn't need the acre and a
half, which caused the other 90-day delay, or whatever it
was?

MR. CONLEY: That is correct.

MR. CONINE: Okay.

MR. CONLEY: The neighborhood, again, fought
the project against the rezoning of the additional acre
and a half, citing the additional traffic, the
unavailability of booths at the post office, lack of
grocery stores, and just the various sundry items to
downplay or degrade this particular project.

The city denied the zoning, based on perceptions by the neighborhood association saying that we would need possibly additional variances, and they didn't want to support that. Basically, we came back again with a site plan that did meet all the city's requirements, without variance, and obtained approval of that site plan.

Also part of this 1.5 acres was the requirement to subdivide the property. The original three acres did not require subdivision. And again, the neighborhood fought this through an issue called the balance of the tract issue, again, describing that the balance of the tract is there for the orderly planning of roadways and utilities.

Again, our tract did not require any extension of roads, and -- nor any additional utilities at that time. This process, again, added another 30 to 45 days to the process. We even offered the adjoining property owners to join into our subdivision, and they also declined.

Off-site water and fire flow became an issue. It was determined that the city's mains, because of the way the city was operating their system, did not have adequate fire flow, not only for our project, but even the neighborhood.
We originally started with a letter from the city that says that there was adequate water available to this project. The existing water line was also damaged during our project, when the city was in the process of reconstructing the road.

And at that time, they just determined that they needed to replace that line with a 16-inch water line, which they took the opportunity as the fact that we needed to get water. They offered us an opportunity to participate in the reconstruction of that, which would have added three to $400,000 additional costs.

That represented approximately 85 percent of the cost of the 16-inch water line. We met with the city, renegotiated based on our demands. And the percentage was reduced from 85 down to 13 percent. But this required a City of Austin City Council approval.

We worked with city staff, got the participation from the City Council. And because of the neighborhood opposition and conversations with other city staff, the water and wastewater department director at the last minute --

CHAIRMAN JONES: Please wind up, sir.

MR. CONLEY: I'll be --

CHAIRMAN JONES: Thank you.

MR. CONLEY: I'll be right there. The City of
Austin director of water and wastewater withdrew the opportunity to participate, and we went back to another alternative that we proposed at the beginning of the project, but was denied because we needed to go through this other participation process.

During this time, like a similar case that you heard a minute ago, we were not allowed to go into vertical construction until the fire protection -- adequate fire protection was there.

Basically at the end, this entire project was approved as originally started. Again, we went through all these efforts to work with the neighborhood, meet their needs, meet the City of Austin's needs. And the total extension of time added by these processes was between 195 and 285 days.

If any one of these process was deleted, we would have had another 45 to 60 days, and the project could have probably been completed.

CHAIRMAN JONES: Thank you, sir.

MR. CONLEY: Thank you.

CHAIRMAN JONES: Mr. McLean.

MR. McLEAN: Thank you, and good afternoon. My name is Bill McLean. I'm with the firm of McLean and Howard. During the events that I'm going to describe, I was with the firm of Minton, Joseph, and Thornhill.
One of my areas of practice for the last seven years is land use and land development law. That often involves me in the City of Austin's permitting process. In this particular case, we were brought in at the request of Mr. Conley to assist with some legal issues around January '02 time frame.

After becoming involved in the process, it became apparent to me that the neighborhood's intention in this case, or at least one of their objectives was to delay and obstruct the City of Austin process with an eye for the deadlines imposed by this department.

And having heard a broad description of the events that occurred at the city from Mr. Conley, I'd like to focus on one specific occurrence that I think illustrates the tactics that were employed by the neighborhood.

And that is that the way that they dealt with the approval of two different permits, for simplification purposes, I'm going to refer to them as the plat approval and the building permit approval.

Both of which were appealed by the neighborhood, but in different ways. The plat approval -- the City of Austin code requires that the plat not be considered final and recorded with the county until such time as the appeal time period has basically expired, just
to make sure that no one -- no interested party files an appeal.

    That's a 20-day time period. The neighborhood filed their appeal on the last day of the appeal time period. Their appeal consisted of a half-page letter that, in my estimation, wouldn't have taken more than a couple of hours at the most to prepare.

    After the appeal was filed, the matter of the appeal has to be scheduled before the zoning and planning commission of the city. The city staff had discussions with the neighborhood about the effect of the appeal time period, and basically, it was made known to the neighborhood that the appeal time period would forestall any development.

    The bottom line is that that maneuver by the neighborhood cost the project about 50 days by the time it -- the appeal time period ran, the appeal was filed, and the matter was scheduled for hearing.

    On the other hand, the building permit approval is appealable, but it does not have a set time frame under which construction must cease, until the time period runs.

    The appeal to the building permit was filed the day after the building permit was approved, and consisted of a letter of about the same length as the appeal to the
final plat. In essence --

CHAIRMAN JONES: Could you wind up, please, sir?

MR. McLEAN: Yes, sir.

CHAIRMAN JONES: Thank you.

MR. McLEAN: In essence, there is no logical reason for the difference in how the two appeals were handled, other than to delay the project. Thank you.

CHAIRMAN JONES: Thank you. Another zoning matter?

MR. CONINE: It's after the fact.

MR. SALINAS: It's after the fact. If Planning and Zoning had approved it, I mean, what's the delay?

CHAIRMAN JONES: Mr. Luxon, I think, is the last person.

Is that correct, Ms. Bast?

MS. BAST: Yes. And then if I could have the rest of my three minutes to summarize it.

CHAIRMAN JONES: Okay.

MR. LUXON: Good afternoon, Mr. Chairman, members of the board.

CHAIRMAN JONES: Good afternoon. How are you?

MR. LUXON: Good. My name is Ryan Luxon. I am the assistant vice president for Muni Mae Midland, or National Affordable Housing Syndication firm. We provide
the construction lending, the forward commitment for permanent finance, as well as the purchase of the tax credits to be generated by the project that's before you today seeking relief.

This project is exemplary of how the programs can be used effectively to provide housing in areas that are otherwise very difficult in which to have subsidized housing.

The total cost in this 35-unit property was over 4.1 million. That's $117,000 per unit in development expenses. The state recognized this. It was in a high-cost area and was subject for 130 percent eligible basis increase.

As Cynthia mentioned earlier, the property had a 2000 allocation of $225,813 in credits, which is substantially less than what the project was eligible for under a basis calculation.

The eligible basis is approximately 3.1 million prior to the high-cost area increase. After applying the 130 percent increase, we had a $4,075,000 eligible basis, which would have had $320,000 in credits allocated.

This leverage is an example of how we try and use the programs to further affordable housing goals of the state. In addition to that, Mr. McMullen mentioned that $200,000 of the costs that were attributed to this
came up after the application process.

Because of the credit cap, this $200,000 came directly out of project expenses, and there is sometimes the notion that the development community is getting rich off of these transactions. This is a case where that $200,000 came straight off the bottom line, and was not made an available source of funds to property as the uses increased.

To date, our company has funded approximately $3 million in this transaction. We provided the construction commitment in June in accordance with the TDHCA guidelines, at which point our permits were still in process, and another syndicator had a commitment to purchase the tax credits.

In January, when the permits had not yet been issued, the other syndicator exited the market, was no longer a participant, and to maintain our commitments to TDHCA and the property, we agreed to step into the shoes and buy these credits. We --

CHAIRMAN JONES: You need to wind up, sir. Thank you.

MR. LUXON: Yes, sir. We've been committed to this property since. And we ask that you help us to continue the long-term viability of these units in Austin. Thank you.
CHAIRMAN JONES: Thank you. Ms. Bast, since you've got one at a time, let me tell you one thing that I'm thinking. I've listened to the arguments, but the arguments that there are certain citizens out there that kind of pursued their rights does not sway me a whole lot. So I'll let you have that, to know where, at least I sit, as you make your closing statement.

MS. BAST: Sure. I understand. It is certainly hard to compress two years of development activity into some brief three-minute statements here.

CHAIRMAN JONES: Certainly.

MS. BAST: What we hope to help you understand is that a whole lot of things came together to create a very unusual circumstance for this property. We had the City of Austin, which had certain code, that gives certain rights.

We had a neighborhood that became opposed to this project after the office -- after the award of tax credits, and did as much as they could to delay it. It created tremendous developmental hurdles for this project. Now these circumstances have put the affordable housing units in jeopardy. The housing units can be preserved if this board will reallocate the tax credits back to the King Fisher Creek Apartments.

Section 49.17 of the 2003 QAP allows this board
to do just that. It says, "The department may, at any
time and without additional administrative process,
determine to award credits to projects previously
evaluated and awarded credits, if it determines that such
previously-awarded credits are or may be invalid and the
owner was not responsible for such invalidity."

This provision has been in the QAP for quite a
while. It was in the QAP in the year 2000, when the tax
credits were originally awarded. It's an extraordinary
remedy, in the QAP for a purpose, to give the board
authority to handle unusual circumstances.

This remedy is consistent with Section 42(m) of
the Internal Revenue Code, which allows a housing finance
agency to allocate credits in a manner that deviates from
the established priorities and selection criteria of the
QAP.

King Fisher Creek Apartments had $225,813 of
tax credits. If these tax credits are made a part of the
2003 pool, and spread among the service regions as
required, they would have little impact on the overall
statewide allocation. Yet, if the tax credits are
returned to the King Fisher Creek Apartments, as we are
requesting, it will preserve the affordability of a
housing complex that is now in jeopardy.

We hope this board will use it's authority to
remedy and extraordinary circumstance, and reallocate the
tax credits back to King Fisher Creek Apartments. Thank
you.

CHAIRMAN JONES: Thank you. That's all the
public comment I think we have on this particular point.
Is that true? Then we'll close public comment on that
point.

MR. CONINE: I thought I'd heard it all until
now. This is an incredible story. Well -- what --
Cynthia, I guess, or maybe Tom, somebody, where is the
project today? How many units are occupied, finished?
And how long is it going to take you to finish it?

MR. McMULLEN: We -- building 1 was habitable
at the end of the year. Building 2 is habitable now.
Building 3 will -- we focused our -- since the beginning
of the year on the finish-out on building 1 and 2.
Building 3 is moving, but it's slow. We're trying to see
what might transpire here.

MR. CONINE: Wait, wait a minute. Translate
that for me. Is it framed? Is it roofed? Is it sheet-
rocked?

MR. McMULLEN: Building 3? No, it's not.

MR. CONINE: Nothing?

MR. McMULLEN: No. No, sir.

MR. CONINE: Is the slab on the ground?
MR. McMULLEN: No. Just some plumbing.

MR. CONINE: Okay. So you're not going to finish it for another eight months, to put that money in service.

MR. McMULLEN: No, we estimate --

MR. CONINE: Six months?

MR. McMULLEN: No. No, we think that's -- it's 60 days to finish out that building.

MR. CONINE: How many units are in that building?

MR. McMULLEN: Let's see. That would be -- it's approximately -- I think I'm going to say ten or 12 units in that building. It's not a very large -- it's only 35 units in the whole project.

MR. CONINE: How come you weren't here back in November or October before the credits actually expired, when you knew you couldn't make it?

MR. McMULLEN: Candidly, I thought we would make it. We just didn't make it.

MR. CONINE: Because of rain and everything?

MR. McMULLEN: Rain was an issue. We had -- between July and November, we had 55 rain days trying to finish up the site work. And so it wasn't just the 55 rain days. It was drying-out days. And so it was in November we started framing.
MR. CONINE: Ms. Carrington, if we reallocate -- are we reallocating the two -- or restoring, if you will, the 2000 credits? Is that what we're being asked to do?

MS. CARRINGTON: We have -- you have two options outlined in front of you, and in the QAP. One of them would be the credits that we have effectively cancelled on this transaction would go into the 2003 regional allocation formula.

So one option for the board would to be -- and since we haven't allocated the '03 credits yet, those credits are still out there. So the board could direct us to reallocate those credits that we have rescinded back to this development.

So that is one remedy. That's one course that the board could take. The other would be to make a forward commitment. This property, of course, is located in Austin. And the Austin region, you will remember, did not have an allocation of tax credits in '03 per the regional allocation formula.

So another option would be to do a forward commitment out of the '03 allocation into '04 for this particular development.

MR. CONINE: Why don't we go forward and burn up credits in the future when we could restore those that
were in the past?

MS. CARRINGTON: I think we're just saying that that is an option for you.

MR. CONINE: Okay.

MS. CARRINGTON: We wanted to lay out the options.

MR. CONINE: Is there enough money left in the loan facility to finish the job? Or are you going to run into financial hurdles in the future?

MR. McMULLEN: Well, certainly work -- there are financial hurdles about the equity. There is 1.7 million in equity that's effectively gone away.

MR. CONINE: Let's assume it stays in the project. Have you got -- are you going to be able to meet the underwriting criteria for the loan and the equity once you get the project finished in 90 days, let's say?

MR. McMULLEN: Well, all the financing is already in place. It's -- so we've already passed all those hurdles.

MR. CONINE: So you can finish it for what you've got left in it?

MR. McMULLEN: Yes, sir.

MR. CONINE: Is the first building leased up?

MR. McMULLEN: No, sir. We did not want to pull a CO -- or a final CO, due to the tax implications.
And secondly, it's a small site. The other reason is, it's a small site, and we're going to lease all of them at the same time. We need the room to work.

MR. CONINE: Where is this project located at?

MR. McMULLEN: Off of St. Elmo Road, which is south -- southeast quadrant of Austin.

MR. CONINE: I move for the restoration of the 2000 credits.

CHAIRMAN JONES: We have a motion. Do we have a second?

MR. GONZALEZ: Second.

CHAIRMAN JONES: The motion's been made and seconded. Further discussions, questions, comments?

MS. CARRINGTON: Maybe some clarification.

CHAIRMAN JONES: Yes, ma'am.

MS. BOSTON: Thank you. When you said restoration of 2000 credits, I just want to reclarify that it's not a restoration of 2000 credits. Those credits are being turned into the 2003 ceiling, which we're required to do by the IRS. And then they'll be getting an allocation of 2003 credits.

And the other thing I wanted to clarify is that this entitles them to move forward with their cost-certification process. But we're not talking about issuance of 8609s yet. They'll still have to turn in
their cost certification documents and meet our review, which kind of hadn't been brought up.

MS. ANDERSON: Can I ask a question?

CHAIRMAN JONES: You certainly may.

MS. CARRINGTON: Got it?

MS. ANDERSON: But the 225 in credits, or whatever, that were 2000 credits. And now you say that they're really 2003 credits? But you take the 225 and add it to the existing 2003 credit --

MR. CONINE: Yes. It went into the bucket, and it's coming out of the bucket.

MS. ANDERSON: Okay.

MS. CARRINGTON: Yes. It does not subtract the amount -- does not reduce the amount of '03 credits that we would have to allocate.

MR. CONINE: It's a technicality. I --

MS. ANDERSON: Okay. Yes.

MR. CONINE: My tongue slipped.

CHAIRMAN JONES: Surely not.

MR. GONZALEZ: I'll second that motion.

MS. CARRINGTON: Which one? His tongue slipped?

CHAIRMAN JONES: Okay. We have a motion that's been made and seconded. Further questions, comments, discussion?
(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay?

MR. SALINAS: One. I --

CHAIRMAN JONES: You're for aye or nay?

MR. SALINAS: Nay.

CHAIRMAN JONES: Nay. Okay. The motion carries.

MR. SALINAS: I think we should not set a precedence here on other future --

MS. CARRINGTON: I agree.

MR. SALINAS: You know, it's 2003. This happened in 2000, 2000. So we should not deny anybody else that asks the same thing. The problem with the zoning in the City of Austin is something we can't control, and those things have already been restored to 2003, and we should do the same for everybody else if we're going to do this today.

CHAIRMAN JONES: Thank you, Mayor. All right. We will then move to Item 5 on the agenda. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. I'd
like to move to -- it's an allocation of HOME funds, which
I think we're going to be straightforward, and probably
shouldn't warrant much discussion.

MR. CONINE: I wouldn't say that.

MS. CARRINGTON: But I would never say that,
Mr. Conine.

CHAIRMAN JONES: Would you keep Conine quiet?

MS. CARRINGTON: No, I would never want to keep
any of you all quiet.

At the board meeting last month, you awarded
$2,716,727 in HOME funds to six different projects around
the state. The department put out a NOFA in early --
earlier this year, actually, in November.

We had 8.3 million to allocate. So we actually
allocated funds to six out of 24 applications. At that
board meeting in February, we talked about some of the
reasons for the small number of awards that were
recommended.

And the HOME staff indicated that they believed
that there were several of these applicants that they
could go back and work with and produce -- or help them
work to develop an application that would score
sufficiently.

So what we have done is gone back, and we have
three additional recommendations to you for a total of
$580,125. Should the board approve this today, we will have then allocated approximately four million of the 8.3 million that's available in the CHDO funding cycle, which is the Community Housing Development Organization cycle.

And as you all will remember, there is a portion of the HOME fund that are set aside specifically for CHDOs. So on the next page after your summary, you will see the three recommendations of staff.

HBA stands for Homebuyer Assistance. Basically what this is is down payment assistance. The third one, Homebuyer with Rehab, Homebuyer Assistance, and Owner-Occupied. So some Homebuyer Assistance, and some -- also some Rehabilitation.

And the three groups are Bayou Housing Partners, Grayson County CDC, and Affordable Housing of Parker County.

CHAIRMAN JONES: Thank you, Ms. Carrington.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

CHAIRMAN JONES: The motion for approval has been made and seconded. Further discussions, questions, comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? The motion carries. 5(b)?

MS. CARRINGTON: Thank you, Mr. Chairman. Item 5(b) is the approval of the department's 2003 public housing agency, or PHA plan. As you heard earlier today from John Henneberger, John has no problems with our plan. This is something that we are required to do on an annual basis. This will be our plan for fiscal year beginning July '03. It's due in April to HUD. The department administers 11,400,000 in vouchers in three areas around the state. Those vouchers are located in the Fort Worth area, around the Houston area, around the San Antonio area.

It's a total of $2,071 vouchers. And staff is requesting that the board approve this plan today, and that our subsequent submittal of this plan to HUD.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

CHAIRMAN JONES: Motion's been made and seconded. Further questions, discussions, comments?

MS. ANDERSON: I just have one -- I have a question.

CHAIRMAN JONES: Please.
MS. ANDERSON: And I've probably asked this question last year. You know, these are in these urban areas, and they're like 2,071 vouchers. How come the local PHAs in those jurisdictions don't have those and we do? I mean, why are we in this business?

MR. FARISS: Those are either administrating communities that are too small to have a public housing authority --

MS. ANDERSON: Fort Worth, San Antonio and Houston?

MR. FARISS: Well, there --

MS. CARRINGTON: It's the area.

MR. FARISS: That's the area that --

MS. CARRINGTON: That's the area around.

MR. FARISS: That's the regional HUD office that, you know, oversees those vouchers. But it's not within the public housing authority of San Antonio or Houston.

MS. ANDERSON: So it's like a Burleson, or somewhere outside of Fort Worth, not in Fort Worth?

MR. FARISS: Right.

MS. ANDERSON: Okay. And the reason we do this is because there is no PHA in Burleson. Right?

MR. FARISS: Right. Or the PHA is so small that they've asked us to administer their vouchers on
their behalf.

    MS. ANDERSON: Okay. Thank you.

    MS. CARRINGTON: And as sort of an interesting addition to this is, of course, I'm sure some of the board has been paying attention.

    There is a discussion going on at the federal level to block grant all of the Section 8 to the states, and then it would be up to the states to determine how we wanted to administer that, whether it was through existing housing authorities around the state, or whether the state would want to increase that number of vouchers from 2000 to probably several hundred thousand vouchers around the state. So certainly a discussion is going on at HUD right now.

    CHAIRMAN JONES: I was going to ask the staff to comment on that afterwards.

    MS. CARRINGTON: I'd be happy to comment on it now. That's what we know is going on. I will tell you I've had a couple --

    MR. CONINE: Are you in favor of that discussion?

    MS. CARRINGTON: I'll tell you I've had a couple of housing authorities call me and say, if this should happen, that they would like to be considered as the administrator for the State of Texas.

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MR. CONINE: That wasn't what I asked. I said, Are you in favor of that discussion?

MS. CARRINGTON: Mr. Conine, we will implement whatever the Federal law tells us to implement.

CHAIRMAN JONES: She feels strongly both ways. We have a motion on the floor that's been made and seconded. Further questions, comments, discussion? (No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? Motion carries. 5(c).

MS. CARRINGTON: 5(c) -- this is an item that the board is required to act on annually. The portfolio of multifamily properties that we're talking about here -- there are eight of them, and they are the older, tax exempt bond transactions, what we used to call the old 80/20 deals. Twenty percent of the units have to be leased to families at 80 percent of the median, not adjusted for family size.

When the '86 Tax Act came in, it substantially changed those targeting requirements. Because of language in those early financing documents, the language says that the board has to annually review the income limits for the
tenants, not for the 20 percent of the tenants, but
basically for the other 80 percent of the tenants.

So there is this eligible tenant definition.

And several years ago, the board determined that the
definition of the area median income that the agency would
use to determine what that eligibility limit was would be
to Dallas, the AMI.

So that was determined several years ago,
actually in 1992. The board established 110 and 140
percent of the Dallas AMI as the eligible tenant income
limit.

So basically what all of this means is that
something you all have to look at on an annual basis, and
I'm told basically by staff on an annual basis, the board
says, Now, why is it we're looking at this?

And it's because of these old transactions. If
you go to the second page of your summary, you'll see that
the 140 percent limit, which is the move in limit, again,
based on the Dallas area median income. In 2003, the
Dallas area median income is $65,000. So when you
calculate 40 percent on top of that, you have a move in
limit of 71,500. And for a household for two or more,
it's 91,000.

Important to say yet one more time. These are
the units that are not restricted. These are the units
that are not leased to low income, not any kind of a
definition of low income, but the definition of eligible
tenants. So it's that 80 percent of the units that are
basically the market rate units, have to fall within these
guidelines.

One of the things I asked staff to do last
night was to take a look for me at what the limits had
been for '02. And the limits were higher in '02 than they
actually are in '03, because the area median income of
Dallas has gone down.

In 2002, the area median income of Dallas was
$66,500. In '03, it went down to $65,000. So
consequently, the income limit for a one-person family was
73,150. This year, it's 71,500. So we're doing it
because the covenants in our bond documents say we must.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

CHAIRMAN JONES: We have a motion that's been
made and seconded. Discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? Motion
carries. Item 6 of the agenda, Mr. Gonzalez.

MR. GONZALEZ: Yes. We will call on Mr. Gaines. He's been here all day.

CHAIRMAN JONES: And aren't we proud of him?

MS. ANDERSON: We are today.

MR. GONZALEZ: Yes.

CHAIRMAN JONES: Yes.

MS. ANDERSON: And Mr. Dally. We're proud of a lot of people today.

CHAIRMAN JONES: Good.

MR. GAINES: Mr. Chairman, members of the board, that's a tough act to follow today. But I'll try to be brief. I know it's been a long one. So -- the first item on your agenda is approval of the Annual Audit plan.

The Texas Internal Auditing Act requires that a plan be developed on an annual basis based on risk assessment procedures. And the plan you see in front of you was reviewed by the committee earlier today, and discussed. In the simplest of terms, all risk assessment with all the changes and reorganization, many areas were showing up as high-risk because our factors were things such as changes in organization, changes in management, new processes.

Because of that, we focused on inherent risk
being the highest-risk areas. Inherent risk is new cash. So we focused on cash receipts. There is two projects there on cash receipt, and cash disbursement's being the draw processes.

With that, we'll be first focusing those reviews on the areas most affected by the reorganization. So the remaining areas listed are for the most part ongoing activities the Internal Auditing Division has.

One of the unusual areas is our contribution to the State Auditor's internal audit form for Quality Control Assurance Reviews.

If you'll recall, we just had a review ourself done on our internal audit function. The cost to the department is that we now pay back by providing resources to conduct another state agency's peer review. So we budget time for that.

The remaining activities are ongoing activities we deal on an annual basis. The committee -- I want to make sure if this is the committee is recommending to the full board or -- for approval, or if you actually approved it, but --

MR. GONZALEZ: We need the board to approve it.

MR. CONINE: Make a motion, then, Mr. Chairman.

MR. GONZALEZ: So move.

MS. ANDERSON: Second.
CHAIRMAN JONES: Motion's been made and seconded. Questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay? Motion carries.

MR. GAINES: The next series of items, under Item 3 is a series of reports recently released by our external auditors, Deloitte and Touche. This morning the managing partner was here to present the results of those. And he provided me some of his speaking points. So I will just touch on some of the highlights there.

The external auditors have reached these unqualified opinions, which means that the financial statements present fairly in all material respects, on the department's comprehensive annual financial report, and on separate bond program schedules, as well as on the Computation of Unencumbered Fund Balances on August 31, which is a required computation, to determine available funds for transfer to the Housing Trust Fund.

Those are all unqualified opinions. There is a significant change in accounting principles this year that
relates to what's called GASB statement 34. This is --
the name of the statement is Basic Financial Statements.
And management is -- excuse me.

It's a change in the basic financial statements
of government enterprises. They must admit the changes
relate to full-accrual accounting. This would include
things such as including depreciation of fixed assets on
your balance sheet. It would include your liability,
classification as long-term and current. These things
used to be off of the balance sheet.

It's much more representative of what the
private sector reports. And Mr. Scott this morning was
very complimentary of our accounting staff of putting this
together successfully. He emphasized that the statements
were prepared by the staff, and acknowledged the huge
challenge in doing that, and was real complimentary of the
staff in that respect.

He emphasized that the auditors received full
cooperation from management. There was no significant
audit adjustments proposed during the audit. It was
narrow material, unadjusted misstatements -- no
material -- unadjustable statements.

Yes. No material -- unadjusted. Okay. That's
kind of a double negative there, but that's good.

MR. GONZALEZ: Did you get that, Penny?
MR. GAINES: And they did emphasize that they're independent of the department, even though the department pays their fee. They didn't emphasize that part. There were several --

MS. CARRINGTON: David, do you like your job? Do you remember who you work for? You work for the board.

MR. GAINES: An inside joke there, yes.

CHAIRMAN JONES: We're talking about two different things, aren't we, David?

MR. CONINE: No.

CHAIRMAN JONES: Actually, I have a hard time distinguishing it sometimes. There were several management letter comments. Actually, there was two for the current period. One is that the department did allow a lapse in coverage in the -- a breakage in the officers' insurance. There was considerable discussion regarding that this morning.

CHAIRMAN JONES: Really?

MR. GAINES: I beg your pardon?

CHAIRMAN JONES: I said, Really?

MR. GAINES: Yes, sir. A considerable discussion. The bottom line, matter of fact, was that you have a much better rate for the next time around. Ms. Anderson was real concerned that we got that policy back in effect. I appreciate that. And then there was a
comment regarding loan loss reserves and the need to more periodically evaluate those lost reserves.

But that showed prior audit issues and all prior audit issues and been resolved, or substantially resolved. They were all resolved.

He did mention the one regarding Integrated Information Systems, and the department's enterprise-wide integrated financial systems, how there is value to have greater integration there. And he did acknowledge that management has implemented additional programs, and other ventures to begin resolving this issue. That concludes the report of the external auditors.

The final -- well, not the final, the next agenda item relates to the internal audit report on the Low Income Housing Tax Credit Inspection Fee project. This is the project that we referred to you frequently since last September. And if you will all just focus my discussion on the executive summary, it points out that a subsidiary ledger that identifies the payments to inspectors and reimbursements from project owners --

CHAIRMAN JONES: I hate to interrupt. But I'm getting constant notes from my good friend Delores, who says we're about to lose a quorum.

MR. GAINES: Okay.

CHAIRMAN JONES: She's rather adamant that I
needed --

MS. GRONECK: I have to leave, and those two have to be on a plane at 4:00.

CHAIRMAN JONES: Then I need to do something. So having done that, where does this leave us?

MR. GAINES: Allow me to do it for you.

CHAIRMAN JONES: Okay.

MR. SALINAS: Do you lose a quorum if I --

CHAIRMAN JONES: No, not you.

MS. ANDERSON: No, not until Kent leaves.

CHAIRMAN JONES: Not if you leave. You can leave, because I think -- I think you were the first to make your request. No? Okay. Maybe you weren't. I just got in trouble.

MR. GAINES: I believe I can expedite this, if that's okay --

CHAIRMAN JONES: Thank you. We would appreciate it, knowing it.

MR. GAINES: That report was accepted by the committee. We discussed its status with prior internal and external audit issues. And I'll be glad to elaborate if you'd care to come with me.

CHAIRMAN JONES: Thank you so much. I appreciate it.

MS. ANDERSON: The CPA was very complimentary
of Bill. And I can't let that pass without -- this is the first time we've done it under -- done this reporting under this new GASB thing, and how Bill had everything prepared. It was just -- it was music to our ears to hear how positive it was.

CHAIRMAN JONES: Great. And we got the insurance policy backing.

MS. ANDERSON: Bill and his team.

MR. GAINES: In the process.

CHAIRMAN JONES: In the process.

MS. CARRINGTON: And I want to comment, as I was talking to the CPA, that he tells me that other state housing finance agencies -- some of them, are not going to be able to present their financial statements in accordance with GASB 34 this year. And so this is a huge accomplishment for this agency, for Bill's area, and for David Cervantes. And I hope the board does recognize that.

CHAIRMAN JONES: Thank you.

MR. CONINE: Duly noted.

CHAIRMAN JONES: Duly noted. And we are going to get that insurance policy in place, aren't we?

MR. GAINES: That's what I understand.

CHAIRMAN JONES: All right. Great.

MS. CARRINGTON: Yes, we are.
CHAIRMAN JONES: Anything else from the Audit Committee? Does that take care of -- okay, we'll move to Item 7.

Ms. Carrington?

MS. CARRINGTON: Mr. Chair, we can just pass right through that if the committee is --

CHAIRMAN JONES: How about Item 8?

MR. SALINAS: Mr. Chairman, can I be excused?

CHAIRMAN JONES: Yes, you may be excused, Mayor. No kidding. Item 8?

MS. CARRINGTON: Item 8 is the discussion this morning of how the board and staff will consider comments of opposition as we move forward in developing policies and -- uh-oh. Community Affairs. I'm sorry.

CHAIRMAN JONES: I'm sorry. Okay.

MS. CARRINGTON: I'm sorry. Eddie?

MR. FARRIS: Would you like to take it out of order?

MS. CARRINGTON: Why don't we? Yes. Number 9. Number 9 really follows our discussion this morning.

CHAIRMAN JONES: Okay.

MS. CARRINGTON: It's something the department is very concerned about, and we're working to get our arms around something that we can bring to the board that will be a policy that will help us address how we incorporate
public opposition in our decision-making.

   CHAIRMAN JONES: Do we look at that at the next board meeting, then?

   MS. CARRINGTON: We can.

   CHAIRMAN JONES: Thank you.

   MS. CARRINGTON: We will.

   CHAIRMAN JONES: Thank you.

   MS. CARRINGTON: Eddie, you've got two minutes.

   Two minutes, max.

   MS. ANDERSON: That's 40 seconds a bullet.

   MR. FARRIS: Well, seeing as how I have two minutes, my name is Eddie Farris. I'm the division director for the Community Affairs Division.

   As you know, effective March 1, we were reorganized somewhat, and Section 8 became part of the Community Affairs Division. We welcome them back. They've been part of Community Affairs Division at least three times before. And we serve the same population, and we are happy to have them. And we believe that together we can improve the services that we provide to low income people.

   I had intended to do a PowerPoint presentation, but you have a copy of this in there. It's built upon the presentation that I'll make on the 18th, where we talk about our reorganization. In there, you'll find
information about the performance of all the programs in
the Community Affairs Division.

You know, thanks to the nonprofit organizations
that we work with, we are either meeting or ahead of the
goal.

I also want to mention that in Section 8, they
are 95 percent leased, and I believe I've -- I'm -- I have
heard that this is the first time that they have that high
a percentage of lease-up, an acceptable percentage. And
we'll continue to work hard to do that, to keep that
percentage up and increase that.

My intention each time I provide this update
was to highlight a different program within the Community
Affairs Division. And this time I wanted to talk about
the system benefit fund. And I'll try to go through there
very quickly.

The system -- you do have a summary of that
program in your board book. The system benefit fund was
created in 1999 by Senate Bill 7, which also created a
deregulated retail electric market.

There -- these investor-owned utilities that
are participating in deregulated electric market provide
funding for the system benefit fund, to PUC, Public
Utility Commission.

They, in turn, fund each of the different
programs under the system benefit fund. The energy efficiency program that we administer is just one of those.

This year we're administering ten -- over $10 million under that fund. Last year we had a seven-month program. We administered over $7 million of that. All of that might -- we -- the nonprofit agencies that we work with are -- managed to use that money efficiently.

We spent all of that money, except for $43,000, which is currently encumbered, and will be liquidated by the end of April. So that was a -- I want to point out the good job that those nonprofit agencies do.

The purpose of these funds is to work in tandem with our other weatherization programs, whereby we provide energy -- we do energy efficiency measures to homes that have proven to be weatherizable. And one of the things that contractors have to do is determine what factors can be addressed to increase the energy efficiency.

They have -- there is an electronic audit system that we use so that we ensure that that -- that there is at least $1 savings for each $1 invested -- $1 energy savings for each $1 invested.

One of the ultimate -- besides the fact that the assistance that we provide through this fund reduces the energy cost of low -- very low income persons, the
utility companies also benefit, because they -- they're --
their customers who aren't paying -- the number of
customers who can't pay their bill is reduced. So their
losses are reduced.

One of the things that we have struggled with
with this program is having money for administration. And
we administered this program for 2002 and 2003 with some
unexpended investor-owned utility funds which came from a
different program, but are used for the same type of
weatherization activities.

We hope that the Legislature will amend the
language in this bill so that we are allowed to use some
of these funds. Or our subgrantees will be allowed to use
some of these funds to administer this program.

As I say, we'll be administering -- we'll be
spending ten million -- $10.7 million this next year.
There are five investor-owned utility companies that
contribute to the System Benefit Fund.

There also remains four investor-owned
utilities that have not opted into deregulation. So we
still have contracts directly with them. And we have
another coop that also provides -- participates in the
I.O.U. program.

But if you would like additional information
about the System Benefit Fund, feel free to call me.
CHAIRMAN JONES: Thank you.

MR. FARISS: Thank you.

CHAIRMAN JONES: I appreciate it.

MS. CARRINGTON: I'd like to make a comment, that as we've been over at the Capitol for the last couple of months, we've had a number of comments and a number of questions about our administration, not only of the System Benefit Fund, and how is it working and who is it serving. But also a real interest, I think, in our poverty programs, in the programs that are administered out of Eddie's area.

So as we go to the Capitol we certainly are getting questions on not only the housing programs of this agency, but also the community affairs side also.

CHAIRMAN JONES: Thank you, ma'am. I think the next item on our agenda is the Executive Director's report.

Ms. Carrington?

MS. CARRINGTON: One item -- if anybody is going to be in town on Tuesday of next week over at the Thompson Center, we're having our big community meeting for anybody that wants to come. We send out thousands of these to explain how the organization works after reorg.

And the rest of the items, Mr. Chair, I can pass on.
CHAIRMAN JONES: Thank you so much. We had three speakers that were willing to speak on the Executive Committee agenda. And if you all would come forward. They're all speaking in favor of a proposed settlement. Mr. O'Donnell, Ms. Jackson, and Ms. Lane.

Excuse me. I'm sorry. Golly.

MR. CONINE: Wake you up?

CHAIRMAN JONES: Yes.

MS. JACKSON: Good afternoon.

CHAIRMAN JONES: Yes, ma'am.

MS. JACKSON: My name is Tony Jackson. I'm here representing -- I'm from Coats, Rose representing Century Pacific and the Michaels Group. This is your agenda item on this Century Pacific versus TDHCA litigation.

However, I'm not here so much to talk about the litigation, as opposed to talking about a proposed settlement that came to us from the staff a few months ago, and to reiterate that we're very interested in settling this litigation.

We have -- we understand that your general counsel is going to, in fact, update you during executive session. However, we wanted to come before you to let you know that we are very interested. The Michaels Group has a representative here who is going to come before you.
The CFO is here in town. And we have been in communication with your staff.

I more particularly wanted to express to you that I have been in discussions with HUD. And HUD is very interested in also seeing a resolution to this matter. There has been some questions regarding the subsidy.

And of course, the subsidy and just the overall units are in jeopardy if this settlement is not -- if we do not come about a settlement or this is not resolved very soon. And we are very concerned about the affordable housing of these 800 units being maintained and preserved. So again, we wanted -- HUD asked me to relate to you that they are very interested in making these properties work.

They have tentatively accepted the Michaels Group. However, they are waiting for a decision by TDHCA to see what your recommendation is going to be. We have again, we have moved based on the -- what had been proposed to us by the staff some months ago, and have been in communication with general counsel.

And we recognize that they are not prepared to make a recommendation at this point, but we do want to reiterate to you that we are very interested in resolving this matter, and wanted to speak to you regarding that at this point.
CHAIRMAN JONES: Thank you.

MR. CONINE: Can you tell me who you represent one more time?

MS. JACKSON: Yes. I'm sorry. The law firm of Coats, Rose. I represent both Century Pacific and the Michaels Group in this Matter. The Michaels Group is the entity that this -- the properties are going to be transferred to.

MR. CONINE: Okay. Thank you.

MS. JACKSON: Okay.

CHAIRMAN JONES: Mr. O'Donnell?

MR. O'DONNELL: Good afternoon, Chairman Jones and the rest of the board. I appreciate the opportunity to speak before you today. And I appreciate your perseverance. It's been a very long day.

I'd like to quickly address basically four points. Who we are -- who the Michaels Group is. The fact that Century Pacific is willing to step away from the properties. The fact that the focus should be on who the 800 families' lives in Texas, and finally, that this very rarely -- I think that it's a win/win situation for everyone involved.

And the Michaels Group is a company that's been in business for over 30 years. We've developed over 25,000 houses -- affordable housing units across the
country. All's we do is affordable housing. That's all we do. We have a development staff. We have a nationally acclaimed management company, as well as social service programs.

We are in front of -- we believe our industry, and how we handle social service programs. We have a nationally acclaimed work-to-welfare programs, a neighborhood network, which includes computer learning centers and the programs. And we want to bring all that to these four communities.

And we have a very strong balance sheet in our organization, which gives us an opportunity to attract more private investors and lenders, and to pay top dollars with your tax credits that we're speaking of.

And in our portfolio, we have over 40 tax credit properties throughout the country. And we consider our compliance program record second to none throughout the country.

And Ms. Jackson handed out -- it's some background on where we've been and what we've done. And one thing that I just -- to do before I get on to the next step, is one thing we're very proud of is our tenant policy and our social service programs.

And we have a tenant education foundation like that. The last year it paid 86 different scholarships to
our residents, and we promote that.

And the second piece of this, that Century Pacific is willing to step away entirely. And they're certifying that they have no further ownership, and no further involvement in these properties whatsoever.

And the third point is the focus on the improving the lives of 800 Texas families. It is our mutual goal to promote and preserve affordable housing. And that's what we're asking you to do.

In doing this, in our financial structure, what we're bringing to the table $50 million of financing for these four communities. And about half of that, over $20 million is for the direct construction and improvement of the residents of these four communities.

Not only in our eyes do we improve these properties, but we help revitalize the surrounding neighborhoods in these efforts.

Finally, we think this is a win/win situation. The department has an owner they can approve. The department has a partner in which they are proud of and we can go forward and meet our goals together. The big winner in all this is the residents, and being a beneficiary of over $20 million in improvements.

The bottom line is that we're making a better life for these families, and a better environment to raise
the family. And you know, that should be our focus.

And our organization is more than willing, at
the board's discretion, to come back at any point in time
to make a more formal presentation with our management and
social service programs and our development staff at your
choosing. And I ask and encourage you, if you guys have
any questions.

MR. CONINE:  Where's home?

MR. O'DONNELL:   -- New Jersey.

MR. CONINE:  Okay. Thank you.

CHAIRMAN JONES:  Julie Rose? Julie Lane.

Excuse me. I'm sorry. I apologize. You've got to read
it too quickly.

MS. LANE:  Good afternoon.

CHAIRMAN JONES:  Good afternoon.

MS. LANE:  Thank you. I'll be as brief as
possible. My name is Julie Lane. And I'm with the law
firm of Cantey and Hanger, Roan and Autrey. And I am
involved in the litigation on behalf of Century Pacific.
And as you're probably well aware, what I've done is
passed out our brief that we filed in the Austin Court of
Appeals.

In case you're interested, in case you want
more information, that's what I'm here for, to provide.
I wanted to give a brief update on the litigation and the
status of it so you would have all the information you
need when you go into discussions about settlement.

As you probably know, we went to district court
and got an injunction against the department. And the
district court instructed the department to follow its
QAP. Of course, the department has appealed this, and
yesterday morning we went to the Austin Court of Appeals
and had our oral argument. And I'm sure your general
counsel will update you on that.

The -- at oral argument, the Court was very
interested in these issues. It was a lively discussion.
There were questions fired, you know, at both sides. One
thing the Court did express was a concern at the
department's position that they are not subject to review
by the district court or the Court of Appeals.

The Court did also make some concerns about
problems the department has made in the past. And I don't
have a crystal ball. I don't know what the Court of
Appeals is going to do. But what I do know --

CHAIRMAN JONES: What concerns did they have
about past problems?

MS. LANE: The comment that was raised was
about the newspaper article that was in the paper in the
Metro Section Wednesday morning, was the comment.

CHAIRMAN JONES: And what did it deal with?
MS. CARRINGTON: Reducing the sentence.

CHAIRMAN JONES: Okay. Thank you.

MS. LANE: Like I said, I don't know what the Court of Appeals is going to do. But what I do know as a formal briefing attorney on that court is that we're not going to have a quick decision out of that court. They understand the importance of the issues involved.

What I told my clients is that I would expect an opinion in that case to come down any time between June and August. And so what that does for us is it gives us a -- you know, a window of opportunity, if there's some resolution we can reach, to bring about a settlement.

We've heard from the Michaels Group. They are very interested. Century Pacific has agreed to step down. But my concern is, if we're going to reach a resolution, that we do it relatively quickly, while we have the chance.

If I'm correct in my prediction, and we don't get an opinion out of that Court until June, the State of Texas and 800 families are at risk of losing the 16 million in federal tax allocations.

If you have any questions of me whatsoever, let me know what I can do, or if my client -- we can provide you as much information as you need.

CHAIRMAN JONES: Thank you.
MR. CONINE: Is there -- and you obviously realize that we're all stretching to catch flights here. Is there a time crunch on this where we need to make a decision today, in your opinion?

MS. LANE: No, my opinion, like I said, the Court will take some time to rule. They've got to issue an opinion. The fastest I've seen an opinion come out of that court, frankly, has been about a month. I think -- my time frame was I thought we might see something in three months. But I could be wrong. But nothing's going to happen today, Mr. Conine.

MR. CONINE: No, I guess -- my -- this is going to be something that is going to take me 30 or 40 minutes to understand. I'm going to miss my flight when that happens.

MS. JACKSON: Right. And actually, if I could respond a little more specifically to that.

MR. CONINE: Sure.

MS. JACKSON: In regards to HUD, I will say we will be waiting for after the executive session. We do need to -- HUD is very interested in at least having some idea of direction as to what the department is going towards, because again, they are very interested in moving forward with completing their transfer. But they understand that they cannot do that until they know
whether or not TDHCA has been willing to accept the
Michaels Group to, in fact, make that transfer happen.

MR. CONINE: Mr. Chairman, I mean, there is two
problems here. One, this is going to take some time,
obviously. And secondly, we want to have a full
compliment of the board here. And this has been a -- you
know, a thing that's been tracking for quite some time.

I've got a feeling the other two board members
might have an interest in the subject. So -- I mean, I'm
willing to miss a flight if we have to. It sounds like
we've got a lot of folks flying in and all that kind of
stuff. But --

MR. O'DONNELL: I would like, really -- one
more comment. Excuse me.

CHAIRMAN JONES: Sure.

MR. O'DONNELL: Just the -- it's the time frame
is -- you know, the case before us, or the testimony
before us for -- they ran out of time to get the tax
credits. These are 2002 tax credits that run out the end
of next year. A lot of these companies' projects are
major rehabilitation programs, putting in over $20,000 a
unit. And we have to move families back and forth.

So even about 18 months or so you can be
reasonably assured that we can get all that accomplished.
That's a time factor that we would face.
MS. JACKSON: But the biggest time factor, again, in terms of HUD -- because there has been a recommendation to withhold the subsidy on Kings Row, HUD does not want to move forward with that. They don't want to lose the subsidy on these properties, and so --

MR. CONINE: What subsidy are you referring to? Refresh my memory.

MS. JACKSON: Section 8.

MR. CONINE: Section 8. Okay. All right.

MS. JACKSON: So if nothing else, we would like to at least let HUD know that TDHCA is still in discussions with us.

CHAIRMAN JONES: What's the board's pleasure.

MR. CONINE: I don't know that I've got a good answer there.

CHAIRMAN JONES: Okay. I presume we need to go into executive session, unless someone has a better plan. That being the case, we will now -- thank you for your public comment. We appreciate it. Thank you so much for being here. And we will close all public comment at this time and go into executive session.

On this day, March 13, 2003, at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas, the board of directors adjourned into a closed executive session as evidenced by

ON THE RECORD REPORTING
(512) 450-0342
the following. The board of directors began its executive
session today, March 13, 2003, at 3:52 p.m.

The subject matter of this executive session is
as follows, the litigation, anticipated or threatened,
Century Pacific Company, Consultation with Attorney,
pursuant to Section 551.071(2), Government Code,
Multifamily Housing Revenue Bonds, Young versus Martinez,
Heatherwilde Estate Apartments, Bond and Tax Credit
Development Approval, Appeal by -- that one will not be
considered. Request for relief by Kingfisher Creek
Apartments, Personnel matters and if permitted by law,
discussion of anything I have listed on the board meeting
of even date. At this point in time, we'll go in
executive session.

(Whereupon, a short recess was taken.)

CHAIRMAN JONES: The Board of Directors has
completed its executive session of the Texas Department of
Housing and Community Affairs on March 13, 2003 at 3:15
p.m. The subject matter of the executive session was as
follows:

Litigation and Anticipated Litigation, Century
Pacific, action taken, none.

Excuse me. Consultation with attorney pursuant
to Section 551.071(2), Texas Government Code concerning
501(c)(3) Multifamily Housing Mortgage Revenue Bonds,
Williams Run Apartments, action taken, none.
Young versus Martinez, action taken, none.
Heatherwilde Estate Apartments, action taken, none. Bond
and tax Development Approval, action taken, none.
Appeal by Enclave was not considered at all.
Request for relief by King Fisher Creek Apartments, action
taken, none. Personnel matters, action taken, none. And
discussion of anything on the board meeting agenda, action
taken none.

I hereby certify that this agenda of executive
session of the Texas Department of Housing and Community
Affairs was properly authorized pursuant to Section
551.103 of the Texas Government Code, posted in the
Secretary of State's Office seven days prior to meeting
pursuant to Section 551.044 of the Texas Government Code.
That all members of the Board of Directors were present,
with the exception of Shadrick Bogany and Roberto Salinas,
and that is a true and correct record of proceedings
pursuant to the Texas Open Meetings Act, Chapter 551,
Texas Government Code, as amended. Signed by myself,
Michael A. Jones as chair.

With that, I would entertain a motion to
adjourn.

MR. GONZALEZ: So move.

MR. CONINE: Second.
CHAIRMAN JONES: The motion to adjourn has been made and seconded. I think it was by Mr. Conine. He was moving his lips. All in favor of the motion, say aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, nay. The motion carries. We are adjourned. Thank you.

(Whereupon, at 3:20 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: Texas Department of Housing and Community Affairs Board Meeting

LOCATION: Austin, Texas

DATE: March 13, 2003

I do hereby certify that the foregoing pages, numbers 1 through 147, 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.

03/27/03
(Transcriber) (Date)

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