TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

12:30 p.m.
Thursday,
May 15, 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
Chris Wittmayer
Byron Johnson
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ON THE RECORD REPORTING
(512) 450-0342

Issuer.

2) Proposed Issuance of Multifamily Mortgage Revenue Bonds For Arbor Bend Villas, Fort Worth, Texas in an Amount not to Exceed $8,880,000 and Issuance of Determination Notice in the Amount of $427,815 for Low Income Housing Tax Credits for 02-480, Arbor Bend Villas, with TDHCA as the Issuer.

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EXECUTIVE SESSION

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1) 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, Texas Government Code-
(1) 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; Proposed Closing Agreement with the IRS

Personnel Matters Under Section 551.074, Texas Government Code

ON THE RECORD REPORTING
(512) 450-0342
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

ITEM 6:
Presentation and Discussion and Possible Approval of Resolution Approving the Closing Agreement with the Internal Revenue Service with Respect to Multifamily Housing Revenue Bonds (Williams Run Apartments) Series 2000A

ADJOURN

PUBLIC COMMENTS:
SPEAKER:

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PROCEEDINGS

CHAIRMAN JONES: I would now call to order the Meeting of the Board of the Texas Department of Housing and Community Affairs for May 15, 2003. The first order of business will be to determine a quorum. Mr. Conine?

MR. CONINE: Here.

CHAIRMAN JONES: Ms. Anderson?

MS. ANDERSON: Here.

CHAIRMAN JONES: Mr. Bogany is absent.

CHAIRMAN JONES: Mr. Gonzalez.

MR. GONZALEZ: Here.

CHAIRMAN JONES: Mayor Salinas? Mayor Salinas is here.

MR. SALINAS: Here.

CHAIRMAN JONES: We do have a quorum. We have five members present and one absent. And I do certify that we have a quorum.

The next order of business will be to open the board meeting up for public comment. I have three so far. Do I have some others? Delores, are we --

MS. GRONECK: We've got some folks signing in right now.

CHAIRMAN JONES: Great.

(Pause.)
CHAIRMAN JONES: I will start going through the witness affirmation forms that we have. Mr. Mark Jones? Would you like to testify now, or on the agenda item? And which agenda item is that, sir?

MR. JONES: Arbor Bend.

CHAIRMAN JONES: Thank you, sir. Ms. Rusnak?

Yes? And would you like to speak now, or on the agenda item?

MS. RUSNAK: On the agenda item.

CHAIRMAN JONES: And is that Arbor Bend? Mr. Velazquez?

MR. VELAZQUEZ: Velazquez.

CHAIRMAN JONES: Yes. Excuse me.

MR. VELAZQUEZ: And on the agenda, on the [inaudible].

CHAIRMAN JONES: Ms. Potashnik?

MS. POTASHNIK? On the agenda item, please.

CHAIRMAN JONES: Arbor Bend? Mr. Campbell?

MR. CAMPBELL: Thank you. Is that on? It doesn't sound like it. You can tell I'm on the technical side of it. My name is Terry Campbell of Campbell, Hogan and Associates. And we have a tax credit application pending to be heard in July called the Villas on Sixth. And I appear before you today to make a couple of comments
regarding that application.

We are aware that this year there was not a tax credit allocation for the -- for Region 7 for the Austin area. However, we did submit an application for the Villas knowing that.

And I guess my comment would be that I think we have an opportunity with the Villas to do what we like to call good real estate. I think in the market today, a number of the markets are certainly soft throughout the country, and throughout some of the markets that we're involved in, and here in the Austin market.

And so with this downtown proposal, I think we have an opportunity to do good real estate and I think you'll find that there are a number of folks here from that particular community who will also offer support for the Villas on Sixth. Thank you.

CHAIRMAN JONES: Thank you, sir. Cynthia Bast.

MS. BAST: I'll speak on the agenda items.

Thank you.

CHAIRMAN JONES: Thank you. And -- okay. I see. Thank you, ma'am. Mr. Potashnik.

MR. POTASHNIK: Agenda item.

CHAIRMAN JONES: Ms. Evans?

MS. EVANS: Do I need to speak into this?
CHAIRMAN JONES: If you don't mind. Thank you, ma'am.

MS. EVANS: Good morning. My name is Cindy Evans. I'm from McKinney. Yesterday I participated at a roundtable discussion put together by Ms. Carrington to begin the process of developing the department's policies on public input. And I would like to thank Ms. Carrington for including me in that discussion, and for the board for addressing the issue of public input on the allocation process.

If the department is to have a meaningful discussion and policy regarding the public input process, members of the public should be participants in developing these policies. There are a few steps that I think the department can take to improve their relationship with the public, and their policies on public input.

The first of these will appoint a member of the public to head up the 2004 QAP working group committee dealing with public input. Secondly, trust, I believe, is everything. Every day this agency battles decades of stereotypes to educate communities on how affordable housing is a positive addition to their neighborhood.

If the public feels that it can trust the agency to be open and honest in the allocation process,
you have built up credibility in order to make the case for affordable housing.

   Trust includes knowing that the department will treat the public with respect, and will hold the public and developers equally accountable to the rules, guidelines, and deadlines of the department with no special favors.

   I believe that dramatic improvements have been made on this point under Ms. Carrington's leadership, and I commend her and her staff for that.

   Third, the department staff governing principle is that they are there to put housing on the ground. But are you there to put housing on the ground at all costs? You're always going to have highly-contested applications. Some have valid objectives, and some are due to misperceptions of long-standing stereotypes.

   There are bad deals and good deals out there in every cycle. And just because an application is contested does not necessarily mean that it is a good deal. These highly-public battles leave much more of an impression on the public than any kind of educational campaign you can afford to launch, and they send voters running to the Legislators.

   The NIMBY base fights are going to be
unavoidable. But in communities with long-standing histories of providing affordable housing that object to a specific allocation for well reasoned objections, you risk alienating an ally if well reasoned objections are not considered.

I believe there are a number of us out there who genuinely do support the goals of affordable housing and this department, even though we may have opposed a specific allocation. I would encourage you to bring us into the fold and use us to help put into place meaningful public input policy.

The public won't always get what they want, but with the right policies in place, at least they can go away feeling like their valid arguments were considered and that the process was open and fair. Thank you.

MR. CONINE: Could I ask a question?

CHAIRMAN JONES: Sure.

MR. CONINE: You mention the statement "well reasoned objections."

MS. EVANS: Yes.

MR. CONINE: And it occurs to us sitting up here sometimes that emotion gets caught in the heat of battle at the last minute, and there really is no filtering process from some of the public comment to
determine the accuracy of those statements.

Can you shed some light on how we might do that in the future?

MS. EVANS: One of the things that was discussed in the round table yesterday was when you have leaders in the community who are perhaps the leaders of the opposition, if you can bring them in with the developers, and perhaps even use department staff as a liaison, so that everybody can sit at the table and talk about the issues, and talk about the concerns openly, and express things to the board.

I think that would go a long way, because the people who are in the community are the ones who are going to go back with 2,000 people on their email list and communicate back to that community. And as hard as you try, sometimes you can't get everybody in the community to listen.

But I think that if we feel like we're brought into the fold and that we are able to communicate with staff and get clarification from staff and the board, then when we go back to the community, we can help.

I know one of the issues that you had spoken to was in my community, there were some people who were saying that these properties do not pay any taxes. And
that is something that we're going to be continuing to
address, to educate our public that they do indeed pay
taxes.

    And how you combat those kind of things? I
don't know. Email is certainly a huge part of the
problem.

    MR. CONINE: I think the accuracy of public
comment needs to be thought about, or the process, or at
least having enough time after the public comment to be
able to discern whether or not it's an accurate
statement or not.

    The other thing I just lay in front of you as
something to think about -- again, I appreciate your
participating in the process, is the disconnect between
city councils, school boards, and economic development
entities within communities, and how it would be best for
a local community to make sure the three of them are in
concert relative to the goals and objectives for a
community, before the issues of housing or commercial
expansion, or whatever, takes place.

    Right now, there is no accountability, if you
will, other than to the public, on the issue between the
city councils and the school board. And I think that's a
huge problem with school systems cramped for financing but
still having to maintain adequate financing capacity or
facilities for the kids.

MS. EVANS: Right.

MR. CONINE: Yet you've got this economic
development guy over here just throwing money out the door
to try to attract people, which attracts kids. So help us
with that process, and -- not only in your local
community, but all across Texas and how to resolve that
problem.

MS. EVANS: I do think one way to do that is
that the earlier you get the public involved with the
board and with the staff and with the developer, then the
initial message going to the community can be an accurate
one. And I think that may be the best way. And I think
that was good for us to be able to get on board. Thank
you.

CHAIRMAN JONES: Thank you. And as Chairman --
we've had a number of more people turn in witness
affirmation forms. And we have quite a few. This is also
our third meeting today. And I know we're under some
tight constraints. And so I'm going to -- unless some
board member objects, institute a two-minute time limit
with regard to public comment for each speaker. If anyone
has an objection?
(No response.)

CHAIRMAN JONES: Hearing none, that's what we'll do. Ms. Rosa Rosales?

MS. ROSALES: Are we on the agenda item already?

CHAIRMAN JONES: You can -- no, we are not. You can --

MS. ROSALES: I'll speak on the agenda item.

CHAIRMAN JONES: That's fine. Angela Garcia?

MS. GARCIA: Same thing. I'm going to speak on the agenda item.

CHAIRMAN JONES: Roman Peña?

MR. PENA: Same thing.

CHAIRMAN JONES: Thank you, sir. Mr. Dario Chapa?

MR. CHAPA: Also on the agenda item.

CHAIRMAN JONES: Thank you, sir. Excuse me, I can't read this name. It's Veronica. And then the name starts with a B. And I apologize.

MS. BNSEN0: Bnseño. Hi. Good afternoon.

CHAIRMAN JONES: Good afternoon.

MS. BNSEN0: My name is Veronica Bnseño. I'm here representing Austin City Councilmember Raul Alvarez. He had wanted to come down here and testify today on the
Campbell Hogue and City of Austin Project, Villas on Sixth Street, but he had a council meeting, and asked me to come and read a letter into the record on his behalf.

The letter he wrote was to Ms. Carrington.

"Dear Ms. Carrington, I want to express my strong support for the application of the Austin Housing and Campbell Hogue and Associates, Incorporated, to obtain Low Housing Tax Credits through the TDHCA Housing and Tax Credit Program for the Villas on Sixth Apartments located at the 1900 block of East Sixth Street here in Austin.

"The proposed 160-unit apartment community is located within the heart of one of Austin's most historic communities, and its development will not only provide much-need affordable housing for all of Austin, but also will contribute to the economic redevelopment and revitalization of East Austin.

"In addition, the development is being supported by the neighborhood associations in proximity to it, and is consistent with the neighborhood plan in place for this area.

"For these reasons, I am pleased to support the joint application by AHFC and Campbell Hogue to develop the Villas on Sixth Apartments, and hope that you will give it serious consideration for financial assistance
from your agency. Sincerely, Raul Alvarez, Councilmember, City of Austin." Thank you.

CHAIRMAN JONES: Thank you. I appreciate it. Mr. Paul Saldana. Yes, sir.

MR. SALDANA: A couple of handouts. Good afternoon, members of the board and staff. My name is Paul Saldana. I am vice president of Martin Salinas Public Affairs, and a member of the Campbell, Hogue and Associates team.

I am here to speak in support of Application 03-160, the Villas on Sixth Street, as proposed by Campbell Hogue and Associates, and the City of Austin Housing Finance Corporation for Low Income Housing Tax Credits.

Before I specifically address our project, I want to briefly describe the neighborhood planning process in Austin, Texas, and how citizens and neighborhoods become empowered to design where they live and work.

The neighborhood planning process addresses land use, zoning, transportation, services and infrastructure, and urban design issues. The goal of the neighborhood planning process is for diverse interests to come together and develop a shared vision for the community.
A neighborhood plan represents the views of all the stakeholders that make up the community, identifies neighborhood strengths and assets, identifies neighborhood needs and concerns, establishes goals for improving the neighborhood, and recommends specific action items to reach those goals.

In Austin, neighborhood planning is an opportunity for citizens to take a proactive role in the planning process and decide how their neighborhoods will move forward into the future. The process asks for members of the community to address the local issues and concerns that affect them, their families and their neighbors. All stakeholders in the neighborhood are invited to participate.

The Villas on Sixth Street has been designed to be fully responsive to the requirements of the neighborhood and the neighborhood plan, while at the same time addressing the demand for affordable housing in the Austin market.

The Villas would be the first urban infill development in Austin, and the only affordable housing development to be located in close proximity to downtown Austin, providing a place for families to live and grow among friends.
The Villas on Sixth will truly complement and join other ongoing efforts to revitalize and trigger economic development opportunities in East Austin, joining other critical projects such as the Austin Revitalization Authorities, East 11th and 12th Street Redevelopment, The City of Austin's redevelopment of the old Robert Mueller Airport site, Capital Metropolitan Transportation Authorities, redevelopment efforts of at least for 4th and 5th Street corridor, and the University of Texas Charter School.

The Villas will offer a progressive on-site learning center where children will be welcomed after school to read, play and study. Partnered with the local YMCA of Austin, the Villas will schedule afternoon programs set in an enhanced educational, fun and safe environment. An on-site learning center is an important --

CHAIRMAN JONES: Excuse me. Sir, your time is up. Could you wind up?

MR. SALDANA: Sure.

CHAIRMAN JONES: Thank you.

MR. SALDANA: Let me just make a final point on the learning center. That's an important benefit for the residents of Austin, because just a few years ago, a
report was issued by the Just for Kids organization that ranked AISD as the least-effective urban school district in the State of Texas when it comes to educating minority and lower socioeconomic students.

I make this observation because I worked in City Hall, and elected officials for over 14 years in Austin, most recently at the Chief of Staff of Mayor Garcia. Too many times we hear of projects -- this is the last point, sir.

Too many points -- too many times we hear of projects being developed in neighborhoods that do nothing to meet the needs of the community. And the Villas does this. Thank you for your time. Sorry about that.

CHAIRMAN JONES: Thank you, sir. No problem. Michelle Meade, I believe. Did I get that name right? Oh, I made a mess of it. We tried. I apologize.


CHAIRMAN JONES: Thank you.

MS. MEADE: Board members, Good afternoon. My name is Mickelle Meade. I'm a development consultant here in Austin, and have been working for about ten years, since I got out of school, and try to put on the ground projects that will revitalize our community.
I think in -- I'm here to speak about the Villas on Sixth Street, the project proposed by Campbell Hogue. And I think that this is a captured opportunity that we have to bring 160 new homes to an area of Austin that has seen very little new development in many years, and not any residential new development that I can remember.

This is an opportunity for there to be a partnership between Campbell Hogue, one of the best developers we have in Austin, and the City of Austin's Austin Housing Finance Corporation. And not only does the partnership include those two entities, but this partnership includes the community, which I see as probably one of the most positive things about this development.

We have a project that the community wants to see brought to this area, and I think that's a real positive.

Lastly, I will just say that if we can't find -- if the board can't find the funding for this project this year, I think that we may miss this opportunity and the ability for us to be able to put this project on the ground may be lost. And so I'm just -- I'm here to just request that the board support this project.
Thank you very much.

CHAIRMAN JONES: Thank you. And with that, I think I have called everybody that we have a witness affirmation form from. Is that correct? And we will close the time for public comment with the exception of those individuals who want to speak to an agenda item.

At this point in time, we have on our agenda an Executive Session. Unless there is an objection from a board member, we had two executive sessions listed on our agenda. In the interest of time, my suggestion is we just do one executive session and include all topics that have been posted.

With that, on this day, May 15, 2003, at a regular board meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board of Directors adjourn into a closed Executive Session as evidenced by the following.

The Board of Directors will begin its Executive Session today, May 15, at 12:49. Come again?

MS. CARRINGTON: Forty-nine.

CHAIRMAN JONES: Forty-nine -- 12:49 p.m. The subject matter at this Executive Session deliberation is as follows. Consultation with Attorney Pursuant to 551.071, Texas Government Code regarding matter
concerning a former Department Employee and Sections 2306.6703, 2306.6733 and 572.054, Texas Government Code, Litigation and Anticipated Litigation, (Potential or Threatened, under Section 551.071 and 551.103, the Texas Government Code, Litigation Exception) Regarding Cause No. GN-202219, In Century Pacific Equity Corporation versus the Texas Department of Housing and Community Affairs, et al, in the 53rd Judicial District Court of Travis County, Texas; Consultation with Attorney Pursuant to Sec. 551.071, Texas Government Code regarding Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments); Personnel Matters Under 551.074, the Texas Government Code; and if permitted, discussion of any item listed on the board meeting agenda of even date. And with that, we will go into Executive Session.

MR. CONINE: We'll go out.

MS. CARRINGTON: And we will move. You all can stay here. We'll go. There are fewer of us than you all.

CHAIRMAN JONES: All right.

(Whereupon, at 12:49 p.m., the hearing was adjourned, to reconvene this same day, Thursday, May 15,
2003 at 1:50 p.m.)

CHAIRMAN JONES: We'll call back to order the board meeting of the Texas Department of Housing and Community Affairs Board of Directors on May 15, 2003. I hereby certify that --

Excuse me, the Board of Directors has completed its Executive Session of the Texas Department of Housing and Community Affairs on May 15, 2003 at 1:50 p.m. The subject matter of the Executive Session was as follows. Consultation with Attorney Pursuant to Section 551.071, Texas Government Code regarding matter concerning a former Departmental Employee in Sections 2306.6703, 2306.6733 and 572.054, Texas Government Code; Litigation and Anticipated Litigation, (Potential or Threatened, under Section 551.071 and 551.103, the Texas Government Code, Litigation Exception) Regarding Cause No. GN-202219, Century Pacific Equity Corporation versus the Texas Department of Housing and Community Affairs, et al, action taken, none.

And by the way, with regard to the first matter that I read, action taken on that was none.

Consultation with Attorney Pursuant to Section 551.071, Texas Government Code regarding 501(c)(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run
Apartments Series 2000A) action taken, none.

Personnel Matters Under Section 551.074 of the Texas Government Code, action taken, none. And if permitted by law, discussion of any item listed on the board meeting agenda of even date, action taken, none.

I hereby certify this agenda of an 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 to the Secretary of State's Office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, and that all members of the Board of Directors actually were present with the exception of Mr. Shadrick Bogany, and that this is a true and correct record of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended.

And with that, we do go back into open session.

With the board members' permission, I would like us to take a couple of items out of order with regard to our agenda, and we will now turn our attention to Item 6, which is the Presentation and Discussion and Possible Approval of Resolution Approving the Closing Agreement with the Internal Revenue Service With Respect to
Multifamily Housing Revenue Bonds, (Williams Run Apartments), Series 2000A.

Is there a motion from the board members? Is Mr. Conine back? Okay. Let's hold for Mr. Conine for a second.

(Pause.)

CHAIRMAN JONES: Off the record.

(Whereupon, a short recess was taken.)

CHAIRMAN JONES: We're back on the record. And I'll again turn our attention to Item 6 on the agenda, which is the Presentation and Discussion and Possible Approval of Resolution Approving the Closing Agreement with the Internal Revenue Service With Respect to Multifamily Housing Revenue Bonds, (Williams Run Apartments), Series 2000A.

Is -- excuse me?

MR. CONINE: Mr. Chairman, I move for approval of this resolution.

MR. GONZALEZ: Second.

MR. CONINE: Is there a number here that we need to refer to so that we can get that into the record?

CHAIRMAN JONES: Certainly. Yes, sir.

MR. CONINE: Move for approval of Resolution 03-42.
CHAIRMAN JONES: We have a motion by Mr. Conine, and it has been seconded by Mr. Gonzalez. Further discussion on the motion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All those opposed to the motion, please say nay.

(No response.)

CHAIRMAN JONES: The motion carries. I will now turn our attention again, with the approval of the board, to Item 2(b) on our agenda, the first item number being 2(b)(1), which is the Primrose Houston School Apartments.

I think I have been able to go through all of the witness affirmation forms, and I do not believe I have anyone who wants to speak to this agenda item. Am I correct in that? Is there anyone that wants to speak to this agenda item?

(No response.)

CHAIRMAN JONES: There is nobody that wants to speak to this agenda item. So I will turn our attention
to Item 2(b)(1). In this regard, Mr. Conine, you're co-chair. I need to sign some documents right now. Would you take over for this item for a moment or two while I sign those documents?

MR. CONINE: Sure.

CHAIRMAN JONES: I'll be right with you.

MR. CONINE: Do you want to make the staff presentation?

MS. CARRINGTON: Yes, sir. Thank you, Mr. Vice Chair. The item before the board this afternoon is to consider the issuance of Multifamily Mortgage Revenue Bonds in the Amount of $16 million. And this development is Primrose Houston School is the name of the development. It's located in Lancaster, Texas. And the developer is Southwest Housing. It is 280 units.

The bond structure would be 15 million in tax-exempt bonds, and approximately 1.9 million in taxable bonds. If the board will notice behind Tab 2(b)(1), you have nine items -- nine tabs that have information on this particular development.

These bonds will be privately-placed bonds, and they will mature in a period over 32-and-a-half years. If you will go to Tab 3 on the outline of this development, the tax credit allocation amount that the department is
behind Tab 3, in the Tax Credit and Tax Exempt Bond Summary Profile, you will notice down at the bottom, we are noting the public comment that we received on this transaction, and the public hearing in support.

We had two who spoke in support. In opposition we had eleven. We had two that were undecided. From legislators or local officials, Senator Royce West had a letter of support. Representative Helen Giddings had a letter of no comment. Mayor Joe Tillotson, no comment.

The city planner for the City of Lancaster says this is consistent with the local comprehensive plan.

Further moving through your tabs, Tab Number 5 is the department's credit underwriting analysis on this transaction. And you may remember from information that the department has presented to you in the past, we have changed up the form on this somewhat.

Behind Tab 5 you will notice that we have brought the recommendations on the developments to the front page, as opposed to the end of page 8, where you kind of had to dig for them. Again, what the department is recommending as a credit allocation of $742,903. This development does meet the requirements as far as market study, concentration, and the other department
requirements.

Behind Tab 5 this is a new map that we are including for you all. So it's actually the last page in Tab 5. We're including a map for you that shows where the proposed development is located within the market area, and it also identified other developments -- other affordable developments within that market area also.

Behind Tab 9 is the full transcript of the public hearing. And we've included for your information a summary on the first page of that of the public hearing, the number of people who attended, opposed, supported, undecided, the number that spoke.

We've also looked at the substance for the opposition. We had six on summary of opposition. Six items were identified at the public hearing. The development may negatively impact property values. We want the developer to build single-family homes. Do not want apartments, do not want development to have tax credits.

Development does not meet city standards, and will add to the traffic congestion. Below that, staff has responded to each of those six comments that were made at the public hearing.

With that, Mr. Chair, are you back? Mr. Jones,
are you back?

CHAIRMAN JONES: I'm back.

MS. CARRINGTON: Okay. The staff is recommending both the issuance of the tax exempt bonds and the allocation of the tax credits for Primrose Houston School located in Lancaster.

CHAIRMAN JONES: Could I ask a question about the regulation?

MS. CARRINGTON: Yes, sir.

CHAIRMAN JONES: I noticed that under the Multifamily Underwriting analysis, that when it talks about special adverse site characteristics, it discusses the fact that zoning was not appropriate.

MR. SALINAS: The zoning has been --

MS. CARRINGTON: If you will look -- yes, sir --

MR. SALINAS: They had -- did away with -- on the zoning.

MS. CARRINGTON: On Conditions on the bottom of the page, one of the first -- the first condition is, "Receipt, review and acceptance of documentation that the appropriate zoning was received for the proposed development."

So at the time staff prepared the materials in
the board book, when we had not been notified that zoning had been approved. I am sure that the developer, or Tom Gouris, who is our real estate analysis director, will be able to address that for you. But it absolutely is a condition upon the final allocation of the credits.

CHAIRMAN JONES: Okay. Has it occurred -- Tom?

Yes, has it occurred?

MR. GOURIS: That's my understanding.

CHAIRMAN JONES: Okay. Have we been furnished evidence of that?

MR. ONION: Yes. We have received the proper zoning from the City Council.

CHAIRMAN JONES: Okay.

MR. SALINAS: I move for the approval of the --

CHAIRMAN JONES: We have a motion that it be approved. Is there a second?

MR. GONZALEZ: Second.

CHAIRMAN JONES: Motion made and seconded.

Further discussion? 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?

(No response.)

CHAIRMAN JONES: The motion carries. We will
next turn our attention to Item 2(b)(2). There are a
number of people who would like to discuss that item. And
again, we are imposing a two-minute limitation. Mr.
Potashnik -- Brian Potashnik.

MR. POTASHNIK: I'll go last.

CHAIRMAN JONES: I tell you, there are probably
a lot of people that would like to go last. And this is
just a random order here. I don't want to get in trouble
by --

MR. POTASHNIK: All right. Thank you.

CHAIRMAN JONES: -- by giving anybody an
advantage.

MR. POTASHNIK: I appreciate it. I'll take
what I can get.

CHAIRMAN JONES: All right.

MR. POTASHNIK: My name is Brian Potashnik.
I'm the President of Southwest Housing, and the developer
of the Arbor Bend Apartments. This transaction, I'm sure,
is very familiar to the board. You approved it last year.
We're asking you to approve it again this year.

This is the property that has been zoned for
Multifamily that has been issued a building permit for us
to build Multifamily. It is being built not only under
the City of Fort Worth's ordinance, but the quality and
standards will exceed that ordinance.

The issues which you will hear before you today are NIMBY issues, issues that relate to schools, to traffic and to basically the people that are going to be living in these apartments.

The city councilman from Fort Worth, who I don't see here today, has a quote that has been now raised nationally, that says, "Having low-income people in a middle-class neighborhood is very unsettling to a lot of people. I'm a firm believer you get what you earn, and I don't believe that low-income people should be mixed in with middle and high-income people just to satisfy the social engineers."

Well, I personally am insulted by comments like that. This is an elected official. This is a development that has met all its approvals. It has the support of the City of Fort Worth. We have a number of people today from the community in Fort Worth that support this development.

We have met on a number of occasions with the neighborhood in an attempt to work with them. They have been told by their local representative that it's not necessary to meet with us.

You have a gentleman here who will be speaking to you on behalf of this neighborhood group, who went to
Austin to oppose us on a development that we were building in this city, in front of the mayor and city council in Austin.

The mayor and city council in Austin said, Excuse me. Aren't you from Fort Worth? Well, that transaction passed unanimously by the City of Austin, despite having somebody from the neighborhood of Fort Worth who is here today to oppose this, trying to stop us.

CHAIRMAN JONES: I'm sorry, time's up.

MR. POTASHNIK: Thank you.

CHAIRMAN JONES: Thank you, sir. The next one is Ms. Cynthia Bast.

MS. BAST: I only need to speak if it's needed to provide information on this, if asked to.

CHAIRMAN JONES: Okay. Thank you, ma'am. Mary Rusnak?

MS. RUSNAK: Hello. I appreciate the time to speak on this opportunity for the City of Fort Worth and Tarrant County. My name is Mary Rusnak, and I'm executive director of Neighborhood Housing Services of Fort Worth and Tarrant County.

We are a non-profit organization which has been in operation for more than 26 years. And as such, we are very obligated to our community to find the appropriate
resources for affordable housing. Also, we are a member of the Neighborhood Network, the Neighborworks Network of Neighborhood Reinvestment Corporation. And we have to be very, very selective in our partnerships.

When Southwest Housing came to us to become a partner in this opportunity for affordable housing, we embraced the opportunity because of the quality of their product, and because of the resources that they bring to their affordable housing.

They will have day care. They will have a computer center. They will have mentors to help with homework. They will be an asset to the school system. And we believe very strongly that they will bring very much to bear when it comes to serving the public of Fort Worth and Tarrant County, in that they will be able to house the teachers, the rookie cops, the secretaries, the aeronautical engineer, the startup.

The affordable housing is needed in Fort Worth, and this is a quality product which will have a long life. We have seen their product in Dallas, and we believe that they will be able to sustain a very attractive and affordable entity for our city and our county. I thank you for your time.

CHAIRMAN JONES: Thank you, ma'am. Joe
Velazquez.

MR. VELAZQUEZ: We have the opportunity today to provide 152 families the privilege to call a place, a dignified place, their home. My name is Joe Velazquez. I am on the board of directors of the Neighborhood Housing Services in Tarrant County.

I am also vice president and regional community development officer for Southwest Bank. I have a letter with me from Former Secretary Henry Cisneros, addressed to Director Edwina Carrington, if I may, please.

The letter reads, "Dear Ms. Carrington, the purpose of this letter is to express my support for Arbor Bend Villas, a proposed community for 152 families, recommended by the City of Fort Worth.

"Arbor Bend Villas has many dimensions which distinguishes it as precisely the kind of project which will meet the test of quality of design, appropriateness of location, accommodation for families of mixed income, and capable sponsorship.

"I have been personally -- I have personally observed that Fort Worth's governmental and civic leaders have been deliberate and exclusive in the approach to enhancing the city's housing stock in various neighborhoods, and for families across range of incomes.
"Arbor Bend Villas is the result of a very thoughtful decision-making and consultation process. Arbor Bend Villas will be located in an area of Fort Worth which maximizes employment opportunities for its residents. National evidence underscores the importance of the link between jobs and housing.

"The fact that Arbor Bend Villas will be home to families of various income levels makes its location, Fort Worth growth areas, even more significant. It assures the real economic opportunities for families along with enhanced children's performances skills, development for adults and ease of travel to work.

"When all of these dynamics converge, experience shows that strengthened family stability is an additional social benefit."

CHAIRMAN JONES: Excuse me, sir. Your time is up. Thank you.

MR. VELAZQUEZ: A closing statement?

CHAIRMAN JONES: Sure.

MR. VELAZQUEZ: We have a social responsibility here today to analyze this project, not with individual interests, but for the general interest of the community as a whole. Thank you.

CHAIRMAN JONES: Thank you, sir. Cheryl
Potashnik.

MS. POTASHNIK: Good afternoon. Thank you all for the opportunity to address you today. I don't want to take up too much time, but I have spent a lot of time working on this particular issue. I have a significant personal investment in it, just from a philosophical standpoint.

I'm not a confrontational person, but unfortunately, as much as we have tried to reach out to the neighborhood in this situation and work with them, we have some fundamental differences of opinion which we have not been able to overcome.

One of those is our disagreement with the councilman that low-income people should not be mixed with middle and high-income people. I strongly disagree with that sentiment. I disagree with the superintendent of the schools, the former superintendent, who stated that our school district does not accommodate our children, and that Crowley School District could only accommodate natural growth in the school system.

I have a strong problem with that. I think it's the responsibility of the school district to educate the children that are brought to them, regardless of the income or the whatever, where they live. And I understand
the neighborhood objection that there is too many
apartments in this submarket of Fort Worth.

However, that's inconsistent with the city's consolidated plan, which designates this area as a mixed-use growth area. It's inconsistent with the consolidated plan, which talks about the need for thousands of additional affordable rental units.

And so for those reasons, we have not been able to reach a consensus with the neighborhood, but I hope that you will positively consider this application. I think it's important to the community. The majority of applications or developments that Southwest Housing has been involved in for the last nine years have been in qualified census tracts, in areas that are already low-income neighborhoods.

But I think it's important that we start dispersing the housing. And I think it's an important message for the department to send, that we're not going to segregate housing in low-income neighborhoods. Thank you.

CHAIRMAN JONES: Thank you. Rosa Rosales.

MS. ROSALES: Honorable Commissioners, my name is Rosa Rosales. I am the national vice president for the League of United Latin American Citizens for the Southwest.
Area, which includes the State of Texas.

LULAC happens to be the oldest and largest Latino organization in the nation, with over 100,000 members nationwide, and with over half of the membership in the State of Texas.

Let me just say that we're here to give full support to the Arbor Bend Villas. You know, LULAC has always been a champion for affordable housing, and it is much needed. And to every family, regardless of race, color, or creed, to have an opportunity to high-quality housing.

The Arbor Bend Villas are not just any affordable housing. These are like the premier of affordable housing. This is a chance for all, not only Hispanics, but for all working families to have an opportunity to live in high-quality housing.

In fact, you know, we should be striving for more affordable housing. Statistics show that we -- there is a great need for affordable housing. This could give an opportunity for hard-working families to live in some high-quality housing.

Also, this is not a public-housing project. You know, this is, you know, market rate rents. You know, people and the builder need to have a job. You know,
you're talking about 600 or something to 800 and something that would be the rent rate.

You know, this is important to us also, that there is a lot of misperceptions, you might say, out there in the community, that affordable housing will bring in, you know -- will deteriorate the community, will bring in a high crime rate.

This is all, and more of the other things that you will hear probably today which have not been given any documentation for such proof.

You know, the wheel of justice is in your hands today. We can either accept something for the growth of American families to be given this opportunity to get into high-quality apartments, the premier of public housing --

CHAIRMAN JONES: Excuse me, ma'am. Your time is up.

MS. ROSALES: Just one more thing, and I'll finish up with a sentence.

CHAIRMAN JONES: Sure.

MS. ROSALES: I have seen this projects. This is a -- the beginning of home ownership. So it is not just an apartment that you live in. It's a step forward to be able to become, and realize the American dream of home ownership. Thank you.
MS. ANDERSON: Mr. Chairman, I have one question.

CHAIRMAN JONES: Certainly.

MS. ANDERSON: If I may ask you, ma'am, where do you live?

MS. ROSALES: Where do I live?

MS. ANDERSON: Yes.


MS. ANDERSON: Okay.

MS. ROSALES: But I also represent five states within the State of Texas.

CHAIRMAN JONES: Thank you, ma'am. Angela Garcia.

MS. GARCIA: Good evening --

CHAIRMAN JONES: Good evening.

MS. GARCIA: -- honorable board. It gives me a great pleasure to address you on this issue. My name is Angela Garcia, and I'm the deputy director for the elderly in the State of Texas. And I am here to support the housing in Arbor Bend Villas.

You know, we -- I am going to talk about the education. School districts have the right -- I mean, have the legal and moral responsibility to educate our children. And because those comments that were made, our
children also need the very best.

And if you see all over who works in that school district, who all -- who cooks our food for our children, who cleans the schools; this is not the working class. And mostly, because we travel all over in the State of Texas, from West Texas to East Texas to South Texas, your working class are minorities. And your working class have a right to have decent housing.

That's a dream of all minorities, of Hispanics, to have a chance to be -- have that opportunity to be able to take it. That's one of our missions in LULAC. In fact, Mr. Salinas, LULAC was founded in the Valley, wasn't it?

MR. SALINAS: Uh-huh.

MS. GARCIA: And so these are the things that we need to be appalled when someone comes against that we cannot have more children in school districts. Where are we going to put them? What are we going to do for them? Because don't forget; those are the children that are going to be in these boards. These are the children that are going to be the representatives of these communities.

CHAIRMAN JONES: Excuse me, ma'am. Your time is up.

MS. GARCIA: And it's time. Thank you very
much. And please vote for Arbor Villas.

CHAIRMAN JONES: Thank you, ma'am. Mr. Peña.

Mr. Peña, it didn't say here where you're from.

MR. PENA: I'm from San Antonio.

CHAIRMAN JONES: Thank you, sir.

MR. PENA: Honorable board, and Good afternoon, Mayor Salinas. We are here to support the project of oh, I think they call it Arbor Villas, or something like that. And I think what's come before you here is that -- something that you've been through it many times.

You've heard everything. But when you -- when a project is developed and meets all the criteria, all its requirements, that's what I think you ought to look at in the final picture. And I think that this development has met every one of them. I think that it's a good development.

The opposition has alleged many statements that they will create traffic congestion, overcrowd schools, increase in cost to the ISD, criminal activity, and et cetera. But I think the staff has responded in a positive and very responsible way so that you all could make good analysis about the project.

And I think that they all answered that those allegations are all false, except for one. I think the
staff agrees that the development will increase traffic, which you've addressed. So I think that when you look at this whole thing, it's all a matter of humanity, dealing with progress, dealing with the change that has occurred.

I think that this development in itself is something similar that happened in San Antonio. And we want to -- I want to thank you very much for you all approving a similar development in San Antonio, which we had similar comments made that are probably going to be made here today of what we read of the record.

They alleged the same thing, the same allegations. Well, I want to let you know that as a result of this development that happened in San Antonio -- I think it's Heatherwell, or something like that, it brought a lot of interest to the south side of San Antonio, which the mayor gave the south side initiative Toyota. And they're right in the back yard.

So I hope that this development that will occur in Fort Worth, may attract similar economic development. Thank you very much.

CHAIRMAN JONES: Thank you, sir. I appreciate it. Mr. Dario Chapa.

MR. CHAPA: In view of the fact that everything's been said already by previous speakers, I
am -- as national director of LULAC housing, I pass.

CHAIRMAN JONES: Thank you, sir. A wise man.

(General laughter.)

CHAIRMAN JONES: I also have a note on this witness affirmation form that Mr. Jones no longer wishes to speak. Is that correct?

MR. WEILAND: I would like to.

CHAIRMAN JONES: They're growing all the time. Maybe we'll let you in the Legislature. Mr. Joseph Weiland.

MR. WEILAND: I am Colonel Joseph K. Weiland, United States Marine Corps, Retired. And unlike some of the witnesses before you today, I do live in Fort Worth. I just want to update you with a few facts that were presented at the public hearing in Fort Worth earlier this year.

The figures that Chuck Silcox gave you were based on a mile-and-a-half radius. That's because of the geographic location and the density within that area. We have over 7,000 -- approximately 7,300 units within a mile-and-a-half radius. That is too dense.

Since then in reading your studies, I have determined that the marketing study was based on a five-mile radius. If you go out to a three-mile radius, there
are 11,379 units within a three-mile radius.

Within the five-mile radius, there is 14,927 apartments available to rent. The testimony that was brought out for public hearing indicated that they would rent at less than the figure shown in your study for Mr. Potashnik's project. So his financial data is all shot to heck.

To be fair about this, a new marketing study should be conducted. And it should take the lowest rent actually commissioned by the five adjacent properties in the last 12 months to see what the market will bear.

Another thing, and moving on, I would like to present to the board with some pictures of a apartment unit that is four miles from the site. This is the Huntington Place Apartments. It has been boarded up. It has been broken into.

Going on with the number of vacancies that exist in the five -- within the mile-and-a-half radius, over 1,000, there is a big question as to the need in this location for any type of housing, let alone -- I mean, we're not against affordable housing.

That's got nothing to do with the project. Nor our opposition. Not as -- we're not waving flags like some other people that have spoken.
CHAIRMAN JONES: Okay. Excuse me, sir. Your time is up.

MR. WEILAND: Okay. I want to thank you for your permission to do that. I have a list here I'll give you, too, of the apartments that were within the three-mile radius. So if anybody wants to check on them and prove whether they exist or not, I would be very happy to have them do that.

CHAIRMAN JONES: Thank you, Colonel. Elizabeth Albright.

MS. ALBRIGHT: Good afternoon. My name is Liz Albright. And I reside in the Oakmont Meadows Division, that is property adjacent to the property in question.

I'm concerned about what I've heard here today, that our neighborhood is not a mix. We have a multi-national neighborhood. My next-door neighbor is Hispanic. The neighbor up the street is Hispanic. Our friends down the street are African-American. A few doors down is a Chinese-American family, and an Iranian family up the street.

We have families ranging from single mothers to retirees, with varied income levels. I don't want you to be misled. The real point here is that Mr. Potashnik's goal is to bring over a quarter of a billion dollars in
bond money which is administered by the Federal and state government.

And isn't a quarter of a billion dollars for one person a bit much? What about businesses that are owned by women or by Hispanics, or African-Americans, or Asians, or veterans, or disabled veterans? Do they have the same access to funds that Mr. Potashnik does?

And there is a press release entitled, "Developer Threads the NIMBY Needle to Gain Community Acceptance." That is Mr. Potashnik's press release.

It states, "Convinced that he can sell the idea of affordable housing to Dallas area citizens and politicians, developer Brian Potashnik, President of Southwest Housing Development, is in the midst of a $281 million crusade to build hundreds of new, low-cost units on 15 sites."

And in view of time, we'll have to skip a smidge. The press release goes on to say not that Mr. Potashnik has won over every neighborhood. "Earlier this year city and school officials in suburban McKinney objected to a proposed family development ultimately convincing state housing officials that the city already had enough affordable apartments and that other areas needed them more."
"Without the support from state housing officials, Southwest did not have the funding to build, and the project was dropped. Mr. Potashnik has also had to mollify opponents in Oak Cliff, who did not want apartments for families because of the claims of increased density, school overcrowding and reduced property values. "He converted the project to a luxury senior community center, and donated 110 acres as a nature preserve. Affordable units were lost in the process, but Mr. Potashnik is not discouraged. He says he knows that his formula will succeed in other neighborhoods, and that those units can be replaced.

"Mr. Potashnik says he has a good base, and" --

CHAIRMAN JONES: Excuse me, ma'am.

MS. ALBRIGHT: May I make a real quick closing comment, please?

CHAIRMAN JONES: Yes.

MS. ALBRIGHT: We're concerned that this gentleman owes his very existence to the taxpayers and the bond providers of the state, and that they're truly a profit-making entity. And that's the point here, that the crusade is to make money. Thank you.

CHAIRMAN JONES: Thank you, ma'am. Dee Weiland. Hi. Do you happen to know a Colonel?
MS. WEILAND: I happen to live with that Colonel, off and on, when he wasn't overseas for almost 50 years. I've moved 41 times. I've lived in the 600 square foot provided by -- or 600 square foot provided by the Government, so does that answer your question?

CHAIRMAN JONES: I think it does.

MS. WEILAND: Yes.

CHAIRMAN JONES: I really do, and I want to congratulate him. He's like me. He married up.

MS. WEILAND: Thank you. We have a son who is overseas the fourth time since January 2, 2002. And we're also fighting for his home. The thing that I'm here for is that I am a senior citizen. I think everyone can see.

I'm frightened to death of more housing in that little area, and that no one has explained to you that it is a two-lane road with a half a hip on either side.

There is nowhere and no place, because of the fence and the houses, to get any emergency vehicles back and forth to any home, let alone the school house.

I do want to show you these three pictures that Mr. Potashnik claims that it's for the children, and that he cares for the children. These pictures prove that the children from this affordable housing unit that's just to the north of the place at 6150 that he's going to build,
have to walk in the gutter when this man refuses, by the law of the City of Fort Worth, when the grass is 12 inches high, to cut.

If you could see those pictures, you'll know that. And remember, when you were a little boy, that the crotch of your pants didn't come all the way up to where the crotch when you're a man, and that they can't walk in that grass that's not cut. And it's never cut, unless somebody comes from the city and forces him to cut it.

These children are walking in the gutter. Two years ago, I had to, because of this -- a year and half ago, because of this same thing, I was hit from behind, trying to get a little boy from a subsidized apartment complex across the street so he could go to the elementary school.

The other thing is that I do know affordable housing. I lived two blocks from it in another state. And the person that did this was the guru who just spoke in Washington, D.C., of all gurus, for affordable housing with two years' training.

These people moved into affordable housing that had a piece of sand for their children to play in; that had a door that was called their own. They didn't have to share it. It is a proven fact. I want to show you just
one more picture.

CHAIRMAN JONES: Okay. One more picture. Your time is up.

MS. WEILAND: This picture is -- there -- when you have two no-rents for two months. That's not $99 move in. That's -- it states the $99 that is to -- it states, number one, the credit report that it states, the police report and the crime report on anyone.

They are so -- these are all over our neighborhood. People that don't live in Fort Worth need to come and see these pictures live.

CHAIRMAN JONES: Thank you so much.

MS. WEILAND: And by the way, I can say this because I'm a grandmother. If you've ever seen a little child cross the street that's seven, that was killed by somebody going too fast, these children have to go to school. You'll lose your job if you don't go to work. But these children, by law, have to go to school. It's a law in the great State of Texas. And they have to walk within a two-mile radius. Where are they going to walk?

CHAIRMAN JONES: Thank you, ma'am. Mr. Eric Fox.

MR. FOX: Chairman Jones, members of the committee, my name is Eric Fox. I live at 6721 Branch
Creek Drive in Fort Worth, Texas. I live in the Gila Bend area, which is located next to the property on 6150 Oakmont Trail.

We'd be joined here by other members of the homeowners' association and other elected officials; however, Southwest Housing has either sued or subpoenaed us so many times that many neighbors in my neighborhood are now fearful to serve in a homeowners association, and fearful to speak out.

We've had an individual who has been sued on his own. We've had the county commissioner sued, and we've had the neighborhood association subpoenaed.

If we could, we'd like to start with a report for just a second, if we could. Senator Brimer is listed as no comment received. We're kind of curious about that. Senator Brimer read -- staffer read a letter that said, "I cannot support any project here tonight that is so strongly opposed."

So we think that maybe you ought to take a look at that and see if that doesn't put him in a negative column. Not one elected official in Fort Worth or Tarrant County has voiced support for this project.

Ironically, not the person that offered the amendment at the county level to not move forward with
this project as an African-American, lives in our neighborhood. She was the one that was sponsor of it. She was the one that was vocal about it. And she was the one that moved forward.

We disagree with the market study. I think that was said by the previous speaker. I just want to emphasize this again, 11,379 apartment units in 46 apartment complexes within a mile and a half, 14,000 in five miles.

Star Telegram did a story the other day, in October, called Rental Glut. It showed the North Texas occupancy rate was 91.2. The study that has been provided to you today shows there is 94.9 percent occupancy rate. We've contacted the Fort Worth Apartment Association, and if you come down to our section of Southwest Fort Worth, the occupancy rate is 83.3.

So we would disagree with the 94.9. We don't think that that is accurate. If I could just dive into the 43 apartment complexes that we have in that area. We have Candle Chase Apartments, which are a tax credit housing.

We have Overton Park, which is just coming on line. It's an affordable housing project by the Fort Worth Housing Authority for the relocation of the Ripley
Arnold residents. For those of you not from Fort Worth, Ripley Arnold is where they're now going to build the RadioShack corporate headquarters.

They had to move those residents. They moved them out to us. That's going to feed into Oakmont Elementary. We embraced it. We supported it. The community had to keep RadioShack, and we did.

Remington Hills, which is located --

CHAIRMAN JONES: Excuse me, sir. Your time is up.

MR. FOX: Yes, you bet. Remington Hill, which is located adjacent to Oakton Park, is a tax-exempt bond project. We also have Gila Bend Senior Citizens Center that is being built two blocks from this facility as well.

The density, according to the United States Census -- last point, is, for that square mile, the United States Census says that there are 51,000 people. It's the highest in Tarrant County, and among the tops in the state.

So Mr. Chairman, and members of the committee, it's a density issue. We're on top of one another. We want to thank you for your time. We want to thank you for answering the call of the Governor to serve the great State of Texas, and we urge a no vote on this project.
Thank you.

CHAIRMAN JONES: Mr. Fox, could I ask you a question before you leave?

MR. FOX: Yes, sir.

CHAIRMAN JONES: Could you tell me about the litigation? What litigation are you referring to?

MR. FOX: We have a -- when we were in the county -- when we were at the county level, and it has the Tarrant County Housing, you know, you wear a different hat in the county commissioners.

When it was denied, Southwest Housing Development went over across and filed a suit against the county commissioners. Dan Settle [phonetic] is that attorney. I"m not familiar with that, because I"m just a person that just lives in the neighborhood. But Dan Settle, who is their attorney for Kelley Hart and Holdman in Fort Worth, is the county's representative. He could speak to that.

When an individual that is also named in that suit as well, which has basically gagged him -- ironically enough, he happens to be a contractor, so someone that could actually talk about what the project looks like, how it's going to look. He's basically been gag-ordered out of that.
Then we can't have anybody serve, because everybody in our neighborhood association -- they do what everybody else in the neighborhood association wants to do. If you're president of the neighborhood association, you want to run the pool, the Fourth of July parade. You don't want to be subpoenaed, you don't want to be sued.

So we don't have a president, a vice president. We don't even have a slate. We haven't had one because everybody started ticking off, because the people that we had elected, they were elected to serve and make sure that our streets were nice, and sidewalks and the pool and the amenities and things of that nature.

And so people are really fearful and intimidated, until this is finally settled from wanting to serve at all.

CHAIRMAN JONES: You have been subpoenaed. Did you also say that?

MR. FOX: We were subpoenaed, yes, sir, by Southwest Housing. They subpoenaed for all hearings -- let's say, it was all meetings both public and private. And they wanted a list of every time we had ever met. And we had to try to comply with that. And of course, none of us are attorneys.

So we're to the point now where our housing
association is, you know, we're going to have to have an
attorney, we guess, to continue to survive.

    CHAIRMAN JONES: Thank you, sir.

    MR. FOX: Thank you. I appreciate it.

    MR. CONINE: Mr. Fox, what do you do for a living?

    MR. FOX: What do I do for a living?

    MR. CONINE: Yes.

    MR. FOX: Work at a large defense contractor for -- in Fort Worth.

    MR. CONINE: Okay. Thank you.

    MR. FOX: Thank you.

    CHAIRMAN JONES: Yes, ma'am?

    MS. POTASHNIK: I just want to say that --

    CHAIRMAN JONES: If you can come up to the podium.

    MS. POTASHNIK: You had asked about the litigation, and if you would like a full description, I think that we're more qualified to discuss it; that Mr. Fox is not a party to the lawsuit.

    CHAIRMAN JONES: All right. You'd like to describe the litigation. Yes, feel free to.

    MS. POTASHNIK: Are you interested?

    CHAIRMAN JONES: Yes. Certainly. Yes.
MS. POTASHNIK: Okay. Last year the bonds were induced by the local Housing Finance Corporation. And we went down the process, moved forward, had our TEFRA hearing. And the TEFRA hearing was held right before the vote. I think it was the day before the vote.

And when it came time for the Housing Finance Corporation to vote, they failed to make a motion. We received a subsequent correspondence from the HFC requesting additional studies, because they felt like they didn't have enough information based on the issues that were raised at the public hearing to make a good decision about whether or not to issue the bonds, even though they had induced them, and we had gone through the whole due diligence process.

The bonds were underwritten, and you all had approved the tax credits. So we submitted that we were able to get those studies done before the bond cap expired. And it was represented to me by the chairwoman of the HFC that if we were able to get those studies done, that they would reconvene and reconsider the issue.

And so we endeavored -- spent a lot of money to get those reports done. And through a lot of legal maneuvering, we were able to get them to convene again, because they really did not want to do that. And again,
they failed to make a motion on the bonds.

And we went to court to try to get a TRO to
force them to vote. And the judge denied the TRO because
of a variety of reasons, and the bond cap expired. We
amended our complaint, and we're seeking injunctive relief
to --

We're alleging violations of the Fair Housing
Act, and seeking adjunctive relief to the county to have
to rectify the situation through somehow coming up with a
way to provide affordable housing. The parties to the
lawsuit are the Tarrant County Housing Finance
Corporation, and Tarrant County only.

The HFC filed a motion to dismiss the case,
which the judge denied their motion to dismiss.

CHAIRMAN JONES: I tell you what. You're
probably giving me more than I needed to know.

MS. POTASHNIK: Well, the bottom line is that
the parties to the lawsuit are the county -- Tarrant
County and the Tarrant County Housing Finance Corporation,
and no individuals, no homeowners' associations.

I think the homeowners' association was
subpoenaed to provide certain documents, and that's as far
as that goes.

MR. SALINAS: Well, I -- can I say something,
Mr. Chairman?

CHAIRMAN JONES: Sure.

MR. SALINAS: I think we're here to award tax credits. I've said it before. We've always had problems in Houston, and you know, we do not vote on zonings.

We had that problem in McKinney, Texas, remember? That the Planning and Zoning approved it. The City Council approved it. Then they came over here and told us not to approve it.

I think it's really getting out of hand on what we can do and cannot do. I think our job here is to approve the tax credits, and that's it. How they file under legal actions in Fort Worth -- if they want to continue suing each other, that's fine with me.

I just don't think it's our job to approve or disapprove where apartments are going to be at, or housing. I think that staff has a recommendation. Zoning was done in Fort Worth. I think it's somebody's -- somebody is in the Planning and Zoning in the City of Fort Worth and the city council and everybody else, because they have failed to do their job, period.

You know, and the Hidalgo County Commission -- I mean, the Hidalgo County -- Fort Worth County Commissioners Court for Tarrant County has failed to vote.
And then it comes over here. And then you all want us to take care of everything.

You know, we're here only to approve tax credits. And it's going to be up to our staff whether they are going to recommend to approval. Then if the opposition did not like our tax credit, I mean, don't agree with us, they can file all the lawsuits they want to in Tarrant County.

But I think it's very unfair for everybody to come to us, and to go ahead and for us to declare zonings and no-zonings. The City of Houston, you know -- we could understand the City of Houston, because they have no zoning. And we've talked about it several times.

And we had a lot of people opposing the project. But see, they have no zoning. You all do have zoning in Fort Worth. You all have elected officials. You all have planning and zoning. We can't do their job for them.

I -- that's what I think. I just don't think that it's fair for us to be put in this situation. Our job here today is to say, Well, do we approve the tax credits? And I would think that staff would give us the recommendation, whether they need to be given the tax credits now -- you have a local courthouse. Now, all you...
have the state government. You have the attorney general if anything is being done wrong.

But for us to make the decision on zoning is -- it's -- and I don't know what we're going to do to be able to communicate that to the developers and to the cities, that they come and they ask us to do -- to deny something that has already been approved by city councils.

CHAIRMAN JONES: We have one more person for public comment, Mr. Sidney Poynter. And I'm sorry. I mispronounced your name.

MR. POYNTER: It's Poynter, P-O-Y-N-T-E-R.

CHAIRMAN JONES: Thank you.

MR. POYNTER: Like a bird dog, but with a Y instead of an I.

CHAIRMAN JONES: I see.

MR. POYNTER: Before I start, may I ask you three questions just for clarification? Does this board have the authority to overrule the staff recommendation? Do you have the authority?

MR. SALINAS: But sometimes they tell us that we don't. You know, the other day they told us we didn't do it, and I did, myself.

CHAIRMAN JONES: If I needed -- seriously?

MR. POYNTER: Yes, sir. Seriously.
CHAIRMAN JONES: -- if I answered that question for you, we're going to be here a long time today. This is a board of limited authority. It depends on the circumstances, and it depends on the evidence before us. And it really would take me a long time to answer that question.

MR. POYNTER: Okay. When you say that staff recommendation is -- who is staff?

CHAIRMAN JONES: It's Ms. Carrington and the individuals she works with.

MR. POYNTER: And who is that?

CHAIRMAN JONES: There are a number of them. Again, I don't think we're going to have time to go through who all her staff is.

MR. POYNTER: Okay. What action does this board take -- takes when they are aware of staff or former staff working both sides of an application? What action do you take?

CHAIRMAN JONES: And if you have information about that, you should provide it at this point.

MR. SALINAS: Provide it to the board; speak.

MR. POYNTER: You are quite aware of the information. You just came from an executive meeting discussing it.
CHAIRMAN JONES: I'm not -- and again, I'm not --

MR. POYNTER: You are correct when you say the Attorney General should -- is the one that can take action.

MR. SALINAS: Anybody can go ahead and talk to the --

CHAIRMAN JONES: If you would, you're going to have two minutes to make a public comment. Please do that.

MR. POYNTER: Okay. How many of your previous speakers voting, or expressing for this, was actually from the community? None.

MS. RUSNAK: No, that's not correct.

CHAIRMAN JONES: Please. If everybody would -- you have two minutes to talk.

MR. POYNTER: Okay.

CHAIRMAN JONES: The clock's running. Finish with what you have to say, and nobody else please speak.

MR. POYNTER: The young lady that just spoke up, Mary -- Mary is quoted in your report that says, "North -- NHS attempt to arrange a meeting with the Crowley ISD superintendent, former superintendent, has retired. NHS is still waiting on a response."
This is the kind of type of information you got from staff. She contacted the school district with an email. The email was received on April 30. I won't read all of it. I'll just read the last part of it.

She said she knew that he was busy, and it would take time. She says, "I will call to schedule an appointment. Thank you." That was the bottom part of her email. She called last Thursday. She was given an appointment Monday with the superintendent, at which time she came in and was very vague, did not --

He had to pull information from her to find out who she was, who she represented, and what it was that she was trying to get across. You talk about crime. I happen to live in the Arbor apartments. This is what I found on my apartment door, telling me to be careful when I go outside because of crime that's taking place in the apartment right adjacent to this.

I think that the best thing and the most important thing is the board is -- you stated in your board meeting on March 13, the board is taking a ground-breaking role in ensuring that affordable housing is available fairly across the community, as opposed to being located in one part of town, and creating an environment that cannot be a healthy community.
If you truly believe that, you will deny this application, because this school district is saturated with affordable housing apartments. Look at your map. See it. You've got one coming up right after this.

CHAIRMAN JONES: Sir, your time is up.

MR. POYNTER: Thank you. I would like to finish with this summary statement.

CHAIRMAN JONES: Thank you, sir.

MR. POYNTER: You have coming up after this a unit of 280 units. That gentleman has gotten support from the community. He has treated the community fairly. He came in. He presented his information to the school district fairly. He's done everything that you should be proud of, and would want someone of this nature to do.

So we're not in opposition to affordable housing. But we are in opposition to underhandedness, unfair practice, and I could go on and on.

MR. SALINAS: Okay. Have you really gotten down to your city council people, your elected officials, your mayor?

MR. POYNTER: Our mayor just got defeated.

MR. SALINAS: Okay. Maybe that's --

MR. POYNTER: Or he resigned. I'm sorry. He resigned.
MR. SALINAS: Well, those are the people that need to be hammered at.

MR. POYNTER: He didn't get defeated. He knew what was happening.

MR. SALINAS: Those are the people that need to be talked to. Those are the people that need to be --

MR. POYNTER: Well --

MR. SALINAS: -- maybe replaced. But you know, for us --

MR. POYNTER: The staff member worked for you, that also has worked for Mr. Brian Potashnik.

MR. SALINAS: Okay. This is something that needs to be put on the record, that there is a staff member that used to work for us now working for Mr. Potashnik? Or --

MR. POYNTER: Or was working for --

CHAIRMAN JONES: Excuse me.

MR. POYNTER: I think in the last couple of days, he may have been removed.

CHAIRMAN JONES: Excuse me. Thank you, sir. With that, unless there is some questions -- thank you, ma'am. Unless there is some questions from board members, it is time to close public comment only. That's all I'm going to be doing is closing public comment at this time.
At this point in time, I would like to take staff's recommendation on this agenda item as well as address maybe the issue that has just been brought up.

MR. SALINAS: Yes.

CHAIRMAN JONES: Thank you.

MS. CARRINGTON: Thank you, Mr. Chairman. Tab 2(b)(2), Arbor Bend Villas Apartments, to be located in Fort Worth, 152 Units, Southwest Housing Development Corporation will be the developer on this transaction.

It involves the issuance of $8,175,000 in tax exempt bonds, with the department as the issuer. The structure of the bonds -- the bonds would be purchased by Charter Mac, with interest rates of 5.50 during construction, 6.70 during the remainder of the period, 40-year maturity.

I'd like to turn your attention to Tab 3. Tab 3 is the recommendation on the credit allocation, $427,000 -- $427,025 for a recommended credit amount. Down at the bottom of the page, behind Tab 3, first page, the bond development profile and summary. Summary of the public comment that was received at the public hearing, which was held on March 6 -- 16 in support, 225 in opposition, 12 undecided.

A petition -- and you have this in your
information -- a petition of 613 -- a petition signed by 613 individuals in opposition, also 14 emails or letters in opposition, and Mr. Fox is absolutely correct in his comment about Senator Brimer. And I apologize for that. We discovered that after it went on our website. And I was going to clarify that.

Senator Brimer absolutely had a letter read into the record at the public hearing, and noted that there were a substantial number of his constituents that were in opposition, and he would need to be in opposition also.

Opposition from Representative Anna Mowery in that -- covering that area, City Councilmember Chuck Silcox. No comment from the Mayor, and a comment from the Assistant City Manager, City of Fort Worth, in saying that it was consistent with the local plan.

To begin to address some of the issues that were raised -- and I'm going to ask Tom Gouris to come on up to the microphone. But if you would go to Tab 5. Tab 5 is the underwriting analysis report on this transaction.

CHAIRMAN JONES: Is it the current one? I mean, the statements made in our book are the current statements?
MS. CARRINGTON: Going to page 5 on the submarket vacancy rates, and Mr. Poynter, I believe, was the one who brought this -- commented on this.

You will notice on page 5, behind Tab 5, Submarket Vacancy Rates -- the current rate at the date that this market analysis was done was 94.9 percent. And Tom, you might tell us when the market study was dated, because there is a further statement that says this part of the submarket has continued to decrease -- is expected to decrease through the third quarter of 2003.

Tom, what was the date of the market study?

MR. GOURIS: The market study is actually dated January 6, 2003. However, the study that they were referring to within the study was a study done by MCF research. And I believe that was sometime in the fall or winter of 2002.

MS. CARRINGTON: Fall of 2002, early 2003?

MR. GOURIS: The MPF research was done in late 2002.

MS. CARRINGTON: Okay.

MR. GOURIS: This -- our -- the entire study of the Burger [phonetic] study that we had was done in January 2003.

MS. CARRINGTON: I would like to call the
board's attention to page 8 of the Multifamily Underwriting Analysis. At the bottom of page 8, Summary of Salient Risks and Issues. There are four points that the department has identified.

And that is, the estimated operating expenses and pro forma more than 5 percent of the underwriter's verifiable ranges. Point 2, significant inconsistencies in the application could affect the financial feasibility of the project. The recommended amount of deferred developer fee cannot be repaid within ten years. And significant financing structure changes being proposed have not been reviewed or accepted by the applicant lenders and syndicators and acceptable alternative structures may exist.

Now, remember this went up on our website a week ago yesterday. And so there may be some additional information that has been presented to us. At the time we did this underwriting analysis, these were the issues that we did identify with the transaction.

MR. CONINE: Is there additional information that has been presented here on that during the week that would change any of these salient risks and issues?

MR. GOURIS: I haven't evaluated any additional information. I --
MR. CONINE: Have you gotten any information?

MR. GOURIS: Underwriting has it. I'm not sure if that Program Staff has that. I don't believe so.

MR. CONINE: Ms. Carrington, do you know if anybody else has it?

MS. CARRINGTON: No, sir. I do not know.

CHAIRMAN JONES: So we can rely upon this at this point?

MS. CARRINGTON: Underwriting --

CHAIRMAN JONES: This date, May 6?

MS. CARRINGTON: Underwriting has not received any additional information.

CHAIRMAN JONES: Okay.

MS. CARRINGTON: So yes, sir. You may rely on this.

CHAIRMAN JONES: Okay. Thank you.

MR. GOURIS: Should I point out an error that I found in our report?

MS. CARRINGTON: Yes, sir. If you found an error in our report, then yes, you point it out.

MR. GOURIS: Earlier today -- I'm sorry, on page 6 of the underwriting report, the top section there, the second-to-last sentence says, "However, the underwriter's estimate of these shares is .96, and
reflects that the debt service should be capped at 568362."

That line is a typographical error. We had done some updates, and that line didn't get updated. That should say, "Debt coverage ratio of 1.06, and a primary debt service of 564976."

MR. CONINE: Then how do you -- can I follow up to the question?

CHAIRMAN JONES: You sure --

MR. CONINE: How do you reconcile your 564 number, when if you flip the page, at least in my book, and you go over to the two-column sheet that you've got here.

MR. GOURIS: Yes.

MR. CONINE: And it's showing under the TDHCA column, next to the applicant column, a first-lien mortgage of 588357?

MR. GOURIS: Correct. The 588 is based on the 8 million 175 --

MR. CONINE: Yes.

MR. GOURIS: -- anticipated debt amount. When we underwrite, we go to -- both of you go to the very next page. You'll see on the right-hand side, "Payment computation" and then "Recommended financing structure."
That 564976 is the anticipated ultimate debt service amount, based on our reduction in where we anticipate the debt to be, the $225,000 reduction that we -- we anticipate no longer requiring it as part of our conclusions, basing our conclusions on that as a likelihood.

MR. CONINE: Okay. Flip back over to the previous page. And I have a few other questions of Mr. Gouris.

My concern is the financial feasibility of this project. I think it is clear to me that we've got too many units on the market giving too many concessions. A month free rent, two month's free rent.

It's also clear to me that this project technically meets all the parameters of, you know, the local building codes and permits and all the like, and he can wake up in the morning and just build a conventional project there if he wanted to, it sounds like to me.

But TDHCA, in my opinion, has some risks. A lot of people say we don't have any risk in this transaction, because people buy the bonds and you know, tax credits. We've got risks. We have risk of credibility here in some of the numbers that we put forth.

Starting with the TDHCA column, I notice you
use the 7-1/2 percent vacancy. And I notice right below
that there is absolutely no concessions listed.

And if you work through the expense numbers,
you come down to an NOI in this column of 622,48 -- 412.
And then after a deduction of a couple other fees, you get
down to a cash flow of 22,000 annually.

There is no way in the world, in today's world,
that that is a real view of what this project would do,
assuming it was open today and fully operational.
Absolutely no way. And I speak to the professional
knowledge that I have, relative to that particular issue.

And my concern is not necessarily for the
credits. My concern is for the bonds. This is the bond
portion of the hearing. I guess I would propose, or ask
you to consider, Mr. Gouris, because of the weakness in
the market over there, and I think we could get that
updated from the market study analysts, if he may be even
here today. I don't know whether he's here today or not,
but --

On my rough estimate, we should be looking at a
1.15 debt service coverage ratio in areas that are soft
and weak relative to the overall market. And at the
absolute minimum, we should be looking at a half-month
concession.
If I run those numbers -- if I take your 622,418 number in that column, and I put a 1.15 debt service coverage ratio on that, I got to 541,233. I take half a months' rent is another $52,992, and I come down to a debt service coverage available -- or net operating income available for debt service with a 1.15 coverage of 488,241.

Would you have any issues with my little hypothetical analysis that I need to be aware of?

MR. GOURIS: Yes.

MR. CONINE: Okay.

MR. GOURIS: Sorry to say. But --

MR. CONINE: Well, that's all right.

MR. GOURIS: The concession issue and the vacancy issue, and debt coverage issue. But let's talk about concession issue first.

MR. CONINE: Okay.

MR. GOURIS: Even if they're going to be rent-restricted at 50 percent of the area median income --

MR. CONINE: Right.

MR. GOURIS: -- which imbedded in that suggests the concession that's been made, below the market rent. And if you look at the -- what the market study indicated, the rents in the area --
MR. CONINE: Well, I disagree with that wholeheartedly.

MR. GOURIS: Well --

MR. CONINE: The competition next door will not be imbedded in that. What will happen is they'll get two months free next door.

MR. GOURIS: That may drive the market down, but what we know is --

MR. CONINE: It will drive, not may, will.

MR. GOURIS: As it would in every market that we operate in.

MR. CONINE: Right.

MR. GOURIS: But the information that we have, based on the market analysis and their evaluation of the market rents and their adjustments for the amenities and all, indicate that the market rent for a similar unit -- a two-bedroom unit, would be 690, whereas the rent --

MR. CONINE: Is that with a two-month concession, or just face rent? You know, because I -- in my business, I quote street rates all the time at numbers that no way do I collect.

MR. GOURIS: The market -- the instructions we have for the market analysts are to -- if those are pervasive concessions --
MR. CONINE: Yes.

MR. GOURIS: -- then they should be included in the rent that they --

MR. CONINE: Do you believe that it was included in the market study we were presented?

MR. GOURIS: I'd have to go back and look, to be honest with you. I --

MR. CONINE: Can I get that information? Is the market study analyst here, by chance? He's not here.

MR. GOURIS: These folks here are pretty reasonably -- not reasonably -- they do a very nice job for us generally, and they usually take that sort of information into account. If I could finish the thought on it --

MR. CONINE: Go ahead.

MR. GOURIS: -- there is a $62 differential on the two bedrooms. There is a $139 differential or savings to the market in a three-bedrooms, and a $255 savings in the four bedrooms.

On top of that, the information again provided in the market study, you know, clearly gives us a better feeling about the occupancy rate in the area than some of the statements that have been made here today, and your own personal experience in that market.
MR. CONINE: Do we have tax credit units in this particular market?

MR. GOURIS: Yes, I'm sure we do.

MR. CONINE: Have we checked to see if they're giving one-month concessions off of their max rents that they're giving?

MR. GOURIS: I did not do that.

MR. CONINE: Could I get that information any time quickly?

MR. GOURIS: We can --

MR. CONINE: Or is it going to take a few days?

MR. GOURIS: We'd have to call them and ask them what they're operating at. And we'd have to look for other 50 percent -- to be fair, I think we'd have to look for other transactions that have 50 percent units and ask if --

MR. CONINE: Do we have those in that marketplace?

MR. GOURIS: I'm sure we do.

MR. CONINE: Well, again, my concern is strict -- I have a lot of concerns about this deal. But my foremost concern is the financial feasibility of this particular project and our reputation related to the bonds.
And if -- and if I were to go through my hypothetical analysis, I know that that would create a gap, if you will, between the total amount of bonds being able to be issued on this project, and the tax credit syndication coverage, so to speak, and would kind of place a tough hurdle for the sponsor/developer here to overcome.

But if he was able to overcome that by whatever means he could convince you he could overcome it, then my concern about the financial feasibility of bonds would simply -- would be eased considerably, because we've now pegged a debt service number in this underwriting pro forma that, you know, I could -- I know I could sleep at night in a market that's super soft.

MR. GOURIS: And I don't -- I'm trying to express to you what our rules require us -- how our rules require us to look at -- and there is not a caveat in our rule to go from a 110 to a 115 if the market is soft. Nor is there any documentation on what soft means.

And if there was, and it was based on what the market analyst told us, and we need to look at what the -- you know, take seriously what the market analyst told us -- in this case, the market analyst would tell us that this market doesn't appear to be soft.

I understand where you're coming from, and what
your experience is in the area. And I don't have that to
go by. I have what the market analyst told us and
expressed to us as being --

MR. CONINE: Well, would it not be true that
what I'm proposing here -- if I were to propose not a
maximum bond amount, but a maximum debt service amount
attributable to debts -- principal interest reduction on
the bonds, and as anyone got up and read the Wall Street
Journal today knows, Treasuries have taken a huge fall,
and rates are coming back down.

And it could be that these bonds get sold at a
cheaper rate. Therefore, he can make up some of the gap
by increased leverage, because of the lower rates in
the -- over the next couple of months.

MR. GOURIS: I think that avenue -- I mean,
there's maybe some more room in there, but they've -- I
think they've tapped that out pretty well. I mean,
they've got a pretty low bond rate.

In fact, that was one of the reasons for our
relooking and a revision -- our revisions that we made,
because they went down slightly to the bond rate.

MR. CONINE: Our tremendous bond counsel has
now stepped forward, and I think we better recognize her,
Mr. Chairman.
MS. RIPPY: Elizabeth Rippy with Vinson &
Elkins, your bond counsel.

As a state agency -- okay --

MR. CONINE: That's a tough way to pass a
message --

MS. RIPPY: As a state agency, you don't have
the authority to delegate setting interest rates on bonds
that are unrated. This is a private placement directly
with Charter Mac.

MR. CONINE: I'm not setting interest rates,
Ms. Rippy.

MS. RIPPY: The rate can't change after today.

MR. CONINE: I'm not -- I understand that.

MS. RIPPY: I just want you to understand when
you're considering your --

MR. CONINE: What I think I do have the
authority to do is set the parameters which this project
had operated within. And if the bonds happen to meet
that, fine. And if they don't, guess what? The project
wouldn't be built.

MS. RIPPY: You are correct.

MR. CONINE: Thank you. Well, I don't have
that authority. The board has the authority.

CHAIRMAN JONES: Aren't you glad you came?
MR. GOURIS: If I might make one more comment about your thoughts.

MR. CONINE: Sure.

MR. GOURIS: This project is a little bit different than the average project in this market, in that about 50 percent or a little over 50 percent of it is three and four-bedroom units, whereas in the market -- in this marketplace, the 14 -- of the 14,989 units, only 5.9 percent of them are three-bedroom units.

And they -- what was identified in the market study -- they didn't identify any four-bedroom units in the market. So these units may have a slightly different market target than the 14,000 units that are there.

MR. CONINE: Okay. I'm going to rerun my numbers at 1.1. Do I have a concern, Ms. Carrington, about my 1.15 scenario, relative to the rules of the game?

MS. CARRINGTON: You would for this year, but I have made a note, and I think certainly as something as the work groups are going throughout the summer, redoing the underwriting, environmental market study and appraisal guidelines for next year, I think as their markets continue to be soft, that it would be very prudent of us to look at having a DCR requirement that would take into account different situations.
Not this year, but we will absolutely look at including it for next year. May I, Mr. Conine, while you're running your numbers over there, go ahead and point the board to the transcript behind Tab 9, and along with the summary that you do see, the public comment summary -- after the transcript, there were several more letters in opposition that were presented to us.

We have summarized the opposition down at the bottom of this first page. Area already saturated. Traffic congestion, overcrowded schools, cost burden for the Crowley Independent -- of the independent school district, increased criminal activity, decreased property values.

And on the next page, staff has summarized our response to the opposition on each of those issues. Behind the transcript, we do want to point you to the letter from the City of Forth Worth, from Chuck Silcox. That's behind your first yellow section -- a list of apartments. There is also additional opposition that was received. It's behind the second yellow sheet.

And then at the end of this, the developer has provided us a summary of their community outreach efforts. And that is what I wanted to call to the board's
attention.

MR. CONINE: Come on back up, please. I reran it at 1.10, to get you to 565,834.55. Again, that's off of a 622,418 starting point. And then I took my half month of concession, which I believe is out there, at 52,092. That gets me down to an NOI available for debt service of 512,842.55.

Just trust me, just for a minute.

MR. POTASHNIK: No, I totally believe that.

MR. CONINE: Okay.

MR. POTASHNIK: I know that that's --

MR. CONINE: Could I ask the applicant if he would be willing to take that as a maximum debt service coverage number, not pegging the amount of the bonds or the interest rates, Ms. Rippy, but if he would take that, building the same number of units, same quality, don't take anything out of it, and figure out how to cover the gap some way that would satisfy the department? Is that something that the applicant would consider?

MR. POTASHNIK: It is something that I would consider. I would have to make sure that the bond buyer or the equity investor would consent to it, and in the event that they did, I would be more than happy to go along with that recommendation. Yes, sir.
MR. CONINE: In the interest of time, I think I'm out of questions.

CHAIRMAN JONES: Other questions?

MS. ANDERSON: Did we finish the staff presentation?

CHAIRMAN JONES: Yes.

MS. ANDERSON: I thought you asked --

CHAIRMAN JONES: Yes.

MS. ANDERSON: -- the part of the presentation that we discussed the comment made about the former employee.

CHAIRMAN JONES: Yes. And let me say this. There has been a comment made about what we talked about at our executive session. And what we talked about at our executive session has been already disclosed in the appropriate notice that has been posted. That is the only information we will communicate about what went on in that executive session.

Having said that, Ms. Carrington, an issue did arise concerning a former employee. Would you like to address that issue?

MS. CARRINGTON: Yes. The department had an employee who was the co-manager of the Low Income Housing Tax Credit Program. And this employee did leave the
department on February 28 of this year.

And the tax credit applications for this particular transaction and also the previous transaction, which are both tax-exempt bond-financed, and then 4 percent tax credits -- these applications did come into the department prior to the employee leaving the department.

And the processing of the tax credit application would have been in the -- under the supervision of the employee at the department at that time. And any further elaboration, Mr. Jones, I would prefer to turn over to our general counsel.

CHAIRMAN JONES: Do you want to hear anything further, board members? Yes, sir?

MR. SALINAS: From our counsel.

CHAIRMAN JONES: Oh, you want to hear from our counsel? Yes.

MR. SALINAS: I mean, this is a very serious accusation.

CHAIRMAN JONES: Yes. Certainly. Mr. Wittmayer.

MR. SALINAS: I'd like to find out if it has anything to do with the applicant, or is the application in jeopardy? Or is it illegal for him to go work
somewhere else after he leaves our employment? What is it that we need to do here, you know?

MR. WITTMAYER: Chris Wittmayer, the department's general counsel. Under the revolving door statute in the Texas Government Code, it is a potential violation if a former employee leaves the department and then subsequently works on matters which he was personally involved in, or which were under his supervision during the time he worked for the department.

We are looking at the facts of this case, and I will assure the board that it will be forwarded as is appropriate to the appropriate authorities to review this matter further, after a further investigation.

But I have no information available to me at this time which would indicate that this application is in any way adversely affected, or that the work of this former employee in any way adversely affected or improperly affected the department's evaluation of either of these applications.

MR. SALINAS: Okay. Does it affect it? Or it does not affect?

MR. WITTMAYER: I have no evidence that these applications have been adversely affected by these circumstances which we are reviewing, and which we will
forward to the appropriate authorities with our further review.

CHAIRMAN JONES: Thank you, sir. If I understand it, then, Chris, your comments are you've investigated it. You continue to investigate. And you will keep us posted?

MR. WITTMAYER: Right.

CHAIRMAN JONES: Thank you. You're certainly not saying all of the evidence is in at this time. Right, sir? That an investigation continues. Correct?

MR. WITTMAYER: That is correct.

CHAIRMAN JONES: Thank you, sir. Tom, come back. Come back. I join Mr. Conine's concerns about the market analysis.

I will say this. I don't think Governor Perry, when he appointed me, wanted me to check my brain out when I went to these board meetings, and just look at a market analysis and say that's like the Bible. You know, I don't think he wanted me to do that.

It seems like we've heard some evidence today. Seen some evidence today that certainly raises serious concerns about the market evidence -- analysis. I'll just say this, being familiar with the area myself, I do have concerns about it. You know, an analysis is an analysis,
but it's not fact.

So I have very serious concerns in that area with regard to this. But secondly, in studying the financial aspects of this deal, I have other very, very serious concerns. And I want to make sure that some of the things that are in this report before me are still statements you stand by.

The first one is in the salient risks, you say that this applicant's estimated operating expenses and pro forma are more than 5 percent outside the underwriter's verifiable ranges. Right?

MR. GOURIS: Right.

CHAIRMAN JONES: That's good today. You said that there are significant inconsistencies in the application which could affect the financial feasibility of the project. Correct?

MR. GOURIS: Correct.

CHAIRMAN JONES: Okay.

MR. GOURIS: Can I explain that one?

CHAIRMAN JONES: Certainly.

MR. GOURIS: The original application -- I mean, it's common in a bond transaction for the applications to change over time. The original application and what we had to work with at the end were
inconsistent, and not all the information that was -- we had at the end was corrected or updated in the application. And that's what that refers to.

It's significant because we've got an application that says one thing; we've got updated information that's not in our format, in our forms that's consistent.

CHAIRMAN JONES: And I sit here today, I -- you know, I have concerns about the financial feasibility of this. And you're saying that those additionally could affect the feasibility of it, the differences you just talked about?

MR. GOURIS: Correct.

CHAIRMAN JONES: And then finally, you say, "The significant financing structure changes being proposed have not been reviewed/accepted by the applicant, lenders and syndicators, and acceptable alternative structures may exist." And that's currently the status?

MR. GOURIS: Yes. And can I explain that one as well?

CHAIRMAN JONES: Certainly.

MR. GOURIS: That's the reduction from the 8 million 175 to 7 million 850 that we think is going to take place. The alternative could be that they are able
to get a lower rate, or a different term, or something like that. And the lenders and syndicators in this case didn't -- just like with Mr. Conine's suggestion, haven't had a chance to review that information to say that that's acceptable to them. That's what that comment refers to.

CHAIRMAN JONES: Okay. Thank you, sir.

MR. CONINE: What would be your outstanding opinion under the underwriting if we were to limit the debt service available to -- or any net income available for debt service to 512,842?

MR. GOURIS: Yes, that's about what I got to from your numbers.

MR. CONINE: What does that translate to in gross bonds? It goes down from 7.8 to something.

MR. GOURIS: Yes, about 7.1.

MR. CONINE: Okay.

MR. GOURIS: But that difference could be absorbed by a different -- the remainder of the developer's fee and contractor fee.

MR. CONINE: Right.

MR. GOURIS: The effect would be to reduce the cash flow or net operating needed to service debt.

MR. CONINE: Would it improve the financial feasibility of the project?
MR. GOURIS: Depends on whose perspective you're looking at it.

MR. CONINE: Well, let's assume that the source and user would be okay. So you've got the same project built. Now you're just looking at income and expenses.

MR. GOURIS: It would certainly reduce the debt burden and make it a much more viable from the lender's perspective.

MR. CONINE: Right.

MR. GOURIS: But the --

MR. CONINE: The question is, how do you cover the gap?

MR. GOURIS: Well, the gap would be covered by the deferred developer fee, and additional deferred contractor fee. And that would be within -- because that -- when we -- if we were to reevaluate that, we'd reevaluate it as if it were being paid at zero percent, even though there may be an interest on that.

It would be more feasible in our techniques of evaluation.

CHAIRMAN JONES: All right. Any further questions?

MR. CONINE: When is the 120-day expiration on these bonds?
MS. CARRINGTON: May 30.

CHAIRMAN JONES: Any further questions for Mr. Gouris? Thank you, Tom. I appreciate it. What's the board's pleasure? I hear no motion on this act --

MR. CONINE: I'm going to move to table this project to a time certain -- got to be at least seven days from now. Right?

MR. SALINAS: I think it would be --

MS. CARRINGTON: Eight days, because it would have to be posted by this afternoon.

MR. CONINE: What is the -- what's the Monday before the 30th? Anybody have a calendar with them?

MR. SALINAS: To have another board meeting?

MR. CONINE: No, but I'm thinking about having one.

MS. CARRINGTON: I think it actually may be Memorial Day.

MR. SALINAS: It would be very --

CHAIRMAN JONES: It seems like we meet every other day.

MR. SALINAS: Yes, it'd be --

MR. CONINE: How about -- forget Monday. Let's try Tuesday.

MR. SALINAS: It would be very hard for me to
get to here on the -- on or before this.

MR. CONINE: Could we do a -- is it possible on this particular item, Mr. Chairman, to do a teleconference board meeting?

CHAIRMAN JONES: I don't know. Chris?

MR. SALINAS: I think if you -- if you're going to --

MR. WITTMAYER: I'd like to do additional research before I can give you that answer.

MR. CONINE: Oh, man.

MS. CARRINGTON: Mr. Conine, may I say that Brooke has just told me it would have to go to the Bond Review Board by May 22, which is next Thursday, I believe.

MR. CONINE: Okay. Forget the motion to table it. I make the motion that we approve the Arbor Bend -- is it Arbor Bend, whichever one it is.

MS. CARRINGTON: Yes, sir. Yes, sir. It's Arbor Bend.

MR. CONINE: With the bond proceeds, or the bonded amount to be restricted to a debt service coverage number underwriting-wise of $512,842. And same number of units get built, same quality of project gets built. The bonds are at a fixed-interest rate.

And I want to make it subject to an additional
request of the market analysis to go back and relook at the concession of that particular submarket directly, and make it -- and make the proposed debt service coverage number included in this motion to be adequate to and sufficient to staff for their reviews, because we won't get back together again. That's my motion.

MR. SALINAS: Did everybody get that? I'll second that motion to -- just to go ahead and discuss it. If it's okay with the staff on the motion, if it's going to be okay with the applicant. I don't know. It's --

MR. POTASHNIK: Well, I just don't want to run into the Bond Review Board timing issue. So as long as we can preserve our bond cap to close the transaction, I'm certainly amenable to whatever time the board needs to work the issues out.

CHAIRMAN JONES: Well, I'll take a stab at speaking against the motion. I just -- I hate to see us renew deals in the middle of the -- you know, I think once we set this precedent -- we've done it before, and sometimes we've lived to regret it.

Secondly, I'll just say this. I will echo that I have concerns about the financial feasibility. And I also have concerns about the market analysis based on the evidence that is being presented. Further discussion of
the motion?

MR. SALINAS: I just called for the question. Do you have a motion to second?

CHAIRMAN JONES: Yes. The motion and second. The question's been called. Are we ready to vote? I assume we are. All in favor of the motion, say aye.

MR. CONINE: Aye.

MR. SALINAS: Aye.

CHAIRMAN JONES: All opposed, say nay.

MS. ANDERSON: Nay.

MR. GONZALEZ: Nay.

CHAIRMAN JONES: The chair votes nay. The motion is defeated. With that we will turn to Item 1 on the agenda, which is the Presentation, Discussion, and Possible Approval of the Minutes of the Board Meeting of April 10, 2003. Do I have a motion that it be approved?

MR. SALINAS: What we're --

MS. CARRINGTON: He needs a motion to approve the minutes.

MS. ANDERSON: Oh, so moved.

CHAIRMAN JONES: We have a motion that the minutes be approved. Is there a second?

MR. SALINAS: Second.

CHAIRMAN JONES: The motion's been made and
seconded. Is there any further discussion? 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, say nay. The motion carries.

MR. GONZALEZ: Abstain.

CHAIRMAN JONES: And one abstention. Excuse me.

MR. GONZALEZ: Uh-huh.

CHAIRMAN JONES: We will then turn our attention to Item 2(a) of the agenda. Ms. Carrington, would you present that?

MS. CARRINGTON: Yes, sir, 2(a)(1), Directors and Officers Insurance, Bill Dally, come up as quickly as you can to tell them what they have.

MR. DALLY: Good afternoon, board members. I just want to let you know, this is an information item. We have a $10 million policy in place. That binder went in place April 11, right after the last board meeting.

And I had some representatives here earlier from the State Office of Risk Management, and the AG. But if you have any further questions on that policy that I can't answer, I will forward that on to them and get it
back to you.

MS. CARRINGTON: My only question is is this substantially the same as the coverage we've had under prior policies?

MR. DALLY: Yes. And this gone under review by the State Office of Risk Management. And actually it's better titled Public Official and Employment Practices Policy. But yes, it is.

CHAIRMAN JONES: Thank you, sir. Okay. We've handled Item 2(b), I believe. So we will move to Item 2(c). Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chair. Item 2(c), or Items 2(c)(1), (2), and (3) -- Items 1 and two relate to our Single-Family Mortgage Revenue Bond Program. Item C [sic] will relate to a Mortgage Credit Certificate Program that we are considering.

So C(1), you all will remember at the April board meeting you had a presentation and discussion on the structure of variable rate auction bonds, which is a technique that we are considering using for the issuance of Single-Family Mortgage Revenue Bonds that we will be completing in June of this year.

The board gave us preliminary approval to move forward. What we are going to be doing is taking
$74,655,000 in a convertible option bond, a COB, that was issued at the end of last year, and we will be using 40 million of that to issue convertible rate auction bonds, and then the other 32 million will be used to issue fixed-rate bonds.

These bonds, of course, will be used to find mortgage money -- to create a lendable proceeds mortgage money for first-time homebuyers in the state.

If you go to the second page behind your board action summary, the interest rates will be approximately 5.9 percent and 5.3 percent. And the difference is the 5.9 percent is the interest rate for those borrowers who do not have any downpayment assistance. And the five-point -- I'm sorry, who do have downpayment assistance. And the 5.3 percent will be for those borrowers who do not have downpayment assistance.

There is a resolution for your approval for this transaction, and earlier today Byron Johnson, who is our director of bond finance, did give me some information that there were a couple of changes on the resolution. And so Byron, I think that you should probably read those into the record, since they will be different than what the board is -- what the board has in front of them.

MR. JOHNSON: Good afternoon, Byron Johnson,
Director of Bond Finance. Three changes in the resolution you should note. The resolution authorizes issuance of both fixed-rate and option-rate bonds. If the pricing or terms of the auction-rate product was swapped and not favorable, TDHCA may only issue fixed-rate bonds.

The swap counterparty has been changed. Those counterparties will be Bear Stearns Trading Risk Management instead of Bear Stearns Financial Products. As a result, the counterparty is able to provide a swap for prior terminations at any time and any amount from prepayments, and a swap will terminate upon the bankruptcy of the parent company of the counterparty. That's another change.

The third change is that the swap reserve described in the resolution will be funded in the amount of about $2 million. It will be available for future swap counterparties, as well as the current swap counterparties.

I'm sorry?

MS. CARRINGTON: Thank you, Byron. May I point the board's attention to Exhibit A, which is at the back of this section. And this is your list of underwriters. And on this transaction, Bear Stearns and Company is senior, two co-seniors, U.S. Bancorp Pier Jaffrey,
Citigroup Global Markets, who I believe Byron told me a couple of days ago is the old Salomon Smith Barney? Yes. And then co-managers, George K. Baum, Siebert Brandford, and U.B.S. PaineWebber, Inc.

MS. ANDERSON: Can I ask a question?

CHAIRMAN JONES: Maybe?

MS. ANDERSON: I'm not even sure I can frame the question. You said if the market conditions don't go, then we might just issue the fixed-rate bonds.

Would we just issue the $40 million worth? Or would we then go back and issue all 80, or all whatever it is, 70 --

MR. JOHNSON: The resolution --

MS. CARRINGTON: It would be 32 in fixed rate, and 40 in convertible option. So --

MR. JOHNSON: Right. The resolution gives us the authority, if we decide not to do the swap on the variable rate bonds, to issue up to 75 million in fixed-rate bonds.


CHAIRMAN JONES: Other questions? Do we have a motion?

MS. ANDERSON: We accept staff's recommendation, and move that Optional Resolution 03-39.
MR. SALINAS: Second.

CHAIRMAN JONES: Motion's been made and seconded. Further discussion? 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.

MS. CARRINGTON: Second Item, 2, is the reduction --

CHAIRMAN JONES: You're going to have to teach Tom how to do this.

MS. CARRINGTON: I don't know. Let him swap positions for a while.

MS. ANDERSON: Byron's day may come. Byron's day may come one day.

MS. CARRINGTON: My guess is --

MR. GOURIS: But I don't --

CHAIRMAN JONES: Neither do I.

MS. CARRINGTON: What staff is requesting on Item Number 2 is approval from the board to reduce the interest rate for Bond Program 56. It was 2000B, 2000C, 2000D, 2000E. And we have actually -- we have
originated -- it was actually a total of 124,957,000 --
124,900 -- Byron, help. When it gets to million --
124,915,000.

MR. JOHNSON: Yes.

MS. CARRINGTON: That's how much was actually
in the program when we -- at the beginning of the program.
We have originated all but $22,240,476. And what we are
looking to do is use some cash from service release
premiums and three previous programs.

And we are going to reduce the interest rate on
this program. And when I asked Byron how much we're going
to reduce the interest rate, it really depends on how much
we want to put in to get a more favorable interest rate
for the program.

The interest rate right now is 6.60. This
program also didn't have any downpayment assistance
attached to it. And so what we're looking to do is really
two things. And that would be lower the interest rate,
but also create some downpayment assistance funds through
the HOME Program.

And staff is recommending we restructure.

MR. SALINAS: So moved.

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

CHAIRMAN JONES: The motion's been made and seconded. Further discussion? 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'll turn to three.

MS. CARRINGTON: Thank you, Mr. Chair. There is a mechanism called Mortgage Credit Certificates for first-time homebuyers, wherein an issuer can take their allocation of private activity bonds and turn it into a mortgage credit certificate.

In the '80s, the department issued multiple mortgage credit certificates for borrowers. The benefit to the borrower is that they take a credit on the mortgage interest that they pay.

It has been quite a while since we have issued any mortgage credit certificates. What we are asking for from the board today is to give us approval of the concept to go ahead and move forward with exploring the possibility of issuing mortgage credit certificates. And that would be with a portion of our 2003 private activity bond allocation.
And we would also be striving to reach some of those borrowers with credit scores that would be in the A-minus/B range. Those borrowers that would be in geographically and economically underserved markets of the state.

MR. SALINAS: So move.

CHAIRMAN JONES: Motion.

MR. GONZALEZ: Second.

CHAIRMAN JONES: The motion's been made and seconded. Further discussion? Hearing none, I assume --

MS. ANDERSON: Can I ask a question?

CHAIRMAN JONES: Yes, ma'am. Yes, you sure may.

MS. ANDERSON: Is this like in lieu of doing downpayment -- I don't think I've got this thing yet.

MS. CARRINGTON: The mortgage credit certificates would be in lieu of issuing Single-family mortgage revenue bonds and creating lendable proceeds.

MS. ANDERSON: Okay.

MS. CARRINGTON: We would take, as an example, 100 million of our Single-family mortgage revenue bond authority and convert that into 25 million worth of mortgage credit certificates. So the borrower would get a loan from a lending institution that would not be a loan
most likely financed with -- could be?

MR. JOHNSON: No.

MS. CARRINGTON: Would not be financed with mortgage revenue bonds. It would just be an FHA/VA loan --

MS. ANDERSON: Right.

MS. CARRINGTON: -- that any lender could make.

MS. ANDERSON: Uh-huh.

MS. CARRINGTON: And then the borrower would meet all of our eligibility requirements, and would receive this mortgage credit certificate, which on an annual basis with their income tax return, with the IRS, they get a credit --

MR. JOHNSON: Dollar-for-dollar credit.

MS. CARRINGTON: -- dollar-for-dollar, kind of like the Low Income Housing Tax Credit Program when the investors buy in. So it's a dollar-for-dollar credit on their interest liability. Or their interest payment.

MS. ANDERSON: So I've got an $80,000 mortgage, and my annual interest on that is, I don't know, whatever -- what is it? You know, $5,000. Then I put this credit certificate with this $5,000 interest payment, and I get to take a $2,500 credit on my taxes, plus I get to write off the $5,000 in interest?
MR. JOHNSON: No, ma'am. The excess interest is all -- well, the itemized deduction is limited to the excess interest. The amount of the credit is -- we set the rate at how much interest is credited. And then any interest above that, the borrower can still deduct.

But once you take that mortgage credit -- you know, the mortgage credit against the interest, that itemized deduction is lost.

But rather than getting 28 cents or 15 cents on the dollar, the borrower is getting one dollar.

MS. ANDERSON: Right. It's -- yes. I'm -- okay.

MS. CARRINGTON: One of the reasons that we have revived this concept -- there are many issuers out there who have continued to use mortgage credit certificates in conjunction -- well, as a component of reaching first-time homebuyers along with single-family mortgage revenue bond program.

I think at the last two board meetings, we've had restructuring of previous bond issues, because interest rates have moved away from us. And so obviously, this is a way to utilize our single-family bond authority to reach first-time home buyers, distressed areas, and do some A-minus/B paper, and --
MS. ANDERSON: Not have negative arbitrage.

MS. CARRINGTON: -- not have negative arbitrage and be caught in a falling-interest-rate environment.

MR. JOHNSON: And earn some fees.

MS. CARRINGTON: And earn some fees, as Byron says. Yes. He wants to go on the record always as earning those fees for the agency. And we thank you, Byron.

CHAIRMAN JONES: Further questions, discussion? 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'll turn to Item 3 on the agenda.

MR. JOHNSON: Thank you.

MS. CARRINGTON: Thank you, Byron. Item 3 on the agenda, board members, is the Discussion and Possible Approval of the 4 Percent Low Income Housing Tax Credits related to three transactions that have issuers other than the Texas Department of Housing and Community Affairs as the issuer.

The first transaction is Sycamore Center Villas in Fort Worth, Tarrant County. HFC is the issuer on this transaction. Staff is recommending a credit allocation of
$753,222.

The second for your consideration is Kimberly Pointe Apartments in Houston, $531,570. Harris County HFC is the issuer on this transaction. And then the third one is Shadow Ridge in Houston, $565,705. Harris County HFC is the issuer.

I would like to note that on the Kimberly Pointe Apartments, this is an area of Houston that the department does feel is becoming very soft. The market is becoming very soft. And we have approved at least one transaction in this area in the last several months.

And while this one does meet all of our requirements, we have basically put the development community on notice that we may be at a saturation point in this particular area of Houston for the time being.

You will see on each of these summaries, since we're not the issuer, we don't have a transcript on the TEFRA hearing. So on the bottom of the first page, in each of the credit and bond summaries, on the public comment section on the left, we've said, From Citizens.

And what this means, as a for instance, I turn to Kimberly Pointe Apartments, zero in support, zero in opposition. What that means is the department didn't receive any letters related to the tax credit allocation
that would have either been in support or in opposition to the transaction. And that's the same format on all three of those.

MS. ANDERSON: And so do we have any way where we get a sense of if we don't directly get the letter, but the HFC gets the letter, do we know about any of that, ever?

MS. CARRINGTON: Brooke, would you like to come up and answer that question, please?

MS. BOSTON: It's my understanding from our staff that we get copies of letters that go to the HFC as well, and that in this case, none of them happen to have done any.

MS. ANDERSON: Great. Thanks.

MR. SALINAS: I move for the approval.

MS. ANDERSON: Second.

CHAIRMAN JONES: We have a motion made and seconded. Further discussion? 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. Ms. Carrington?

MS. CARRINGTON: Yes, sir. Item 3(b), the
Issuance of Additional Low Income Housing Tax Credits for three developments. Let me remind the board that these are all bond and 4 percent credits, requests for additional credits.

There is no situation that the department has where a 9 percent credit allocation can come back. These are all private activity bond and 4 percent credits.

You will remember the discussions we had back last fall. Mr. Conine in particular was very clear that if we had a developer come back at cost certification time and request additional credits, that that additional credit request needed to be based on true cost excesses, additional costs of labor, additional costs of materials, and not because the development or the construction was poorly managed and cost overruns got away from them.

Staff has evaluated not only the cost certification, but the reasons for the additional requests on all three of these. You'll notice that the first two were actually allocations of credits and bonds in 1999.

The third one was a credit allocation in 2000. So you can see that actually these are four-year-old allocations that are just now coming in for cost certification.

San Jose is coming in for 32,169. Woodglen for
$9,920, and Texas Pueblo for $33,519. And staff has reviewed their requests, found them justified within the parameters that the board identified for us last fall, and is recommending the additional allocation of credits at cost certification time.

MR. SALINAS: So moved.

MS. ANDERSON: Second.

CHAIRMAN JONES: We have a motion made and seconded. Further discussion?

(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. Item 4.

MS. CARRINGTON: Thank you, Mr. Chair. The board has adopted priorities for the use of deobligated HOME funds. And the request that you have in front of you today is from the City of Albany that suffered -- I think it was floods back earlier this year. Thank you, Eric. And they have been declared a disaster area by the Governor.

It was actually rain and hail, Schackleford County, the City of Albany. They have requested $500,000
for disaster relief, and staff is recommending the award
of $500,000 to the City of Albany, Shackleford County, for
disaster relief out of the HOME funds.

    MR. SALINAS: So moved.

    MS. ANDERSON: Second.

    CHAIRMAN JONES: Motion's been made and
seconded. Is there any further discussion? 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 5?

    MR. GONZALEZ: Item 5, we had our Audit
Committee meeting this morning. David Gaines could not be
with us because he had a meeting. He's the president of
an association and this is Internal Audit Week, which we
recognized him, and the Governor recognized him.

    The minutes of the March 13 meeting were
approved. And then we went over the discussion of the
status of the prior audit issues and the status of the
central database project.

    And I don't know if Beth has anything to add to
that.

    MS. ANDERSON: Very informative meeting, lots
of continued good progress, and we had a good outlook.

CHAIRMAN JONES: Thank you, so much.

MR. SALINAS: Move for the approval of the report.

CHAIRMAN JONES: We have a motion that the report be approved. Is there a second?

MR. GONZALEZ: Second.

CHAIRMAN JONES: Motion's been made and seconded. Further discussion? 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. Status of the Central Database Project?

MR. GONZALEZ: We took care of all --

MS. CARRINGTON: Oh, that was all --

CHAIRMAN JONES: That was all?

MS. CARRINGTON: That was taken care of --

CHAIRMAN JONES: I like it.

MR. GONZALEZ: We voted on it.

CHAIRMAN JONES: Executive Director's Report?

MS. CARRINGTON: I always get the short end of the stick, don't I, guys?

CHAIRMAN JONES: Isn't it terrible.
MS. CARRINGTON: But I can be so brief.

CHAIRMAN JONES: Well --

MS. CARRINGTON: Behind Tab 1 --

CHAIRMAN JONES: I believe it is close to my bedtime.

MS. CARRINGTON: I know. Behind Tab 1 is your Legislative Activity Memorandum, Number 20. There have been 19 previous before this where the department is tracking and summarize legislation that directly relates to our activities.

I'm sure that Michael Lyttle will be happy to answer any questions that you might have on that. Any questions that the board may have on the Legislative Memo Number 20?

(No response.)

MR. CARRINGTON: Okay. Moving on to Item Number 2, the Status of TDHCA Sunset Legislation. Eric Opiela, who is the clerk from Urban Affairs is with us this afternoon. And it is my understanding that Senate Bill 264, which is our sunset bill, was voted out of the committee this morning as a committee substitute.

And since we have been in meetings all day, Eric, I understand that you have volunteered to provide information to the board if they have particular
questions, or if you would like to do a brief overview of that. I think it's the board's pleasure as to how they would like to hear this information.

CHAIRMAN JONES: We'd love to hear what Eric has to say. Eric, thank you for being here.

MR. OPIELA: Thank you very much. My name is Eric Opiela, and I'm the committee director for the Urban Affairs Committee in the Texas House.

We passed out this morning in a formal meeting at nine o'clock this morning before the beginning of the session Committee Substitute Senate Bill 264 as amended.

We have a four-page committee amendment that we attached to the bill that is currently in drafting with counsel. And we should be able to get to Michael or Edwina or staff here a final copy of it, if not today, sometime tomorrow.

The Senate Bill 264 relates to continuation and functions of the Texas Department of Housing and Community Affairs. There are a number of changes. And I'll just quickly go through the 43-page bill that we have here, and just give you some highlights.

In Section 1 of the bill, there is an addition of Public Housing Authorities -- I'm sorry, let me take that back. Section 2 of the bill -- there are no changes
in Section 1 of the bill after the committee amendment.

Section 2 of the bill adds a Public Housing Authority as an authorized public housing sponsor.

Section 3 of the bill -- do you want me to go section by section, or do you -- would you just want me to --

CHAIRMAN JONES: Right.

MR. OPIELA: -- just give you a quick summary of the big sections. The agency is continued for a term of four years. And there are additional changes, such as that the board should adopt rules governing the topics at meetings, and that legislation sets out the specific topics to be discussed in relation to a proposed housing development. There are ten topics there.

If you have any specific questions, please stop me. We implement a recommendation of the Sunset Commission in regards to implementing a negotiated rule making and alternative dispute resolution policy for the department.

Let's see. We provide that the department has to provide notice of receipt of an application or a proposed application not later than the 14th day after the application is received by the department, to specific persons, both local and state officials, school boards, community organizations, and such.
We have a new provision relating to ex parte communications between the board and employees of the department with developers who are applying before the board.

We set forth a set of specific situations and specific records that must be kept of any type of ex parte communication between employees and applicants before the Commission.

MS. ANDERSON: Where -- what section is that in, Eric?

MR. OPIELA: That is in section -- one second. That is in the substitutes. It is in Section 11 of the bill, page 11 of draft 16344, if you have a copy of that.

MS. CARRINGTON: Section 1113 -- 2306.1113?


MS. ANDERSON: I mean, I'm very interested in -- given the history of this agency, the ex parte rule. Although it may create some inconvenience for all of us from one time to another, it also creates some pretty prudent situation where you don't have developers leaning on people who have something to say about their application. So I'm very interested in what you all have done in this rule.
MR. OPIELA: Let me go into it a little bit more detail. We hope that this change in the statute will allow for greater public confidence in the department and its board and its employees.

It will allow for ex parte communications between an employee of the board and an applicant, subject to specific conditions. And it defines who an applicant or a related party is. It expands it not just beyond -- not just to the applicant, but also to persons active in the construction of the project, a general partner, a contractor, a principal or affiliate of such, or a lobbyist that is affiliated with the applicant.

So it's much broader than just the applicant alone. It expands the scope of who cannot be communicated with.

It also adds a provision that communication can be in both oral or written form. But it must be restricted to technical or administrative matters. It must be received on the premises of the department during business hours. It can't be down on Sixth Street somewhere, or in some restaurant.

It must be -- a record of it must be maintained, which includes the date, time and means of the communication, the names, persons, and positions involved
in the communication, the subject matter of the communication, and a summary of action taken as a result of the communication.

That's a kind of a quick summary of what it will allow. It provides for much greater record-keeping requirements, and also more restrictions on different types of communication that could happen between employees of the department and applicants, or those affiliated with those applicants.

Does that answer your question?

MS. ANDERSON: Well, I know the current -- I mean, I'm sort of wondering why the current system doesn't allow any, which means we're evaluating applications based on the face value of the application, you know, unless our staff have questions and need to -- need clarification about an application.

So I'm just wondering why now we're going back to a situation that frankly got us in trouble before, where developers are allowed to talk to agencies of this department who are working -- you know, who -- while there is an application for funding pending. I'm just wondering why are we opening the door a bit?

MR. OPIELA: I don't know if I should speak to that as much as the individual members of the committee.
In particular, this language was added in the committee substitute that was provided by the House Sponsor of the Bill, Representative Callegari of Katy.

I would suggest you call his staff and talk to them specifically about the rationale behind the addition. I do not want to speak on behalf of the members of the committee.

MS. ANDERSON: I -- that's very respectful. That's --

MR. OPIELA: But I do want to explain.

MS. CARRINGTON: That's very prudent, Eric.

MR. OPIELA: Let me continue on. No, that's okay.

MS. CARRINGTON: He's on the record, Mr. Jones. Remember?

MR. OPIELA: Let me continue on with Section 13. I'll just quickly -- we create a -- what's been referred to by some as a housing trust fund account for repairs or a reserve account for repairs.

This language -- much of it has been lifted from Senate Bill 999 by Royce West. That bill is also currently in our committee. We have made some changes. If you want me to detail those, I can.

But I just want to mention that we create a
reserve account that developers have to pay into to ensure that repairs happen on their property and they don't become slum developments.

Let's see. We also clean up some language that was deleted -- a division was deleted from the department with the ORCA bill last session. We add new language regarding the issuance of private activity bonds. This was language that was in large part lifted from a House bill.

You realize we have a situation in the House right now where we have bills that are dying because a number of our legislators are in Oklahoma. We have language that was lifted from another House bill relating to private activity bonds. It was sponsored by Mr. Callegari. It -- that was already heard. You had -- represents that your department that probably summarized that for you previously.

We also have language that improves the amount of local input in an application, providing that the developer in their preapplication and in their application, has to show evidence that they have communicated with neighborhood organizations, the superintendent and the presiding officer of the schools in the district, the presiding officer in the governing body.
of the municipality in which it's located, the county, the state senator and state representatives -- all of this is new -- in order to try and solve the problems before they get to the board, so you don't have as many people come up here in opposition.

MS. CARRINGTON: This was nobody here today.

MR. OPIELA: I understand that. We also add a section that defines what should be in a market analysis that's submitted with an application. We provide for -- there's some controversy among senators and the representatives about the letter writing that is asked for by a lot of the applicants.

And we set forth -- we do keep the provision that letters can be submitted. We take away the provision of letters by local officials. That was a change that was made yesterday, because some of the representatives were concerned that local letters, due to the fact that you have so many potential local officials that can write, will drown out the letter of a state representative or a state senator who is representing the district in the project.

We set forth that positive points should be awarded in the ranking system --

MS. CARRINGTON: Trump them.
MR. OPIELA: -- for positive letters. Negative points taken away from the application for negative letters, and no points given for neutral letters, and that equal weight should be given to each written statement received. We restrict --

MS. ANDERSON: You mean, so like if the minister of the neighborhood church writes a letter, that letter gets as much weight -- a positive letter, and the state senator writes a letter of opposition, and we have a point plus for the minister, and a point minus for the senator?

MR. SALINAS: It's the other way.

MR. OPIELA: No, actually, we -- this section of point scoring only applies to letters received under Subsection B(1)(f), which is the written statements from state elected officials.

MS. ANDERSON: Okay.

MR. OPIELA: We restrict the developments -- we try to prevent clumping of developments. That was a big concern of the ghettoization. I know that's a concern of the board, as well, to restrict developments that are less than one linear mile apart.

It doesn't apply to the colonia areas and rural areas, which this provision doesn't apply to cities or
counties in which population is less than one million. It will apply only to urban areas.

We also require the department to make available on their website all of the materials and adding additional materials, and present more information to local officials in regards to applications received by the department.

And I'm on page 43. There are still a couple more pages. Actually, I misspoke. It was 45 pages. It has grown substantially over the last week. I do want to --

There was also provisions -- changes made to the provisions regarding the scoring that I skipped over inadvertently, requiring that the financial data submitted regarding the financial feasibility of the development be based on supportive financial data required in the application that will include a project underwriting pro forma from the permitter or construction lender.

Hopefully, that will make sure that people who have their money on the line are going to be the people who are providing data regarding the feasibility of the project.

We also require the department to use criteria imposing penalties on applicants who have previously been
bad actors, specifically the language would impose a penalty on a developer or principal of the applicant that has been removed by a lender equity provider or limited partners for failure to perform its obligations under loan documents or a limited partnership agreement.

Other than just general cleanup language, I think those are the main highlights of the legislation, and if you have any other questions, I'd be happy to answer them.

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

MS. CARRINGTON: Thank you, Eric.

CHAIRMAN JONES: Thank you, Ms. Carrington.

MS. CARRINGTON: You're welcome, Mr. Chair.

CHAIRMAN JONES: We've done our executive session.

MS. CARRINGTON: Yes, sir.

CHAIRMAN JONES: And we've done Item 6. So I think we're ready to adjourn.

MS. ANDERSON: So moved.

MR. SALINAS: Second.

CHAIRMAN JONES: All in favor, say aye.

(A chorus of ayes.)

CHAIRMAN JONES: We're adjourned.
(Whereupon, at 4:00 p.m., the meeting was concluded.)
IN RE:         TDHCA Board Meeting
LOCATION:      Austin, Texas
DATE:           May 15, 2003

I do hereby certify that the foregoing pages, numbers 1 through 133, 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.

05/22/2003
(Transcriber)         (Date)

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