TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

8:40 a.m.
Thursday
August 14, 2003

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

PRESENT:

BOARD MEMBERS:

MIKE JONES, Chairman
KENT CONINE, Vice Chairman
NORBERTO SALINAS
ELIZABETH ANDERSON
SHADRICK BOGAN
VIDAL GONZALEZ

STAFF:

EDWINA CARRINGTON, Executive Director
BROOKE BOSTON
RUTH CEDILLO
TOM GOURIS
DAVID CERVANTES
BILL DALLY
CHRIS WITTMAYER, General Counsel
DELORES GRONECK
JIM ANDERSON
LISA VECCHIETTI
SARAH ANDERSON

ON THE RECORD REPORTING
(512) 450-0342
## Index

<table>
<thead>
<tr>
<th>SPEAKER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vivian Harris</td>
<td>8</td>
</tr>
<tr>
<td>Adrian Collins for Sen. Rodney Ellis</td>
<td>23</td>
</tr>
<tr>
<td>Walter Moreau</td>
<td>24</td>
</tr>
<tr>
<td>Tony Sisk</td>
<td>47</td>
</tr>
<tr>
<td>Tom Scott</td>
<td>53</td>
</tr>
<tr>
<td>Al Calloway</td>
<td>62</td>
</tr>
<tr>
<td>Neal Rackleff</td>
<td>72</td>
</tr>
<tr>
<td>Steve Ford</td>
<td>91</td>
</tr>
<tr>
<td>Elizabeth Rippy</td>
<td>103</td>
</tr>
<tr>
<td>Bill Fisher</td>
<td>110</td>
</tr>
<tr>
<td>Larry Paul Manley</td>
<td>112</td>
</tr>
<tr>
<td>Les Kilday</td>
<td>114</td>
</tr>
<tr>
<td>R.R. Kilday</td>
<td>117</td>
</tr>
<tr>
<td>Diana McIver</td>
<td>197</td>
</tr>
<tr>
<td>John Garvin</td>
<td>200</td>
</tr>
<tr>
<td>Stuart Shaw</td>
<td>273</td>
</tr>
<tr>
<td>David Evans</td>
<td>277</td>
</tr>
<tr>
<td>Michael Eaton</td>
<td>278</td>
</tr>
<tr>
<td>Tom Stacy</td>
<td>288</td>
</tr>
<tr>
<td>Christopher Ptokey</td>
<td>294</td>
</tr>
</tbody>
</table>

## Agenda

<table>
<thead>
<tr>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALL TO ORDER, ROLL CALL</td>
</tr>
<tr>
<td>CERTIFICATION OF QUORUM</td>
</tr>
<tr>
<td>PUBLIC COMMENT</td>
</tr>
</tbody>
</table>
ACTION ITEMS

ITEM 1: Presentation, Discussion and Consideration of Possible Approval of Financial Items:

a) Budget:

1. Operating Budget for TDHCA for FY 2004 for the Texas Department of Housing and Community Affairs

2. Operating Budget for FY2004 for the Housing Finance Division of the Texas Department of Housing and Community Affairs

b) Multi-Family Bonds:

1. Proposed Issuance of Multifamily Mortgage Revenue Bonds for Ash Creek Apartments, Dallas, Texas in an Amount not to Exceed $16,375,000 and Issuance of Determination Notice In the Amount of $948,673 for Low Income Housing Tax Credits for Ash Creek Apartments, 03-410 with TDHCA as the Issuer

2. Proposed Issuance of Multifamily Mortgage Revenue Bonds for Evergreen@Mesquite, Texas in an Amount not to Exceed $11,000,000 and Issuance of Determination Notice In the Amount of $490,632 for Low Income Housing Tax Credits for Evergreen@Mesquite, Apartments, 03-412 with TDHCA as the Issuer

3. Proposed Issuance of Multifamily Mortgage Revenue Bonds for Peninsula Apartments, Houston, Texas in an Amount not to Exceed $12,600,000 and Issuance of Determination Notice In the Amount of $679,386 for Low Income Housing Tax Credits for Peninsula Apartments, 03-411 with TDHCA as the Issuer

ITEM 2: Presentation, Discussion and Consideration of Possible Approval
of Low Income Housing Tax Credit

Items:

a) Proposed Amendments to Low Income Housing Tax Credit Projects:
   Aransas Pass, 02-011, Aransas Pass, Texas
   Kings Crossing, 02-043, Kingsville, Texas
   Padre de Vida, 03-002, McAllen, Texas

b) Issuance of Determination Notices:
   02-475 Rose Court at Thorntree, Dallas, $1,111,276 City of Dallas HFC as the Issuer
   03-409 Travis Park Apartments, Austin, $383,918 Austin HFC as the Issuer
   03-415 Southwest Pines Apartments, Tyler, $936,294 East Texas HFC as the Issuer
   03-416 Glenwood Apartments, Amarillo, $433,708 Panhandle Regional HFC as the Issuer
   03-417 North Forest Trails Apartments, Houston, $458,554 Houston HFC as the Issuer

ITEM 3: Presentation, Discussion and Consideration of Possible Approval of:

a) Proposed Methodology for:
   1) 2004 Regional Allocation Formula
   2) 2004 Affordable Housing Needs Score

b) Rules to be Published in the Texas Register:
   1) Low Income Housing Tax Credit Program Rules: Proposed Repeal of Title 10, Part 1, Chapter 50-2001 Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules; and Proposed New Title 10, Part 1, Chapter 50-2004 Qualified
Allocation Plan and Rules

2) Home Investment Partnerships (HOME) Rules:
   Proposed Amendment to Title 10, Part 1, Chapter 53 - Home Investment Partnerships Program

3) Housing Trust Fund Rules:
   Proposed Amendment to Title 10, Part 1, Chapter 51 - Housing Trust Fund Rules

4) Multi-Family Mortgage Revenue Bond Program Rules:
   Proposed Repeal of Title 10, Part 1, Chapter 33 - Guidelines for Multi-Family Housing Revenue Bond;
   Proposed Repeal of Title 10, Part 1, Chapter 35 - Taxable Multi-Family Mortgage Revenue Bond Program;
   Adopts on an Emergency Basis Title 10, Part 1, Chapter 33 Multi-Family Housing Revenue Bond Rules (as Required by New State Legislation including Amendments to Sections 1372.0231 and 2306.359, Texas Government Code);
   Proposed New Title 10, Part 1, Chapter 33 - Multi-Family Housing Revenue Bond Rules (identical to the Emergency Rules)

5) Real Estate Analysis Rules:
   Proposed Amendment to Title 10, Part 1, Chapter 1, Subchapter B - Underwriting, Market Analysis, Appraisal and Environmental Site Assessment and Property Condition Assessment Rules and Guidelines Including New Section 1.36 Property Condition Assessment Rules and Guidelines

ITEM 4 Presentation, Discussion and Possible Approval of:

1) FY 2002-2003 Single Family
HOME Program Appeal
Recommendations:
The City of San Benito,
Homebuyer Assistance, Region
11, San Benito, Texas
Futuro Communities, Inc.,
Homebuyer Assistance, Region
11, Uvalde, Texas

2) FY 2002-2003 Multi-Family 273
Program Appeal Recommendations:
Cottage Community, 20030116, 288
Austin, Texas
Caspita Apartments, 20030314, 273
Cedar Park, Texas
Cedar Park Ranch, 20030319, 273
Cedar Park, Texas

b) FY2003 Housing Trust Fund SECO 292
Awards from the List of all Applications:

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Name</th>
<th>Region</th>
<th>Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>03805</td>
<td>Willow Bend Creek Apts.</td>
<td>3</td>
<td>$60,000</td>
</tr>
<tr>
<td>03806</td>
<td>Village Oak Apts./Cove Ter.</td>
<td>5</td>
<td>$162,000</td>
</tr>
<tr>
<td>03809</td>
<td>Cole Creek Apts.</td>
<td>5</td>
<td>$96,000</td>
</tr>
<tr>
<td>03810</td>
<td>Stone Ranch Apts.</td>
<td>8</td>
<td>$114,000</td>
</tr>
<tr>
<td>03813</td>
<td>La Villata Apts.</td>
<td>11</td>
<td>$50,000</td>
</tr>
<tr>
<td>03815</td>
<td>Las Lomas Apts.</td>
<td>13</td>
<td>$90,089</td>
</tr>
<tr>
<td>03816</td>
<td>Subdivision Develop.</td>
<td>11</td>
<td>$150,000</td>
</tr>
<tr>
<td>03817</td>
<td>Fallbrook Ranch, Ltd.</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>03820</td>
<td>Villa Elaina</td>
<td>7</td>
<td>$28,000</td>
</tr>
<tr>
<td>03823</td>
<td>Meadows on Airport Apts.</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>03824</td>
<td>Villas at Park Grove</td>
<td>6</td>
<td>$180,000</td>
</tr>
<tr>
<td>03825</td>
<td>Reading Road Apts.</td>
<td>6</td>
<td>$325,000</td>
</tr>
<tr>
<td>03826</td>
<td>The Peninsula Apts.</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>03827</td>
<td>Kingsland Trails Apts.</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>03828</td>
<td>Bentley Place Apts.</td>
<td>9</td>
<td>$249,000</td>
</tr>
<tr>
<td>03829</td>
<td>The Village@Morningstar</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>03935</td>
<td>Crestview Homes</td>
<td>8</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

REPORT ITEMS 294

Executive Director's Report 299

EXECUTIVE SESSION 299

ADJOURN 299

ON THE RECORD REPORTING
(512) 450-0342
MR. JONES: I will now call to order the Board for the Texas Department of Housing and Community Affairs of August 14, 2003. First order of business being roll call. Mr. Conine.

MR. CONINE: Here.

MR. JONES: Ms. Anderson.

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany.

MR. BOGANY: Here.

MR. JONES: MR. Gonzalez.

MR. GONZALEZ: Here.

MR. JONES: Mayor Salinas.

MR. SALINAS: Here.

MR. JONES: And I am here. We have six members present, zero absent. And I do certify that we have a quorum.

The next order of business we have is public comment in accordance with our rules and policies. We have a immense number of witness affirmation forms of people who would like to speak.

In light of the very detailed and voluminous agenda that we have, I think we are going to have to impose time limits. And I apologize to everybody for
that. We try not to do that. But in this instance, I think we will have to.

And also, you have an opportunity to speak now. You also have an opportunity, if you choose to, to speak at the time of the agenda item. Let me just say I've been chairman here for a number of years. And my advice to anyone is get to the board while they're fresh. But do whatever you think should be best.

With that, we will turn to public comment. And the first witness affirmation form I have is Vivian Harris. You really need to be at the microphone, if you don't mind. We have a court reporter here, and they really can't hear you if you're not at the microphone. Okay. I'm sorry. I apologize. Okay. I'm so sorry. Thank you. Thanks for your help, Delores. Yes, ma'am.

MS. HARRIS: Members of the Texas Department of Housing and Community Affairs, Representatives of the Housing Authority of the City of Houston, Representatives of Blaine Hinton Investments, Inc., Resolution Real Estate Services, L.L.C., and other interested parties, I represent the South Houston Concerned Citizens Coalition.

This coalition consists of approximately 15 civic clubs represented. I am here today to represent the residents of these neighborhoods in the matter of the
proposed Peninsula Apartments to be built at 51 to 5200 Block of West Fuqua.

We have sent to the Texas Department of Housing and Community Affairs our written protest comments that were due on August 1, 2003. We would like to begin by submitting to the panel an addendum to the South Houston Concerned Citizens' Protest submitted to you on August 1, 2003.

We respectfully ask that the panel adds this addendum to our protests so the official record can be corrected. I request that I may be able to give the panel a copy of the addendum so they can better follow my comments.

MR. JONES: You certainly may.

MS. HARRIS: Okay.

MR. JONES: If you would, hand it to -- oh, we've got it? I'm sorry. I'm sorry. We already have it. Thank you.

MS. HARRIS: All right. In the correct protest, pages 11, lines 4 through 16 to delete. Addendum to the protest submitted to the panel on August 1, '03, incorrect placement of sign caused the Texas Department of Housing and Community Affairs meeting to be held on July 9, 2003.
We believe such incorrect sign placement constitutes a deceptive representation. We had met with the Peninsula Apartments representatives on July 7, 2003. The address that was given to the Coalition of the proposed site was 5100 to 5200 West Fuqua. Coalition representatives attended the public hearing on August -- on July 9, 2003.

We would like to state that the sound system was not good, and we could not hear the public comments very well. Also that night it was very stormy. The public hearing transcript indicated a 280-unit multifamily residential development to be constructed on approximately 15.5 acres of land.

Correct amount is 31.9089 acres of land located in the 51 and 5200 Blocks of West Fuqua in Houston, Harris County, Texas. This was how the site location was described in the official transcript. When the coalition representatives went to look at the area where the proposed site would be, there was a sign posted in front of the Harris County Flood Detention area.

There were no other signs or addresses on the land posted from Hiram Park to South Post Oak. We had not been furnished any mail to identify the site. We assumed the location that had the sign was posted was the official
location of the proposed Peninsula Apartments.

We went out to the Harris County's Property Records Office to verify that the site was Harris County land, and obtained a map indicating the same. When we then mailed off our protest, still believing that we had the correct site, we were still concerned about what was going to happen to the flood waters that were presently being directed into this watershed.

We wrote to Mr. El Franco Lee on July 30, 2003, and asked for some information from the Harris County Flood Control District regarding Tropical Storm Allison and the effect that it had on our drainage.

Mr. Curtis Lefly [phonetic] was designated as a contact person, as he is the project coordinator. He contacted me and said he would go out and look at the site.

MR. JONES: Ma'am, excuse me. Your time is up. If you could conclude.

MS. FORETICH: We're going to -- we have people that are going to yield time.

MR. JONES: Okay. Can you tell me who is going to do that?

MS. FORETICH: I am going to, Rita Foretich.

MR. JONES: Excuse me.
MS. FORETICH: How many -- do you need all the
names at one time?

MR. JONES: If you could, yes, ma'am. That
would be --

MS. FORETICH: Okay. Melva?

MS. THORNTON: Melva Thornton.

MR. JONES: Okay. Just a second. I'll write
it down.

MR. JONES: Excuse me. Reba?

MS. FORETICH: Rita, R-I-T-A.

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

MS. FORETICH: Foretich, F-O-R-E-T-I-C-H.

MS. THORNTON: Melva Thornton.

MR. JONES: Melva Thornton.

MR. SINNETTE: My name will be Ronald Sinnette.

MR. JONES: Could you spell that last name for
me?

MR. SINNETTE: S-I-N-N-E-T-T-E.

MS. LILLY: Alma Lilly.

MR. JONES: Excuse me. I didn't --

MS. LILLY: Alma Lilly.

MR. JONES: Thank you, ma'am.

MR. CLARK: Homer Clark.
MR. JONES: Thank you, Mr. Clark.

MR. JONES: Delores, I have five people yielding their time. Thank you, ma'am. Please continue.

MS. HARRIS: Okay. He went on to say that the sign had been put up the wrong location. We have taken pictures of the sign that was placed incorrectly, and the detention pond behind the sign for your review, see Attachment 1. Melva? The sign is still on Harris County Flood Control land.

We are attaching the Harris County Flood Control District's letter on August 12, 2003. If you'll see Attachment 2, a letter from Mr. Curtis B. Lefly, Project Engineer, we would like to draw your attention to page 2.

We believe the explanation given by Mr. Curtis B. Lefly regarding this watershed explains our concerns about the proposed location of Peninsula Apartments. The Peninsula Apartment land is adjacent to the Harris County Flood Control land. However, after reading the Harris County Flood Control's letter of August 12, 2003, page 2, paragraph 2 and 3 above, we are of the belief that building the Peninsula Apartments at the proposed site will reduce the storage capacity in our existing flood plain.
We do not believe the proposed retention pond at the Peninsula Apartments site will be sufficient protection from the flood waters, and the Westbrook Subdivision's homes will be flooded.

The city has not started their work on drainage and storm water capacity. We need to demand of our city and county officials that they absolutely prohibit any increase in the amount of water into our bayous and streams from public and private drainage improvement or development projects. See Attachment 3, page 2, The Cost of Storm Water Management for Houston.

The proposed drainage fee for this project by the city would be 31.9089 acres times $75, equals $2,393.17 times 12 months would equal $28,718, times ten years would equal $287,180 over a period of ten years.

Since this complex would be operated by the Housing Authority of the City of Houston, the city will receive no fee money. Taxpayers will have to absorb this fee for Peninsula Apartments, Housing Authority of the City of Houston, landlord or owner.

The Housing Authority of the City of Houston has assured us that the Peninsula Apartments would be well maintained for the life of these apartments. We decided to visit some of the housing sites that are operated by
the -- by this landlord, and we came up with these stats from the Housing Authority of the City of Houston, January 1, 2002 to August 7, 2003.

The name of the apartments, one, is Clayton Homes, 1919 Ronald Street. No gate. Was in fair condition. Crime calls during this period of time was 1,576.

Ewing Apartments, 1815 Ewing, Good, and the gates were working. We didn't ask for the stats on those. Irvington Village, 2901 Fulton Street, bad. 1,482 crime service calls. Lincoln Park, 790 West Little York, broken gates, holes driveway, Fair, 1,483 crime calls.

Long Drive, 6767 Long Drive, had no gates. 396 crime service calls. We found the housing sites mowed and trash picked up. We do not believe the air conditioning was working, as people were sitting outside in 98-degree weather fanning themselves.

The structures are old, and some had window units that may not have been working. Some of the parking lots had large holes. Irvington Village was in bad shape. It looked like some remodeling was going on, but many of the units were boarded up. We believe it would have been better to start over with something more modern and perhaps central air-conditioned.
The security -- the gates on all but the Ewing Apartments were either gone or broken. We went down to the City of Houston Police Records that had the crime statistics pulled for the above housing apartments.

These records are for the period January 1, 2002 through August 7, 2003. These statistics are for the exact addresses of the apartments, not for any of the neighborhood crimes that may have been around the housing apartments.

And then the conclusion, the profile of the HACH indicates that it operates and manages housing developments to provide decent, safe, sanitary and affordable housing to low-income families, the elderly and the disabled, and implements various programs designed and funded by the U.S. Department of Housing and Urban Development.

The HACH is a public housing agency. What we observed does not depict the profile that was represented. We believe these housing developments need private security officers. Residents need to feel safe. We believe the proposed Peninsula Apartments will bring more crime to our area. We have worked for many years to fight drugs and gangs. We do not need any additional crime in our areas.
Past experience in our neighborhood and adjacent neighborhoods have made us acutely aware of what apartments can contribute to crime in an area.

Other concerns -- I will review our other concerns to the panel. We ask that you look at all of our concerns before making a decision. Several years ago the city asked our community to turn in a comprehensive development plan. And you see Attachment 5. One copy was furnished.

We did so, and recommended that our community needed affordable single-family dwellings. Over the years we asked banks, lending institutions, contractors, et cetera to meet with our coalition and help us with the goal of affordable single-family dwellings.

We have gradually been meeting this goal. The housing pace for low-income affordable housing has accelerated with the Government's low-interest rates and being able to roll over the down payment and closing costs.

As stated in our written protest on page 3, Attachment 3, there are 994 single-family homes to be built in our community soon. These new homes are in addition to those affordable homes that have already been built.
The disadvantages of having the Peninsula Apartments are crime, and see Protest Page 4(a). We have provided the City of Houston Police crime statistics of surrounding areas. We have broken out apparent apartment crime statistics on Police Permit 17-E-40 for your review. See Attachment 6.

This area is a good example of what happens when apartments gradually run down and crime takes over. See the exhibit we have. It has now been taken over by crime. And this area was once one of Houston's elite areas to have a home. It has now been taken over by crime and deteriorating apartments and multifamily housing.

Houston has an apartment glut. There are 450,000 apartment units in Houston with another 5,200 building permits issued so far this year for new dwellings. See 7-21-03 Houston Chronicle article by Andrew Guy, Jr., Get in a Good Deal, Protest page 9, Attachment 11.

Schools -- see page 3 of protest and attachment 2(a) and 2(b). HISD sent the coalition the attendance boundaries and demographics, Federal and state compliance, July 23, 2003.

Our elementary schools are at capacity. See Protest Attachment 2(a) on the pie chart. We have
extracted data from the internet for the year 2002 for schools within the HISD South District.

HISD has no charter schools in the South Administrative District. HISD plans to have a pre-K center to open in 2004 in the area adjacent to the South District Office. HISD does not furnish transportation to charter schools.

The panel should look at the overcrowded schools long-term, not just a year or so. See Houston Independent School District Letter of August 12, 2003, indicating that Ms. Sally Gaskin, who is with the Peninsula Apartments, contacted Mr. Warner D. Irvin, the Superintendent of the South Administrative District.

He informed Ms. Gaskin that at this time the schools in the Madison Feeder Pattern are filled to capacity. If these apartments were to be built, the additional students would certainly overburden the schools and make it very difficult to meet the full academic need of all the students. See Attachment 7, the letters of support.

And we have -- we have pictures of schools -- the temporary buildings? Okay. And the taxes -- the Housing Authority of the City of Houston is to be the owner of the Peninsula Apartments. As they are a non-
profit entity, the City of Houston, Harris County, Houston Community College and HISD will receive no tax money. The investors will receive tax-exempt credit on their internal revenue for ten years.

These tax credits can be sold. Residents of our community will continue to pay increased taxes as we carry the burden of this apartment complex. Many of our residents are low to moderate-income families, and some are out of work.

We have many, many elderly residents who are on fixed income. Residents will be paying sewer fees that match water usage. If the new drainage fee goes into effect, residents will be paying a minimum of 3.50 per household per month. Business will be paying up to $75 per acre per month, for businesses and institutions.

The Peninsula Apartments property information sheet indicates the development cost is $19,963,632. In checking with the Harris County Appraisal District, the taxes on that big a loan would amount to $291,574.44 per year, estimated.

If you multiply that figure by 30 years, the long life of the property, the revenue from taxes would have amounted to approximately $8,747,233.20, or approximately $9 million. Why would the community want to
take on the burden of having these apartments and lose
much-needed revenue that can be obtained from single-
family residences and businesses?

Benson library? We have no adequate library
facilities. And it needs to be refurbished. The parks --
we have very poor park service. We have Windsor Village
Community Center and Almeda Community Center. We need two
additional community centers at the Townwood Park and
Canterbury Village Park.

We need shelter for the residents from the heat
and inclement weather. New playground equipment needs to
be installed and walkways around the park. The grounds
need to be landscaped.

And in our conclusion, our community is looking
for home ownership and business development. We do not
believe that the Peninsula Apartments would help our
community to meet our goal of affordable home ownership
housing. We ask that the application of Peninsula
Apartments for issuing a multifamily mortgage revenue bond
for Peninsula Apartments, Houston, Texas in an amount not
to exceed $12,600,000, and issuing of determination notice
in the amount of $679,386 for Low Income Housing Tax
Credits for Peninsula Apartments, 03-411 with TDHCA as an
issuer be permanently denied in our community.

ON THE RECORD REPORTING
(512) 450-0342
We ask that when the Peninsula Apartments request comes before the Texas Bond Review Board, that it also be denied. Supporting documents -- we have letters from the Houston Independent School District, Superintendent Warner D. Irvin, and also signed by Dr. Abelardo Saveedra, Deputy Superintendent, School Support Services, dated August 12, 2003, indicating that HISD would find it difficult to meet the needs of the Peninsula Apartments complex's children; letter from Chris Bell, Congress of the United States House of Representatives, who -- dated August 12, 2003, and that property is in his congressional district; letters from Councilmember Ada Edwards, District D, dated August 11, 2003, and Ms. Edwards represents the district where these apartments have been proposed to be built.

And letters from Councilmember at Large, Annise Parker, Houston City Councilmember at Large Position 1, dated August 13, 2003, supporting our position.

And there is areas G-U-N-T instead of G-A-U-L-T, but it's from Mr. David Gault, Civic Planner and retired architect, supporting our position, dated August 12, 2003, and a letter from Giddy [phonetic] Gunt Investment and Development Company, Inc., civic planner and retired architect, supporting our position, dated

And then we also have petitions of some of the members that could not come with us. Mr. Gunt is a developer that is proposing to do a development in our area. So we are asking you to please hear our plea.

MR. JONES: Thank you, ma'am. We appreciate your very detailed and obviously well prepared presentation.

MS. HARRIS: Thank you.

MR. JONES: Board members, are there any questions? Thank you so much. We certainly appreciate it. Hattie Connor?

MS. CONNOR: I yield my time to Ms. Harris -- Vivian Harris.

MR. JONES: Thank you, ma'am. She did well by you. Adrian Collins.

MR. COLLINS: Hello. My name is Adrian Collins. I am representing State Senator Rodney Ellis's office. And State Senator Ellis would like -- Senator Ellis would like to also support his constituents.

We have received numerous calls over the last couple of days from our constituents concerned with the new development, and he would like to support our constituents. Thank you.
MR. JONES: Okay. I just want to make sure. That would mean he then would be against the development?

MR. COLLINS: He would be against. Yes.

MR. JONES: Okay. Thank you. I'm sorry. You have to -- he's against. I'm sorry. John Garvin. And come up fast.

MR. GARVIN: I'll wait till the item.

MR. JONES: Oh, great. Thank you. Here I thought you were going to bail us out, and you just -- we'll remember you some day. Tony Sisk.

MR. SISK: I'll defer to the agenda item.

MR. JONES: Les Kilday.

MR. KILDAY: I'll wait till the agenda item.

MR. JONES: R.R. Kilday.

MR. R.R. KILDAY: Same.

MR. JONES: Walter Moreau. There he is.

MR. MOREAU: Sorry.

MR. JONES: We've been missing you.

MR. MOREAU: I'm Walter Moreau, the Director of Foundation Communities. We're a Austin-based affordable housing and social service provider. We serve about 1,200 families a year, and operate eight learning centers as well.

I actually just wanted to deliver positive good
news and say thank you.

    MR. JONES: You're welcome.

    MR. MOREAU: Great. Well, I wanted to say a few more things. Our latest property is Southwest Trails in Austin we built and finished about 18 months ago. The learning center had about 60 kids enrolled this summer. They're off this week before school starts.

    And they put together a thank-you card with pictures that they drew of some of the computers and things that they did at the learning center.

    The second thank you is that last week we had a really -- reached some milestones with the Garden Terrace SRO, which stands for Single-Room Occupancy. We bought an old nursing home in South Austin, knocked out all the walls, and converted it into 85 little studio apartments that will serve individuals that are homeless or extremely low income.

    About 50 units have HUD vouchers, 35 units are private pay. Thursday we released applications. We had 90 individuals show up that completed applications -- very extensive paperwork. We had another 50 just in the last few days.

    An overwhelming need for that type of housing. Most of the individuals -- the majority of individuals
that applied -- you really would have no idea, based on appearance, that they were homeless. However, everybody has a story.

Lots of referrals from Caritas, LifeWorks, SafePlace, Family ElderCare, AIDS Services of Austin. It's really a significant first project of its kind in Austin. And I wanted to thank you, because the state put in about $1 million. It's a $4-and-a-half million project without debt.

We fund-raised about a million-five. We have 150,000 left to go. The state support was huge. The project will open the first week of September, a big grand opening in November. And it's only seven miles away. So I hope at some point, if you're interested in taking a tour, that that's a possibility.

The final thank you is to staff. Later in the agenda there are some underwriting guidelines. And for projects like Garden Terrace that are not -- that don't have conventional debt, they're not underwritten like Tax Credit deals -- they sometimes hit snags in the underwriting department when you underwrite them with normal guidelines.

And there is some flexibility in the rules to evaluate those projects, that is very much needed, because
these are exactly the kinds of projects that may be ideal for HOME funds, or Trust funds. It just -- they're not garden-style apartments. They serve special-needs populations. So I'll wrap it up. Thank you very much.

MR. JONES: Thank you. Thank you for all your hard work. Tim Fluetsch.

MR. FLUETSCH: I'll defer to the agenda items.

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

MR. EATON: Yes, I'll defer to the agenda item.

MR. JONES: Thank you, sir. Tom Scott?

MR. SCOTT: I'll defer to the agenda item.

MR. JONES: Alfred Calloway.

MR. CALLOWAY: I'll wait for the agenda item.

MR. JONES: Sally Gaskin.

MS. GASKIN: I'll wait for the agenda item.

MR. JONES: Steve Ford.

MR. FORD: The agenda item.

MR. JONES: John Ford.

MR. JOHN FORD: Agenda item.

MR. JONES: Neal Rackleff.

MR. RACKLEFF: Agenda item also.

MR. JONES: Well, I have called all of the witness affirmation forms that I have. Is there anybody else that would like to speak to the board today? Anybody
else? Going, going -- yes.

VOICE: I have -- I'd like to speak to the item.

MR. JONES: Okay. All right. And we do have someone else that would like to speak that Mr. Conine was telling me about that we will also get a witness affirmation form for them. Anybody else? Okey doke. Okay. And you're filling out a witness affirmation form, too? Thank you, sir. Would you like to speak now or at the agenda item, sir?

MR. SMITH: Agenda item.

MR. JONES: At the agenda item. Great. Oh, Mr. Bill Fisher?

MR. FISHER: At the agenda item.

MR. JONES: And Mr. Matt Harris.

MR. HARRIS: Same.

MR. JONES: Anybody else? All right. I think we've got everybody then. Then I will close, then, public comment.

We will then turn our attention to Item Number 1 on our Agenda. We do -- and that would be the Financial Items, which is the Presentation, Discussion and Possible Approval of Financial Items. Mr. Conine?

MR. CONINE: Thank you, Mr. Chairman. The
first item up is the discussion for TDHCA Budget for 2004.

Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Conine. I'm
going to ask Bill Dally, Bill, who is our Chief of Agency
Administration, and David Cervantes. David is the
Director of Financial Administration, to present Items 1
and 2. The Operating Budget for TDHCA is Item 1, and Item
2 is the Operating Budget for the Housing Finance Division
of TDHCA.

MR. DALLY: Good morning, Mr. Chairman, board
members, Ms. Carrington.

MR. JONES: Good morning.

MR. DALLY: Joining me today is David
Cervantes, our Director of Financial Administration. I'm
going to begin with an overview, and then turn it over to
David to do a view of the top-level budget schedules.

And I first wanted to acknowledge the efforts
of David Aldrich, David Cervantes, and all the directors
and managers of the agency, because this is a collective
effort. They bring in their requests during the summer,
and we review those and compile those.

I also went back, after we had our first draft,
and went back to some of the directors and managers and
asked them to look real hard at their budgets to see if we
could elicit some more cost-savings. And they were very helpful in that area.

I also want to kind of set a background. This operating budget is a derivative of the appropriations that were just passed this last May. That appropriation is also referred to as the bill pattern.

It comes out of the Conference Committee between the House and Senate. It's got a date on it of, I think, about May 24. And that general bill pattern had an appropriation of $157 million for the agency. This, then, is a derivative of the operations for each of the divisions.

And so what we've done is taken a detail of each of the organizational divisions in the agency, and then the expense objects. So what's left out between this 21 million and the other 157 million are some of the Federal pass-through grants that go to our subrecipients.

Also within that bill pattern is Manufactured Housing Division. And that will go as a separate budget next week to their board. But our group, particularly the HR payroll, information systems, audit, accounting, Government relations, all provide support services for the Manufactured Housing Division. And that is detailed in this budget.
There were two drafts of this budget. We presented you with the first draft at the last board meeting. This is the second draft that's part of your board package today. And it's dated August 5. The net change in that budget was $10,406 more.

However, we did make some adjustments and changes on the methods of finance, chiefly, to -- there was an increase to the Federal funds. And then we made a few reductions in the appropriated receipts, our fee revenue.

I do want to refer to a letter, the August 13 letter to you, a couple of pages in there. There is a graph and a table. That second Attachment 2 is a presentation. I just thought I'd bring you up to date on where we were with the 2003 budget. This is the one that if you'll recall that we've had a -- the 7 percent cut to general revenue.

We've set that aside, and that's been taken back by the Comptroller. So the 19.9 million was after that 7 percent cut. We then went through and had a reorganization about mid-year, and realigned some of the budgets among the divisions.

And bottom line, we're projecting that we'll spend about $18.3 million. So that will leave a balance
of $1.6 million in 2003. That then is available for us to start as a beginning balance as we move forward under the 2004 budget.

That then can be combined with some of our local revenues, and so that we're projecting that we'll start with, in our local funds, a $4.9 million beginning balance. So that's the cash in the bank, Mr. Conine, that we'll start with.

MR. CONINE: Good.

MR. DALLY: To that we've then made some revenue projections, looking back historically, and then in interviews with some of the division directors. We're trying to look out ahead and see what our revenues will be in the coming year. And our conservative estimate would be about $9 million. It could be as much as ten million.

But using the $9 million figure, with a 4.9 beginning balance, would mean we'd have available funds of about $13.9 million. This is in our operating fees -- our appropriated receipts.

If you subtract the $11.2 million that we have in appropriated receipt budget, that would leave us with an ending balance of about $2.7 million to begin the next cycle for 2005.

I then want to call your attention to the
Attachment 1, the graph. And this will kind of lay out in broad terms how the department's operating budget is funded. You'll notice that the largest share is from the department's appropriated receipts. That's the $11.2 million, or 55 percent.

The next largest is the Federal funds, at 6.8 million, or 33 percent. General revenue is just under $1 million, at 5 percent. Earned Federal funds are just under $1 million at 5 percent. And we have interagency contracts, one with ORCA and one that will be a new contract, with the Bond Review Board, at about a half a million dollars, or 2 percent of this budget.

If you look down at the table, you can see some of the changes between last year's budget and this year's budget. In particular, there has been a reduction in general revenue, but an increase in Federal funds. Appropriated receipts have been reduced some.

Interagency contracts have gone up. And the main difference there is we're making an estimate of about $400,000 for some of the fees that will go to the Bond Review Board as part of the multifamily lottery that we will then use for some of our market studies for the impact of affordable housing on neighborhoods.

And then you'll see down at the bottom the
Manufactured Housing support to the department. And then I want to call your attention there. There is a correction that needs to be made in this final draft. If you look at the organization chart, right behind the table of contents, the top figure up there is to represent FTEs.

This chart, if you'll notice at the bottom, was as of June. And so that 323 reflects what the department is authorized to have, both in this department and in the Manufactured Housing Division, of 323.

Going forward, though, beginning in September 1, our FTE capital will be 313. So that needs to be adjusted. So there is work to be done in the area of the Org chart and some of the FTEs as a result of this budget and recent actions. So this is going to have to be worked on before it's submitted.

At this time, I'm going to turn it over to David to kind of walk through some of the top-level schedules in this operating budget.

MR. CERVANTES: Thank you, Bill. Good morning, Chairman Jones, members of the board, Ms. Carrington. My focus this morning is to concentrate on the schedules that appear in Tab 1(a)(1). And it's basically the pages 1 through 5. In terms of pages 1 through 5, you're going to find an agency-wide budget.
You're going to find a budget comparison between 2003 and '04. We have some information related to full-time equivalents. And then we also have a couple of schedules that are kind of adjoining schedules related to our capital budget for our agency and our proposed budget. 

So I would like to begin with page 1 of the schedules and of the packet. And that is the agency-wide operating budget, and our proposed budget. And just very briefly, the format of the schedule obviously are -- is aligned with the budget categories that were projected for this year. 

And as Bill alluded to in the graph, at the top you'll find the methods of finance that we're going to use to try to fund our budget. And then of course, to the far right, you see the impact of the budget and the line items in our total department proposal of $21 million, a little over $21 million. 

And I would like to take just a couple of moments to highlight, I guess, at minimum, in terms of amount, the items that stand out in terms of the main line items. And of course, you can see at the top of the list are the $11.5 million that we have in salaries for the organization. And right below it, you can see the benefits that go along with the salaries that we're
proposing.

As you drop down a line item or two, we also
jump into the categories of travel. And our proposal has
about 544,000 in in-state travel, and a little over
100,000 scheduled for out-of-state.

The other significant items on here relate
to -- another item is professional fees. We have about
$2.2 million projected in there. And I would like to note
that in this area we have a variety of efforts taking
place in here, ranging from -- as Bill mentioned a little
earlier, new initiatives like the item with the Bond
Review Board at $410,000.

We also have a couple of audit engagements that
we will take on as part of our normal course this year.
We do have some outside general counsel that we engage in,
to the tune of about $200,000.

And then we have some outsourcing for some
inspections and things of that nature, at about 600,000.
And those are the types of items that rest in this
particular line item, Professional Fee.

We then drop down, I guess, to the next main
item, and that's dealing with rentals and leases. And in
that line item, what you find most -- pretty much is the
building that we occupy for our organization. And we do
have -- there is some parking that goes along with that. And also, we do have one field office that falls in there. That's the majority of what you find. The occupation of our building rent is about $1.4 million of that 1.7 that you see in that line item. So I think those are the main points I wanted to make regarding the agency-wide schedule.

The -- are there any questions related to this particular schedule? If not, I'll move to page 2 --

MR. CONINE: David?

MR. CERVANTES: Oh, I'm sorry.

MR. CONINE: Could you certify for me, in this letter -- pie chart letter here, you get the type of funds that we get income off of?

MR. CERVANTES: Yes.

MR. CONINE: General revenue, and then appropriated receipts. Can you define the difference between general revenue and appropriated receipts for me?

MR. CERVANTES: And -- the appropriated receipts?

MR. CONINE: Uh-huh.

MR. CERVANTES: The general revenue, of course, is revenue that as we go through the legislative process -- as we go through our legislative appropriation
requests, these are requests that we've put forth that we would like the state to fund as a dedicated revenue source coming from the General Fund of the State of Texas.

So what you find in that general revenue component are our efforts to try to get some assistance from the state to bring in a source, obviously known as general revenue.

We then slide over into the appropriated receipts category, and that kind of falls back in line with, in our -- in this particular case, the appropriated receipts revolve around the bond administration fees that we generate from -- for the agency. Deals with some of the applications fees that we're bringing in through our tax credit components, and let me see --

MR. DALLY: Let me add something. These -- the appropriated receipts are going to be the fees that are set as part of our programs. So you, the board, through the QAPs and the rules and the various fees, are setting fees that support the Tax Credit Program and the Multifamily Program and the Single Family Program.

And another result is those appropriated receipts are now being used even more in some of the support areas where general revenue once were supporting in those areas. And so that's been a shift in this --
MR. CONINE: If we were to look at a five-year, you know, historical time line on general revenue, has that been progressively coming down over the last five years? Our hit to the State Treasury?

MR. DALLY: Yes. I think it's been -- probably better to state it, it was sort of modest and steady, and then in the last year, and going into this next biennium, it's dropped off some.

MR. CONINE: But if someone were to ask me what -- out of the State Treasury how much general revenue we take out of the State Treasury, other than what we earn off of our activities, the answer is just under $1 million?

MR. DALLY: That is correct.

MR. JONES: Okay. Thank you.

MR. CERVANTES: Okay. Other questions? Okay. If not, I'll move on to page 2 of the packet. And this particular schedule is a budget category comparison. And what it does is it takes a revised 2003 budget at $19.9 million, and obviously the fiscal year proposed budget at, in this case, 20,576,000.

There is a slight difference in this schedule in that we -- this schedule does not include the Manufactured Housing support costs in there in the
comparison. But the net variance in this particular schedule is about $612,000.

And there have been shifts in the ranks of both up and down, but obviously the ones that come to mind obviously are in the areas of payroll-related costs, and the professional fees areas.

Okay. And as it relates to payroll-related costs, we have seen an increase in the percentage that's driving the benefit costs. Last year we were looking at 22 percent. This year we're operating at a 24 percent level to cover the benefits for the agency.

And as far as professional fees, we do have some efforts in our educational and training areas that also are accelerating the areas of professional fees.

And we also, of course, have the Bond Review Board initiative that's out there. So I think that's the main thrust of this particular schedule.

MR. DALLY: The only thing I would add on the payroll-related costs and those health costs, this is the state's piece. So the state is now -- and because our funding is predominantly Federal, and appropriated receipts, we actually settle up and they make an assessment so that we're covering those costs for the health costs, and this is showing that increase.
It's also, though, through this session, a lot of that cost is being passed on to each of the employees, too. They are paying higher copays, and their insurance premiums are going up too in the coming year. So it's been a split. But this is representing what our department contributes to the state's portion of paying for health costs.

MR. CERVANTES: Okay. Moving on to the third page of the packet. This particular schedule is intended to show the makeup of our full-time equivalents for our agency, and it's broken down by division.

And at the bottom of this particular schedule, you'll find that this particular proposal that we have out here is showing that the Housing and Community Affairs component has 231 full-time equivalents scheduled in this particular operating budget.

There is an additional piece of information related to our Manufactured Housing Division, noting that we do have 61 full-time equivalents currently with the Manufactured Housing Division, for a grand total of 292 as an agency as a whole. Okay.

This particular schedule just notes the constitution, the -- pretty much, the makeup of our full-time equivalents for the agency at this time.
Okay. Moving on to -- as I mentioned earlier, two schedules that I think kind of go hand in hand, which are pages 4 and 5. We find two Capital Budget Schedules. In this particular budget, we do have some capital budget projects to the tune of $578,000. Okay. And categorically, they're sitting in the Professional Fees line item and Capital Outlay.

The Capital Outlay line item pretty much has to do with normal growth efforts of our agency, hardware, software, the maintenance agreements that we have on our software arrangements. And then as we move up into the professional fees, we do have projects that we will be undertaking this year.

And I would move on to page 5 at this time, because on page 5 you will note there is a project name and a description of these projects that we will be undertaking. And you can see that -- you see the normal growth there at the top. But you also see a variety of projects underneath there, ranging from the PeopleSoft Accounting package that we use for the agency, down to a couple of energy assistance objectives that we are trying to meet this year. But in the end, a synopsis of the capital budget for our agency at this time.

MR. DALLY: I want to add here that this was a
reduced capital budget from our request that we made
during the legislative session. But during that process,
they went through and kind of quizzed us on, well, how low
can we go? How bare can we cut this.

And essentially, as you'll notice, the two
sources of funds for capital items are either Federal
funds or our appropriated receipts. The General
Revenue/Earned Federal funds portion were taken out.

And so in many instances, these things have
been cut down to bare bones. And as such, we as a
department are going to have to relook and say, Okay.
Well, we had a grand plan and we put a BOC [phonetic]
together. We will now need to relook and prioritize.

Given this set of funds and the amount that we
can have in outside help, what's the most critical and how
will we move? And we're in the middle of that process.

MR. CERVANTES: Okay. That concludes the
remarks that I had on pages 1 through 5 and our
presentation on the 2004 budget.

MR. JONES: Thank you.

MR. CERVANTES: Thank you, sir.

MR. JONES: Mr. Conine?

MR. CONINE: Any questions of -- for the board?

Have I got a motion to approve the budget?
MR. BOGANY: I move that we approve the budget.

MR. GONZALEZ: Second.

MR. CONINE: Motion --

MR. JONES: We have a motion that's been made and seconded to approve the budget. Is there a discussion on it? Hearing no discussion, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed to the motion, please say nay?

(No response.)

MR. JONES: The motion carries. Thank you very much. I appreciate it. Mr. Conine?

MR. CONINE: Now we'll move on Item 2, which is the Operating Budget for the Housing Finance Division. I assume you're going to keep it going? Okay.

MR. DALLY: Yes. It's under that tab. So it will be this one-pager. This is a subset or a derivative of this overall $21 million budget. And this more specifically shows the source and the use of funds from our appropriated receipts.

You'll note it's the Bond Administration, the Low Income Housing Tax Credits and Affordable Housing Disposition Program fee, which includes the compliance
fees and our commitment fees, and origination fees.

And then you'll see across the top how those fees are being used among the four divisions and in our Capital Budget. And that's for a total of $11,248,645.

MR. CONINE: Any questions? Mr. Chairman, I move we approve the operating budget for Fiscal Year 2004 for the Housing Finance Division.

MR. BOGANY: Second.

MR. JONES: Seconded by Mr. Bogany. Further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, no?

(No response.)

MR. JONES: The motion carries.

MR. DALLY: Thank you.

MR. JONES: We'll turn then to multifamily bonds, Mr. Conine.

MR. CONINE: Okay. First, we have the proposal -- Proposed Issuance of Multifamily Mortgage Revenue Bonds for the Ash Creek Apartments in Dallas, Texas. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Conine. Behind Tab 1-B1 in your --
MR. JONES: Do we have any public comment on that?

MS. CARRINGTON: I don't -- not on 1-B1.

MR. JONES: Okay. No public comment on B-1.

Thank you.

MS. CARRINGTON: 1-B1, Ash Creek Apartments, to be located in Dallas. 280 units, 15 million in tax-exempt bonds, 1,375,000 in taxable bonds. Location of this property is behind Tab 7. It's in northeast Dallas. It is north of Interstate 30 and inside of 635.

For underwriting purposes, the assumptions that we used on the financing were 6.6 percent on the tax-exempt bonds, and 8 percent on the taxable bonds. The properties will consist of two and three-bedroom units.

The bonds are scheduled to be unrated, and there is no credit enhancement that is proposed on the transaction. We would go to the underwriting report, which is behind Tab 5. Staff is recommending on the bond side the 15 million in tax-exempt, 1.375 in taxable.

The Tax Credit portion of this transaction would be an amount not to exceed $948,673 for tax credits. The transcript of the public hearing was behind Tab 9, for your information. Staff has summarized for you the number of people who attended the public hearing, the number of
people who were opposed, who supported, undecided, and
those that spoke. And we have responded to comments on
the opposition.

On the bond write-up, going back, remember we
will summarize or we do summarize for you -- and this is
behind Tab 3, the public comment, and also any
correspondence we have received on this particular
transaction from elected officials, both at the state
level and at the local level.

And staff is recommending both the issuance of
the tax-exempt bonds, and the allocation of the Low Income
Housing Tax Credits.

MR. CONINE: Any questions? Do I hear a
motion?

MR. BOGANY: So moved.

MR. CONINE: I'll --

MS. ANDERSON: Second.

MR. CONINE: Let's clarify the motion, that it
includes Resolution Number 03-68.

MR. JONES: Is that your motion, Mr. Bogany?

MR. BOGANY: Yes.

MR. JONES: And I think it's seconded by Ms.
Anderson?

MS. ANDERSON: Yes.
MR. JONES: Mayor, do you have a question?

MR. SALINAS: Did it have some public opposition on it? Nobody in support?

MS. CARRINGTON: Yes, sir, they did. They did have some public opposition.

MR. SALINAS: But they didn't have anybody in support on your emails?

MS. CARRINGTON: There was some support at the public hearing.

MR. SALINAS: There was?

MS. CARRINGTON: Yes, sir. There was. And the developer is in the audience if you would like to ask some questions, Mayor, of the developer.

MR. SALINAS: No. The people that would not support it are not here today.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. Thank you. Mr. Conine?

MR. CONINE: Second is the Proposed Issuance of
Multifamily Mortgage Revenue Bonds for the Evergreen and Mesquite, in Mesquite, Texas.

MR. JONES: Okay. And Mr. Tony Sisk would like to speak on that. Mr. Sisk?

MR. SISK: Put this mike over here?

MR. JONES: That would be great, if you don't mind. Thanks so much.

MR. SISK: Good morning. My name is Tony Sisk, Churchill Residential, 2811 McKinney Avenue in Dallas. We are the development managers for the proposed development. And I just wanted to make a couple of comments that were in the board file that maybe some information that did not -- supporting information that might not have made its way into the package.

But there were letters of opposition written about the community. At the TEFRA hearing, we had a number of people from a community in Garland, which is on the other side of the Mesquite Golf Course. We believe that most of the people thought that this was a family community. And when we made a presentation about the facts of this case, I believe that most people were satisfied with the development.

There were some letters of opposition written by some residents of the retirement community, the long-
term care retirement community across the street.
However, we believe that those were at the suggestion of
the executive director who called me about the property
the next day.

And we believe it's basically a competition
issue that he was concerned about, because these rental
rates are about 25 percent below their rental rates. And
it's a brand-new state-of-the-art community, and that
community is about 25 years old.

We did send the letters out to all of the
people that signed up at the TEFRA hearing, offering to
provide additional information should they desire that
information. We had that follow-up meeting the Monday
evening following the TEFRA hearing.

There were four people that showed up at the
church in the neighborhood. And we believe that they were
satisfied with the community after our explanations.

This development does have a non-profit CHDO
general partner, and is exempt from property taxes.
However, the partnership has assigned a pilot agreement to
pay 100 percent of the taxes to the City of Mesquite. The
City of Mesquite is very supportive of the community.

Members of the City Council were quoted in the
Dallas Morning News as being very supportive of this
proposed project, and then the city manager is working hard to help us obtain a building permit in time to construct building.

The -- one other issue I wanted to speak to is that there were some points made in the underwriting on this case about the rental rates in the community. But we summarized the rental rates of all of the comparable senior tax credit deals in the Northern Dallas suburbs.

MR. JONES: If you could, sir, conclude, please. It's -- your time's up. Thank you.

MR. SISK: Yes. All right. Yes, I just wanted to say that the average rental rate is substantially below any of the senior deals in the northern suburbs, and they're all full with a waiting list.

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

Any questions?

MS. ANDERSON: I have a question.

MR. JONES: Yes, Ms. Anderson?

MS. ANDERSON: Your non-profit partner -- is there anybody from there here with you today?

MR. SISK: They were at the Bond Review Board working session two days ago. But the Director had recent surgery, and so he could not come to this meeting.

MS. ANDERSON: I do have a question from the --
MR. SISK: Yes.

MS. ANDERSON: -- you know, that was raised because of the underwriting report --

MR. SISK: Right.

MS. ANDERSON: -- about the large number of three-bedroom units that you have proposed for the senior development.

MR. SISK: Yes, I'd like to speak to that, if I could. There are 183 -- it's a 200-unit community. 183 units that are $647 a month. There's only 17 units that are $746 a month. If you look at the comparable senior tax credit properties, which we have information on, the minority of any of the unit rents in those communities are below a minimum rent of $647 a month.

Most are at or above, and there is -- all of these communities are 100 percent leased, many with waiting lists. And there is not a comparable senior tax credit community in an eight-mile radius of the subject site.

MR. CONINE: Is your market research not showing a need for some one-bedrooms? I can't believe we don't have low-income elderly folks living by themselves, that don't want a little one-bedroom.

MR. SISK: Well, the market studies are showing
that there is demand for the larger-size units. And there
is some resistance for the smaller units that have been
built in size.

So I will say that they want the footage if
they can get it. And there's enough people out there that
can afford it.

MR. JONES: Additional questions? Thank you, sir. Ms. Carrington?

MS. CARRINGTON: 1-B2 is the proposed
development, Evergreen@Mesquite, located in Mesquite. It
would be 200 units. The bond structure would be 8.8
million in tax-exempt financing, 2.2 million in also tax-
exempt financing, a Series A and a Series B.

Bonds would be unrated, with no credit
enhancement. And for underwriting purposes, staff used a
blended rate of 6.8 percent with an amortization period
for these particular bonds for 40 years. As has already
been noted, the proposed development would be -- would
consist of two and three-bedroom units.

Behind Tab 3, you have the Tax Credit
recommendation on this particular transaction. And what
staff is recommending is a tax credit allocation amount of
$490,632. At the bottom of this first page on Tab 3,
there is a summary of the public comment from the public
hearing, and letters and emails. Also on the right, any
letters that we have received from either state or local
elected officials.

The underwriting report is on page 5. We are
recommending the bonds and the credit amount. One thing I
do want to point out to the board is that every time staff
makes these recommendations, there is always conditions on
the recommendations.

Some of them are fairly typical conditions.
Some are more specific to particular issues with
transactions. So just because staff recommends doesn't
mean that there aren't some conditions that are attached
to both the tax credit allocation and the bond allocation.

But those are in your underwriting report.

Tab 9 is the tab that includes the public
hearing and the summary of those who attended the public
hearing, those who were opposed, those who support it, and
those that spoke.

With that, staff is recommending both the
issuance of the bonds and allocation of the tax credits.

MR. CONINE: Move for approval of the
Evergreen@Mesquite Apartments for both the bonds and the
credits, Resolution Number 03-67.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. B3- I believe you have some public comment for B3. Mr. Alfred Calloway.

MR. SCOTT: Can I go -- if I may, I may go first?

MR. JONES: IF you want to.

MR. SCOTT: My name is Tom Scott. I am Chairman of the Housing Authority of the City of Houston. Mr. Calloway is also with the Housing Authority of the City of Houston.

MR. JONES: Thank you.

MR. SCOTT: I'm a private developer. I've developed 3,500 affordable housing units. That is all I do besides my volunteer work at the Housing Authority. I'm on the board of TAP [phonetic] and on the board of some local schools.

I'm here today, obviously in support of the HATCH Peninsula Apartments. And I want to thank both this
board for giving us the opportunity to talk to you, and also to thank the residents of the neighborhood that came. As you see, there are a number of them, and we see this quite often. And I applaud your enthusiasm and your activism.

There is no debate on their motion against affordable housing as they perceive it. And their testimony today is a terrific example of our past failures. The pictures they showed you were indeed Housing Authority projects built in the public housing policies of the 1940s, the 1950s, and to this day.

This board in front of me, my board, the City of Houston has to live with the legacy that that was developed under. That was then. Today is today. And fortunately we have several new programs, several better programs to build affordable housing and not repeat the pictures you saw.

The pictures you saw are currently under renovation, and at the current funding level that we are given by HUD, in the next ten to 12 years, we'll be finished.

(Laughter.)

MR. SCOTT: This past year alone, HUD took away $800,000 of our operating subsidies. We need to redevelop
our strategies to continue to produce affordable housing.

I took over the Housing Authority chairmanship in 2000. At that time, we reopened up our Housing Authority -- our -- you know, our Section 8 waiting list, and we had 20,000 requests in two weeks. We had to shut it back down we were so overwhelmed.

We did an inspection of all of our Section 8 housing, and found that almost 25 percent of them have defects of one kind or other. I'm not proud of those records, but I am proud today that we've fixed almost all of those. And at the same time, we've been under a major development process to bring in new housing inventory to the city.

In 2000, we sat down with city council, the community department for housing, and the city officials and developed a new comprehensive plan. It's responsive both to the Legislature's plans; it's responsive to the citizenship of Houston, and we are implementing that program.

The City of Houston wants to develop over 5,000 affordable housing units a year. HATCH has agreed to produce at least 1,000 of those. Peninsula Apartments is part of that program. We've already developed three other tax credit deals, and rehabbed hundreds of other units.
So I ask this board to favorably consider this application, because it further continues our program. It decentralizes affordable housing, outside of the inner city. All those projects you saw were inner city projects.

And as we go forward, you're going to see more and more of these things. This is a program where we are combining bonds, tax credits. The Housing Authority is putting $1 million of its own money, unrestricted money untouched by HUD, because HUD doesn't allow us to do some of these things. And I don't know if the board is aware of that fact, but we have about $7 million earmarked for that --

MR. JONES: And your time is up, sir. If you would conclude.

MR. SCOTT: That is the conclusion. But I thank you for your time, and I thank you for your favorable consideration.

MR. JONES: Any questions here by board members? Mr. Scott, before you leave --

MS. ANDERSON: I wanted to hear the last -- would you tell me what that seven million that you were about to --

MR. SCOTT: We have about $7 million in
unrestricted funds. And over the next five years, we're
going to invest that into affordable housing. We're
putting $1 million alone into this one project.

MS. ANDERSON: Okay. And if you could
summarize for me, the --

MR. SCOTT: On top of the bonds and on top of
the other spending.

MS. ANDERSON: The members of the development
community are going to develop this for you, and then
you're going to operate and manage the property? Or --

MR. SCOTT: We have been working -- three years
ago the Housing Authority went into this program to do
public/private participations in the development of this
thing.

We're relying on private developers, private
management companies. We've already privatized over half
the public housing units because we find they can do a
better job than ourselves.

MS. ANDERSON: So you will have an arrangement
with them, some sort of fee-basis for --

MR. SCOTT: That is correct.

MS. ANDERSON: Okay. And you are the owner?

MR. SCOTT: HATCH is the owner. That is
correct.
MS. ANDERSON: Okay. Thank you.

MR. JONES: Yes?

MR. BOGANY: What's in store that will be able to enforce -- that the management -- because what I've found is that the management is rarely aware that apartment complexes break down. So what kind of agreement have you put together that's going to increase -- you know, keep the management where it needs to be?

You would turn it over to private, but is HATCH going to be overseeing the management? What are you guys going to be doing on the management side to make sure that the management keeps things going in the right direction?

MR. SCOTT: HATCH does oversee the management. As you can appreciate, this is also a privately-funded program with -- under the Tax Credit Investor Program, and the Bonds Program, which also have their own inspections and our own inspections.

We have found that if we allow private management to manage these properties, they're much more -- they're able to much and more quickly respond to resident issues, to fix things, because we have procurement policies -- we have other things that just slow us down.

MR. BOGANY: My other question I had was
that -- okay, so if we pass this project, you've gone on
doing, you know, doing it, and you've got your private
management. So if the citizens start seeing what they
think there is going to be flooding, or issues with crime
and all that, do they go to the private manager? Or do
they go back to the city? And does the city point them
back to the private? How is that going to work?

MR. SCOTT: Well, they always have the luxury
of coming to the Housing Authority and the City Council
with their complaint. Obviously we would like to see
complaints handled by the management company.

They serve at our discretion. They do not have
an exclusive management contract. They can be fired and
replaced, and we can bring in a more responsive management
company to make sure that those things don't happen.

In the event they do, they know where to come.
And we're also -- have -- we manage these other -- we've
privately managed these other tax credit projects, and we
are not going to have the level of complaints that you
might be concerned about.

MR. SALINAS: Do you have a waiting list? You
said you had a waiting list?

MR. SCOTT: Well, we had to close it down at
over 20,000.
MR. JONES: Ms. Anderson.

MS. ANDERSON: I have one more question for you. You said you've been doing this privatization -- a public/private partnership thing for, you know, a couple of years. Have you finished any other developments --

MR. SCOTT: Yes.

MS. ANDERSON: -- that are in this kind of a framework. And --

MR. SCOTT: Yes.

MS. ANDERSON: And did you make the members of the community that are here today and that were at the hearing aware of where those developments were so that they could look at those developments?

MR. SCOTT: I'll let Neal Rackleff speak to that. But I believe that we have, and it's -- frankly very public knowledge out there, because we try to publish that as best we can --

MS. ANDERSON: Okay.

MR. SCOTT: -- to show our successes as well as our failures.

MS. ANDERSON: But you did let them know where those same -- under the same business model as this proposal? You did make those addresses available?

MR. RACKLEFF: Yes. And none of those were
depicted in the photographs that were cited in --

MR. SALINAS: Up -- understand that the City of Houston will give you a city permit to build?

MR. SCOTT: Oh, yes.

MR. SALINAS: So apparently they approved the project?

MR. SCOTT: Yes. Did the City of Houston approve the project?

MR. SALINAS: Yes.

MR. SCOTT: We have -- we -- the City of Houston -- the Housing Authority Board has approved the project. We have not gone in front of city council for approval. We do not need to do that.

MR. SALINAS: So they haven't given you a go-ahead on the project? Or they do have the authority to give you a building permit, or --

MR. SCOTT: I'm not sure I understand your question. We have applied for the permit. We will receive a permit.

MR. SALINAS: Do you think you will receive a permit?

MR. SCOTT: There is no doubt.

MR. SALINAS: There is no doubt?

MR. SCOTT: No.
MR. SALINAS: That's pretty good. Zoning -- you don't have any zoning. Drainage -- you say you have an okay from the drainage? I would think the City of Houston has a drainage district, or somebody that controls the drainage system?

MR. SCOTT: More than ever, sir, the City of Houston is acutely aware of drainage issues and flooding issues.

MR. SALINAS: But they would --

MR. SCOTT: And that's been addressed on this property.

MR. SALINAS: They would go ahead and give you a drainage permit?

MR. SCOTT: Yes.

MR. JONES: Anybody else? Thank you, Mr. Scott. I was impressed with the tone of your remarks, and I'd like to join you that I have been very impressed with the community leaders that have spoken to us today. So I would join you in saying that they have represented themselves and their community well. Thank you, sir.

MR. SCOTT: Thank you very much.

MR. JONES: Thank you for the spirit. Yes, sir? Who is next in order?

MR. CALLOWAY: Good morning, Mr. Chairman,
members of the board. My name is Al Calloway. I am chief
of staff of the Housing Authority of the City of Houston.

If I may, the building permit for this project would be
issued by the City of Houston to the developer.

The City Council of Houston does not control
what decisions the Board of Commissioners for the Housing
Authority make.

The drainage issue would be addressed by the
Harris County Flood Control District, which is controlled
by Commissioners Prewitt and the City of Houston, which
approves the retention plans that are built into the
development plan. So we expect fully that the building
permit will be forthcoming.

MR. SALINAS: If they don't give you a permit,
you will not build the project. Right?

MR. CALLOWAY: In that instance, we're no
different than any other developer.

MR. SALINAS: Yes.

MR. CALLOWAY: I'm here to speak in favor of
the Peninsula project. I'm a resident of the area, and
have represented the area in the past. And I cannot help
but be very proud of the way in which the residents have
addressed themselves this morning to you, and how well
organized they are.
However, there are some realities they do have to face. The area is in need of new development. There was a great deal of effort put into attempting to attract development, and to facilitate development in the past.

Significant public investment has been made to put in infrastructure that would in fact make the area more attractive to development of all kinds. The public investment has been to facilitate growth and development. That investment has been made by both state, county, civic and flood control district to make the area more attractive.

However, as we talk about growth, we should look at the fact that growth should include more than just single-family housing. Growth should also include affordable housing options. Good-quality, responsible managed rental opportunities should be a part of that growth as well.

It would seem that now we’re beginning to attract development. You see new families -- new single-family development coming in. You see an upturn in the retail opportunities. You see new interest being shown in putting down development on vacant properties.

The population and the growth has been -- the population area -- the population growth in the area has
been much slower than in other areas, but we expect that
to pick up as well, as is evidenced by the indication that
the schools in the area are, in fact, near -- at capacity.

There are plans, we know of, for additional
public investment there because we know that there are new
schools planned in the area to aid in that capacity issue.

This area of Houston has the lowest
concentration of multifamily apartments of any in the city
that I'm aware of. If this development goes forward, this
will only be the third multifamily development, I believe,
in the area. And it would not be as large as the one or
two that -- the one that already exists.

And there is no concentration of these being
next door to each other. There is great distance between
these properties.

MR. JONES: Sir, your time is up. If you could
conclude, please.

MR. CALLOWAY: We would like to propose that
the Housing Authority intends to be a good neighbor. The
properties you saw are in fact under major renovation.
Commissioner Scott -- Chairman Scott explained to you what
we work with in terms of our decreased HUD funding.

We are partners with what we think is a
quality, responsible developer who will manage a good
property, and give a good appearance. At this time, I'd
like to introduce Mr. Neal Rackleff, General Counsel of
the Housing Authority. And he will address some other
issues.

MR. JONES: If you would wait just a second,
because I think Mr. Bogany would like to ask you some
questions.

MR. BOGANY: Mr. Calloway, I have a question.
We talked about drainage. And I just happened to go --
drive by this proposed location yesterday. I didn't know
that that's where -- I didn't get out and read the sign,
but I saw a big sign out there. And I had a question.
Across the street is the retention pond, I guess the flood
control pond. And I thought that the residents made some
valid points.

And I would like to hear also from the
developer's side, because I kept seeing that sign's there.
They're going to build in that lake bed? Or where are
they going to put the project there? And so I now see
that it's across the street. So what's going to happen
when the water runs from those normal neighborhoods, and
then you've got this one?

I would truly would like to see where the
developer is going to put his retention ponds, and how
that's going to work, because I know the infrastructure is there. I am familiar with the neighborhood, because I've seen it over and over and I don't know why it keeps happening. I'm a Madison graduate, so I'm familiar with that area completely. And so -- and we continue to get the projects.

I do -- I agree with you it is not a concentration there. The location is there. But I have some drainage issues.

MR. CALLOWAY: Sure.

MR. BOGANY: I need some comfortability with the drainage issues, because I do see -- I can see that being a problem.

MR. CALLOWAY: I fully understand, and I thank you for the question. This area has suffered the same blight and the same image as the Sagemont area suffered in the past. Whenever water fell hard, you'd go to Sagemont and you'd come to Hiram Clarke to see flooded neighborhoods.

My understanding of how the Flood Control District and Commissioner's Court manages flood waters is that the county has put in place detention ponds in various locations in that part of the city. There has also been significant investment in the improvements of
Sims Bayou, which is the main drainage structure for that area and other neighborhoods to the west.

However, I think the developers' site plan will show you where -- on whose site the detention is. My understanding also is that it depends on how parking lots are designed, and I think also that even when the permit is issued to the developer, the inspectors of those plans have to see where detention is being planned for, or where water is being -- runoff is going to be retained on the property before being released into the main drainage structure.

So the fact that the county has a detention pond across the street serves more of the general area. The developer's plan, I suppose, will show you where that detention will take place on the property that will be controlled by the developer.

MR. SALINAS: Let me ask you a question. You said that the schools are up to capacity right now. And that the -- you all need to, I guess, build new schools. And I guess everybody, especially in South Texas, we've got to built a school about every year, to provide the schools for our kids.

I don't have any problems with the project, as long as it's a project that's going to have -- is going to
bring in new tax dollars to the school district. How would these new kids that you all will attract to this project -- who will pay -- this project, I understand, will not have a tax base for the school district or the City of Houston, or the Flood Control District.

It would be tax-exempt from the school district. Right? I mean, this -- I would think this is why you all have a joint venture with the developer and the Housing Authority. You are using the Housing Authority to go ahead and exempt from paying taxes.

Now, we had a public hearing or a public meeting in Houston some -- about a year ago. One of the main concerns that we've had in Houston at the city council meeting in Houston was almost everybody that was there -- elected official, was opposed to our non-profit CHDOs that we have in Houston. Am I correct? Is that coming -- and that they wanted us to stop doing that.

Now, we have -- this situation now, and I don't know how my board member friends here feel about that, but I do have a concern when people in Houston that comes to us, I mean, to our meeting in Houston and asks us and pleads with us that we do away with these CHDOs and do away with the non-profits simply because they're running out of tax dollars. So how would you answer that?
MR. CALLOWAY: I would first ask respectfully that we not be viewed, necessarily, as a CHDO, but as --

MR. SALINAS: As a non-profit?

MR. CALLOWAY: -- as a public entity taking advantage of tools that had been put in place by both the Federal Government, the state government, and to also remember that in terms of tax-exemption, the taxing entities have to vote to participate in that.

I'm fully and well aware of the difficulty that school districts in particular have with the issuance of tax-exempt bonds or developments of this type coming into their districts. It is not an issue that we are unfamiliar with in Houston.

However, you look at the long-range good of it, it happens that the school district that this property will be located in just completed a major bond issue where schools that needed to be renovated, expanded, or new schools needed to be constructed, were done on the bond issue that amounted to about $600 million over the previous seven years.

A second bond issue approximating $800 million has been approved just recently, and already they're looking at the needs for expansion. The district does a good job with keeping up with the demographics and the
growth in this area.

   This is a growth area. Where we're talking about there are currently four elementary schools south of Oram, which would be options for the students of -- who live in this property to attend, and a fifth is being proposed. If in fact there is a need for a new school, this will not preempt that.

   But we're no different than other properties that go into school districts. For a time, we would be the same burden on the school district as anybody else. However, we would not be making it any worse, because in my judgement, what you gain, although you put new students in a school, we're not talking about a development that's large enough to put that much drain on four elementary schools in the immediate area, and others that are north of it.

   We're talking about a situation where I believe the school districts will have the capacity to respond if a new school is needed in the next five to ten years.

   MR. SALINAS: That was my question. And my concern was in the area of Houston, the last time we met, I think we approve developers all over the state that pay their own taxes as far as our -- the tax credit programs. I mean, we do it in south Texas, and we're very careful
that we do not -- that we not allow anybody that is not
going to pay their fair taxes to the school district,
especially where I come from.

It's a very burdening thing that we have to
build a school almost every year in our school districts,
especially close to the border. So I can understand some
of the citizens in Houston, where they would be burdened
with the growing pains.

MR. CALLOWAY: We are simply taking advantage,
Mr. Chairman, of the opportunities that we are forced to
look at now as a result of reduced Federal funding. In a
couple of our developments we are a part of -- with HISD
in delivering services to students. I point to an
example, the McKinney/Ellis project, we were a partner
with TSU and HISD and other instances where the school
districts or the local schools worked very closely with
our residents.

MR. JONES: Thank you, sir.

MR. CALLOWAY: Yes, sir.

MR. JONES: I appreciate your comments. If we
could, I've had a request, and the Chair, unless there is
an objection, would like to take a ten-minute break, and
then we'll start up with Mr. Rackleff. Thank you.

(Whereupon, a short recess was taken.)
MR. JONES: Mr. Rackleff? Yes. And Delores, for time-keeping purposes, would you please note that Steve Ford, John Ford and Sally Gaskin, I believe, are all yielding their time to Mr. Rackleff.

MR. RACKLEFF: Good morning. I appreciate their yielding their time. I don't anticipate using it all. It's a pleasure to address you this morning. I want to reiterate the tremendous amount of respect that the Housing Authority of the City of Houston holds for the community in which this development will reside.

I'm General Counsel of the Housing Authority. And Mr. Calloway, who preceded me, was somewhat modest in his introduction. Prior to being chief of staff of the Housing Authority, he served for six years as the district councilman representing the area in which this development resides. He also served as Mayor pro-tem, and after his term limits, has just completed his tenure at City Hall. We were fortunate enough to have him join us at the Housing Authority.

We have made a very strong and concerted effort to work with the residents of the community. I think we've developed a good dialogue. We tried very hard to listen carefully to the concerns that they have. And I want to address some of those specific concerns today.
The last effort -- we had made the dialogue with the community -- was initiated on August 6, when our executive director asked for key leaders of the community to meet with us. They declined that invitation.

However, I will say I think our relationship is intact, because one of the residents today offered to give me a ride home on the bus after this meeting. And I want to address the comments regarding tax exemptions first. The City of Houston is very -- the Housing Authority of the City of Houston is very different from a CHDO.

We're not just a non-profit. We are actually a Governmental entity. We were created in 1938. We have been tax exempt. All of our property has been since that time, and we have not had any consternation over that whatsoever.

The developments that we're undertaking now is very much consistent with the City of Houston's comprehensive plan. It was contemplated by it. I would also note that in the House Committee on Urban Affairs report to the Legislature, there were a couple of salient points made.

One, that the state should actively seek to assist and complement the efforts of local communities and public housing authorities in the provision of decent,
safe, and sanitary housing. It was also indicated that the TDHCA should continue to focus on the development of affordable family-oriented rental property, and should work with THA to increase housing opportunities for very low, low, and extremely low-income families.

Regarding flooding, data from our engineers indicates that this simply will not be a problem. The detention standards that we have implemented exceed the City of Houston's standards by 240 percent. And we are at 130 percent of Harris County requirements.

There was some discussion earlier about the 72-acre detention facility nearby being across the street. It's actually adjacent to our property, and we are only building on 15 acres of a 31-acre site. So if, in the unlikely event that it becomes necessary to provide more detention, we certainly have the room to do so, and have no problems in working to that end.

Additionally, we've heard some testimony regarding the impact that we would have on the schools. Data that was actually cited by the opposition and the materials that they forwarded to you actually indicates that the elementary school and middle school serving this development do in fact have capacity to accommodate the students that the Houston Independent School District...
projects will be added to this development.

Now, we -- our historical experience actually indicates that we will have less of an impact on the schools than what the HISD demographer has projected we would have. And while the HISD demographer did indicate initially that there would be an overcapacity issue regarding the high school, this is a high school with a capacity of 2,090 students, and she projected that we would add 49 students to it, later correspondence from her indicated, and I quote, "At this time, Madison High School does appear to have capacity to handle an increased number of high school students."

Part of that is due to the fact that there is a choice enrollment system in the Houston Independent School District. So students can choose to go to schools outside of their attendance zone if there is room there. And apparently, at the high school, at this point, the HISD demographer indicated that approximately 500 students there now have come from other attendance zones.

The additional 49 students she projects that we would add to the system would really be -- would have priority in attending that high school over those coming from outside the zone.

Additionally, the data cited by the opposition
indicated that the 49 students that we would add would
come completely from outside of the district. However, in
looking at the development that our developer partner has
done that is most similar demographically to this
particular development, we only had in that instance 3
percent of students come from outside the district.

So what we believe will happen is that students
are going to be moving within the district, by and large.
That there is capacity, as indicated by HISD's
demographer. And in the event, which we think is unlikely
that there ever is a capacity issue, we are presently
working closely with the Houston Independent School
District to -- we've looked at pre-K programs at our site,
and we'll take whatever steps are appropriate to address
any overcapacity issue, should that ever arise.

In conclusion, in an effort to be good
neighbors, we will continue to work with residents of the
community, both those who support and oppose our
development. We will provide them, as we have in the
past, with good solid factual information, and address
their concerns, whether those concerns be borne of emotion
or substance.

We're committed to providing a very high
quality product. In fact, the developments that we're
talking about doing now are very different from the public housing examples that were cited earlier for you.

And in fact, residents of the community did visit some of the Tax Credit developments that this developer partner has undertaken. And some of the comments I got back were, quote, They looked pretty good.

In the document that they cited and provided for you, they did indicate that those properties were well maintained. And we at the Housing Authority of the City of Houston are committed to our mission of providing good, quality, affordable housing, and to being a good neighbor in this community.

We appreciate very much the opportunity to make our case before you, and respectfully request that you approve our application.

MR. JONES: Thank you, sir. Questions? Thank you, sir. Before we close public comment on this particular matter, Mrs. Harris?

MS. HARRIS: Yes.

MR. JONES: If you would, could you come up? I have a couple of questions for you, if you don't mind. And please have a seat. Delores, would you help her with the microphone?

Ms. Harris, if you could for me, address the
drainage concerns once again. I was just curious to hear your perspective on that. And then I know a lot of other issues have been brought up, and if you have a perspective on those, I'd also appreciate that.

MS. HARRIS: Okay. The channel -- if we show you how the channel is flowing.

MR. JONES: If you could -- could someone help her with that microphone? Yes --

MS. FORETICH: I think you also have this in your packet.

MS. HARRIS: The water enters this channel from Post Oak Road, and it travels all around here. And when it rains, everything then comes from Sims Bayou. When this channel fills up all the way, this is what activates it. It's capacity. So when this fills up, then it starts spilling over into what's called their basin.

And this is what happened with Allison. It spilled over -- see, they have a lot of land besides this over here. And it also spilled over, went into the streets, Sims Bayou flooded, and the houses flooded. And that's why we're concerned, because this property that they have is adjacent to the area over here. And nobody can predict what it's going to be.

And they haven't finished -- they haven't even
started the study on what they're going to do on this
drainage fee they're going to charge us. They haven't
even told us what it's going to cost. It just says 350 a
month forever. It's like a sewer fund.

So this is what we're concerned about, if this
channel that runs through here. Then on the other side of
the apartment project there is another drainage easement.
It's another seepage drain. And water comes from all
over for that. So they're really kind of in between a lot
of drainage problems. And I just really feel that it will
be a problem in time.

MR. JONES: Thank you.

MS. HARRIS: The other thing is that if they're
only going to develop 15 acres with 280 apartment units on
it, then are they going to come back with the other 15
acres and put another 280 units? We have to think about
that. I mean, that's going to really be a serious impact.

It's a misconception that we have no affordable
housing in our community. About a third of our -- a
fourth of our homes are low-income leased out to Housing
Authority for Section 8. But that's what we like. We
like that look of affordable homes -- affordable housing,
but it looks in a setting that there is single-family
homes.
We have a lot of our homes that are rented out. We have four apartment complexes. And we have a major development that was going in, and the city saw that it wasn't going to work where they put in 100 homes -- low-income homes that looked like single-family homes. So we do cater to that market. So for them to say that we don't, I think it's a misconception.

As far as the school, who is better to say if the school is overcrowded or not? You have your documentation from the superintendent from that area. I worked for HISD. I am not working now because I had to retire. Those schools -- 35 -- 36 kids in a classroom? Do you hear me? I'm telling you what I know for a fact. So this is what I'm hearing and what I know for a fact is different.

Twenty-two -- 24 kids. It's hard for -- to teach that many kids in the classroom. And we are dealing with 900 and some single-family homes coming into our area. We have to account for those kids. And they are contributing to our tax base. Okay? So this is where we are.

I mean, economic development -- hard pressed to get economic development where there is a lot of apartments. Right now Fondren Southwest, tearing down --
razing apartments as fast as they become vacant, because that community was destroyed, and that was an elite part of the City of Houston. Apartments have destroyed them. One apartment alone -- and you have it in your documentation -- 1,400 calls. A child is laying in the hospital right now, almost -- paralyzed because of all the crime and the shooting, and the child laying in the bed asleep one night, shot. These are the things we fear. And that's what we don't want.

We've been able, and we've fought -- we've been before you before, our area -- trying to keep out these apartments because if anybody would really admit, unless you can get the upscale apartments like $1,000 a month or something -- $800 a month, you cannot get the type of housing in our area. They're just not going to come in and build them.

But they'll come in and build them with the tax credit monies, and don't want to put no tax base in there. I think it's unfair to us. Thank you for hearing us.

MR. JONES: Thank you, ma'am. Just out of curiosity, what did you do for the Houston Independent School District?

MS. HARRIS: I was a parent/community liaison.

MR. JONES: Thank you.
MS. HARRIS: Parent/community representative for HISD.

MR. JONES: I bet you were good at it.

(Laughter. Applause.)

MR. JONES: Mr. Bogany -- I think Mr. Bogany had a --

MR. BOGANY: No.

MR. JONES: Okay. I'm sorry. All right.

Okay. I think that's the end of public comment on this particular --

MR. BOGANY: I have one for the developer.

MR. JONES: Okay. Okay. Excuse me. There is a question for the developer. Mr. Bogany?

MR. BOGANY: What are the rents stated to be, and I'll -- I know in Houston right now, the -- a condo would cost you 850 or so to rent. Housing right now -- median price for housing, single family, is running about $1,300. And it just depends on the area and what the house is. But this is the numbers that run through the multiple listing statistics.

So what are the projection of what the rents will be? And is this a mixed community? When I say mixed use, as far as prices? You could be -- somebody -- an entry-level policeman coming into this apartment complex...
and renting a unit also. And how many are going to be low
to moderate, and how many are going to be stated income --
regular income? Can you give me some idea?

MR. RACKLEFF: Yes. 100 percent of the units
will be at 50 percent AMI rents.

MR. BOGANY: Okay. And what are those?
MR. RACKLEFF: The actual rents -- the gross
rents for a one-bedroom are 558, a two-bedroom, $670, and
a three-bedroom is $775.

MR. BOGANY: Okay. Thank you.
MR. RACKLEFF: You're welcome.

MR. JONES: Thank you, sir. Further questions?
With that, then, I will close public comment. I think
everybody that has wanted to speak with regard to this
particular agenda item has now spoken, and we will close
public comment on the agenda item and ask the pleasure of
the board.

MR. CONINE: Is she going to do the
presentation?

MR. JONES: Yes. I'm sorry.
MS. CARRINGTON: Yes, sir. I want to thank
you. 1-B3, Peninsula Apartments, 280 units proposed.
Tax-exempt bonds not to exceed $12 million, taxable bonds
not to exceed 600,000. Bonds would be credit enhanced by
Fannie Mae. For underwriting purposes, staff used 5.802 for both tax-exempt and the taxable bonds. It would be -- it would consist of one, two and three-bedrooms.

As you have heard, the general partner in the transaction is a subsidiary of the City of Houston Housing Authority. Tab 3 is the Tax Credit recommended amount. Staff is recommending $679,386 in tax credits.

On the second page of the tax credit recommendation, you will notice that there are seven conditions to commitment on the issuance of the tax credits, or the allocation of tax credits on this transaction.

Behind Tab 5 is the underwriting report, where you have the amount of tax credits recommended, and also on the second page of this, additional financing that has been allocated or proposed to be allocated for this transaction. Housing Trust Fund award was made last month for $525,000, and again, conditions 1 through 6 on this particular transaction to the underwriting conditions.

Tab 9 is the public hearing transcript, the number of people who attended, the number of people who were opposed, the number of people who supported, and the summary of what that support and opposition was.

MR. JONES: Thank you. Now we'll turn to the
MR. BOGANY: I have one more question.

MR. JONES: Certainly. Please.

MR. BOGANY: This is to the developer. I noticed in the information I have here you have garages on those. Are those being charged extra to have garages?

MR. RACKLEFF: No.

MR. BOGANY: That's just part of the project. Okay. Thank you.

MR. SALINAS: The drainage -- is that a ten-year flood? The capacity of the basin is the ten-year rain? A hundred-year rain? If you get ten inches in the area, what happens to you? Ten-year rain?

MR. FORD: No, it's out of the Flood Plain.

MR. SALINAS: It's out of the Flood Plain?

MR. FORD: Correct.

MR. SALINAS: Have they connected that drainage from all the way down to 288 -- what is the dedication of the district? How long will it take for you all to complete that project?

MR. JONES: Mr. Rackleff, do you want to respond to that?

MR. RACKLEFF: I --

MR. SALINAS: You have a pond in the area for
this project.

MR. RACKLEFF: Uh-huh.

MR. SALINAS: Well, what's the capacity of the detention area. I mean, if the drain is ten inches, are you up to capacity? Or is the drainage pipe five inches? A hundred-year rain is -- it's a hurricane or -- a ten-inch rain is a ten-year rain. If it rains ten inches, are you out of range?

MR. RACKLEFF: If it rains ten inches over what period of time are you referring to?

MR. SALINAS: I mean, five hours. Three hours? We had a bunch of rain the other day.

MR. RACKLEFF: Not being a civil engineer, I'm not qualified to address that specifically. What I can tell you is that the City of Houston has standards to make sure that we develop in a safe manner, and in a manner that mitigates any possibilities of development housing flooding. And we are at 240 percent of the detention capacity that they require. Again, we're at 130 percent of the detention capacity required by Harris County.

I'd say also that some of the concerns that I've heard expressed about the Allison flood are, you know, really, really unrealistic. The Allison flood was kind of the exponential example of the perfect storm in
Houston.

And again, I'm not a civil engineer, but I was involved in a previous job, and looking at an area in the Greenspoint part of town that was heavily impacted by Allison. And all of the civil engineers that I spoke to at the Harris County Flood Control District told us that, no, there was really nothing they could do to avoid some flooding in Houston with the flood of -- with rain of that magnitude over that short a period of time.

MR. SALINAS: When your detention area gets up to capacity, where does the water go? I mean, there are detention areas that you -- the detention areas that you do pipes going somewhere else, where you get to a certain area of rain to a detention spot. Where does it go after it's full? I mean, do you have a way out for the water after a certain amount of rain? Or it goes into the homes?

MR. RACKLEFF: The developer may be able to speak to that issue. I mean, our detention capacity pond is put there by -- required by governmental entities who have civil engineers determine what the likelihood of flooding is. And of course, if any detention pond exceeds capacity, it's going to spill out beyond the banks of that detention pond.
MR. SALINAS: Well, there's a way to do a lot of these things. You have a subdivision and you have detention areas, whether they're behind the lots or behind -- or on a detention area. But then you have to have a way out for that water in case it rains in excess of ten inches. Where does the water go? Does it go into the streets? Or does it go into the homes? Or does it go where?

MR. RACKLEFF: Into storm sewers.

MR. CALLOWAY: Mr. Chairman, may I help?

MR. JONES: Yes, please. Please do.

MR. SALINAS: Storm sewers -- where does it go?

MR. CALLOWAY: Thank you. My understanding of flood control management and drainage management -- when detention is designed and built, it is designed for certain rainfalls in mind. You mention a hundred-year rainfall. A hundred-year rainfall does not necessarily mean ten inches.

MR. SALINAS: All right. It means a lot more than that.

MR. CALLOWAY: It means a certain number of inches over a certain period of time. Hours -- more than likely how many hours -- how many inches fall within an hour. Ten inches of rain on this part of the city, or any
part of Houston would probably have us all in motorboats. We'd be in rowboats up and down the freeway and streets.

Detention, however, is aimed at catching water, holding it momentarily before releasing it into the major structure which carries this water off.

MR. SALINAS: My question is, what is the major structure? Where does it go?

MR. CALLOWAY: The major structure that the storm sewers and the detention ponds in that area eventually empty into is Sims Bayou. Sims Bayou --

MR. SALINAS: Do you have a storm sewer that goes to the bayou?

MR. CALLOWAY: There are a number of storm sewers in the area that drain various neighborhoods that go into Sims Bayou.

MR. SALINAS: Right.

MR. CALLOWAY: Will this project in particular have a storm sewer that goes into the bayou? I doubt it.

MR. SALINAS: Yo don't have it. Or do you have it?

MR. CALLOWAY: It will go into --

MR. FORD: It all goes to Sims.

MR. CALLOWAY: It will go into an artery that carries the water to Sims.
MR. SALINAS: Well, that's what I was asking you. You have a detention area. You get it full of water, and then where does it go from there? Do you have to have a 24-inch or a 36-inch going into a storm sewer that's going into somewhere, the bayou. You cannot expect that water to go into a neighborhood.

MR. CALLOWAY: It goes from the pond --

MR. SALINAS: You know, somebody's got to tell us -- you know, I have a lady here that has a pad that's going all over the room telling us that you don't have a way to put the water. And somebody's got to tell us where the water is going to, and if it's got a destination. You know?

MR. CALLOWAY: It should go from the detention pond.

MR. SALINAS: Well, you should have a drawing of that design, so these board members can see that. We don't have anything -- we don't have a study here that you'll probably have a -- some relief in ten to 12 years from now.

MR. CALLOWAY: Does the developer want to reply?

MR. SALINAS: You know, I would like to see where you have a detention, where you have an outfall to a
bayou where it goes into the -- you've got a ten-year, my understanding, just then it gets into so much water into that detention area that you have a pipe or a drain going into the bayou. Now, do you have that kind of relief? Or do you have that kind of design for this project?

MR. CALLOWAY: Yes.

MR. SALINAS: It's a beautiful project, but I don't see any more lines going into a bayou. I mean, does it go into the homes, or does it go into a bayou? How far is the bayou from this project?

MR. FORD: The water will eventually go into Sims Bayou, not into the homes.

MR. SALINAS: Do you have a design for the bayou?

MR. JONES: I think -- excuse me, excuse me. Excuse me. Just a second. Mr. Ford, I think this is probably something you could address.

MR. FORD: The water will go into our detention. The detention is designed for the acreage and the amount of impermeable cover we have on the site, as does any new development.

The problem with the flooding in this area, to a large extent, was there were no detention ponds there when they built the homes back 25 and 30 years ago. The
requirements we have are much more stringent now.

We have enormous capacity. Now, can I handle
an Allison over me of 28 inches? No.

MR. SALINAS: I'm asking to give us a design.
You're not really giving me --

MR. FORD: The design is --
MR. SALINAS: You've got to have a design going
to a certain place.

MR. FORD: And we did. And it's submitted to
the City of Houston for permitting right now.

MR. SALINAS: Right. You should -- well, the
question is here that we are concerned, because some
people here are concerned that we're not seeing a design.

You know, I am a mayor of a city, and before --

MR. FORD: This is the first I've heard anybody
ask for the design.

MR. SALINAS: -- I will approve anything that
has all those apartments, I want to see where that water
is going to after the detention.

MR. FORD: After it leaves the detention --
MR. SALINAS: I want to make sure that it's not
going to the apartments.

MR. FORD: Now, there is a regional detention
directly next door to us. It's 72 acres. Okay.
MR. SALINAS: You still don't understand me. Do you have an outlet that goes into the bayou?

MR. FORD: Yes, it goes --

MR. SALINAS: Do they have a storm sewer that goes into the bayou?

MR. FORD: Yes, we do.

MR. RACKLEFF: Yes, we do.

MR. SALINAS: Okay. Then what is so wrong with the opposition to this?

MR. FORD: Nothing. I just had not been asked to show that plan.

MR. SALINAS: What's wrong with giving it to these people here that are here from Houston?

MR. RACKLEFF: We are happy to share that information.

MR. SALINAS: Well, I think you should have, because I mean, their concern -- and I think the lady just came over here with a cardboard showing us that they don't have a way out to the water. Somehow you need to give these people some explanations of where the water is going to. And there -- and I believe in detention ponds.

But after the detention pond is full, where does it go? I want to see where that line is going to that's going to the storm sewer and is going to the bayou.
Then after the bayou, well, let the Flooding District decide. And you need to show it to whoever is --

MR. FORD: This street has just been completed within the last six months.

MR. SALINAS: Yes. Does it have a storm sewer?

MR. FORD: It has a storm sewer in it.

MR. SALINAS: Okay.

MR. FORD: This detention has been put in in the last two years, and there has been no flood since this detention has been put in place. This is 72 acres. Our detention will be right here on the back of the site adjacent --

MR. SALINAS: Okay.

MR. FORD: -- and we'll have excess capacity. When that excess capacity has been reached, and it has to leave my detention, it will flow into the regional detention, and this bayou that empties Fort Bend right through here that goes right in -- this is Sims, is the route that the water will take.

MR. SALINAS: Where is the storm sewer?

MR. FORD: Well, the storm sewer is actually in the street. And the storm sewer has an overflow. When it backs up, this is the dam right here, and --

MR. SALINAS: At what? At 36 or --
MR. FORD: From our property into it? No, we would not be allowed but about a 12-inch, probably, line into --

MR. SALINAS: The storm --

MR. FORD: -- because we have to detain it. we'll have 24 and 36-inch lines inside our property to take the water to our detention, but they -- we have to slow the flow of water into the regional --

MR. SALINAS: Yes. I understand. You've got to choke it. But you have a plan where it's going to go to the storm.

MR. FORD: Absolutely. And --

MR. SALINAS: Well, I think this is what these people are looking for.

MR. FORD: I understand that. They just didn't -- they didn't request that we -- we have a complete flood plan, a complete site plan, and a complete contingency plan.

MR. SALINAS: Yes. They would love to hear from you and see that project, because it's got to have a way out.

MR. CONINE: Mr. Ford, thank you. With the two letters in the package that I just received from Lawton Brown Consulting Engineers addressed the mayor's problem.
They both seemed to be dealing with the design of the project from a civil engineer.

And both seemed to indicate that the design will exceed all of the requirements that Harris County Flood Control District might have, or the City of Houston might have. Are those two letters representative of the design you have for the storm drain?

MR. FORD: That is correct.

MR. CONINE: Okay. Did you see those, Mayor, in this packet?

MR. SALINAS: Yes. I've looked at it, but the problem is that you have a timetable from that --

MR. FORD: That timetable is for the -- the Sims Bayou project is a project to open Sims Bayou virtually to the Gulf of Mexico.

MR. SALINAS: Yes.

MR. FORD: It starts -- it's starting on the Gulf side, and it's now as far as 288. When that project is finished, it should relieve flooding for any reasonable future, because it's going to triple the capacity of Sims Bayou, if you're looking at the long-term plan.

MR. SALINAS: You're looking at 12 years.

MR. FORD: Correct. Our capacity, though, anticipates that not being done. The city is requiring us
to have capacity based on the current drainage out of Sims Bayou, not a 12 -- not what happens in 12 years.

   MR. SALINAS: So my concern was that the drainage that you have from your detention goes all the way to your storm sewer when it gets to a certain capacity.

   MR. FORD: Yes.

   MR. SALINAS: Okay.

   MR. JONES: Thank you, Mr. Ford. Thank you, Mr. Rackleff. Further questions? Hearing none, what's the pleasure of the board?

   MR. CONINE: Mr. Chairman, I'll go ahead and get the motion on the table. You know, this -- obviously we appreciate all the public comment that we've had here. But this particular project seems to combine a lot of the elements that we look for.

   You've got a public/private partnership. You have bond monies and tax credits being used again with other funds with another layer of financing from the public housing authority. And I just believe it meets a lot of the criteria we look for in these projects. So I move for approval of the Peninsula Apartments in Houston, Texas, Resolution Number 03-69.

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

MS. ANDERSON: Second.

MR. JONES: We have a motion that's been made and seconded by Ms. Anderson. Further discussions, questions, comments, statements?

Yes, ma'am, Ms. Anderson?

MS. ANDERSON: I have a comment, and this is probably really weird, but I also would like to amend my -- Mr. Conine's motion.

MR. JONES: You certainly may.

MS. ANDERSON: I agree with Mr. Conine's statements about the partnership and about the multiple ability to use local funds for -- you know, to strengthen the ability of this project to move forward.

I would add that the state is putting in, in addition to the tax credits, which we, you know, approve, and the tax-exempt bonds, the request has been made that this deal include $525,000 in Housing Trust Fund monies, and $325,000 in SECO monies. So that's another $850,000 from the state funds that this agency administers, you know, to support this program -- this development, on top of the normal tax credits and tax-exempt bonds.

That said, you know, it's -- the subject of taxes has been raised here today. And it is no, you know,
secret to anybody that municipalities around the state, as well as the state level in general, you know, have been trying to address very severe funding and budget shortfall kinds of situations.

And so I really think that as a good neighbor, that I know you all want to be, that this development should be asked to pay to make some investment in the school system in the area that you will occupy.

So I would propose for the board's consideration to amend the approval motion by requiring that in the land-use restriction agreement, that this development have to have an agreement with the Houston ISD, or the state -- and I would leave it to the Bond Review Board to determine their -- at least state their preference, to pay that portion of school taxes that the state would have -- the incremental portion of school taxes that the State General Revenue Fund is going to have to pay to this development because, you know, under current conditions, it's -- the Housing Authority is not, you know, a taxable entity.

So that portion -- and I think it's somewhere in the neighborhood of 25 or 30 percent of the total for the normal school taxes, that this development would make a commitment in the land-use restriction agreement to pay
those taxes, because the City of Houston can certainly make a decision, you know, that there is a public benefit in Houston to having this project there, you know. And I think, in fact, a very dramatic public benefit, based on what I've seen of this very attractive development. But I think the taxpayers of Texas, you know, are in a very tough situation, and so I would ask -- I propose that amendment.

MR. JONES: Mr. Conine, do you accept that amendment?

MR. CONINE: Well, I'd like to ask staff -- underwriting staff, you know. These things are generally underwritten fairly tight, and when you layer in another expense level, it could get the ratios out of whack. So I guess I'd like to hear from staff relative to Ms. Anderson's proposal.

MS. CARRINGTON: And Mr. Conine, as the appropriate staff is coming up, and it appears the appropriate staff is Jim Anderson. Ms. Anderson is correct in -- on the underwriting -- multifamily underwriting analysis on page 2, that there was a Housing Trust Fund awards of $525,000 that was approved last month.

When this underwriting report was written, it
was also "Recommend approval of the Housing Trust Fund SECO award not to exceed $325,000." So as the transaction was underwritten, it did include an assumption of the 325,000 in SECO funds.

However, on the SECO recommendations that are going to the board today a little bit later, this transaction, even though it was underwritten with the SECO funds, is not being recommended for an award of SECO. Basically, we ran out of available SECO funds before we were able to -- they didn't score high enough.

MS. ANDERSON: And I would note, in the underwriting report it reads, "Moreover, should the SECO funds not be awarded, the transaction would still be viable through the deferral of additional development fee."

MR. ANDERSON: Jim Anderson, Real Estate Analysis Division. As currently underwritten, there doesn't seem to be much room for payment of taxes from this development.

We are currently at a -- at 1.08 DCR on the TDHCA analysis. And we are already forecasting, probably, mandatory redemption of the bonds at conversion to permanent. So we just don't foresee that there is room.

MS. ANDERSON: So based on that revised
underwriting, then it doesn't even have the minimum DCR
that you --

MR. ANDERSON: If you --

MS. ANDERSON: -- normally have to make it a
financially feasible deal?

MR. ANDERSON: Yes, ma'am. That's right.

MS. ANDERSON: I withdraw my second. Can I do
that?

MS. CARRINGTON: I think you can.

MR. JONES: I think you can, unless somebody
says you can't. I believe you can. I think --

MR. GONZALEZ: I'll second.

MR. JONES: Okay. We have a second by Mr.

Gonzalez.

MR. CONINE: Can we have either a developer or
a developer's representative to speak to Ms. Anderson's
proposal?

We've heard what staff thinks. I'd like to
hear what the developer thinks. Is there any sort of
other things that maybe we're not aware of that --

MR. JONES: The one thing that I would say, in
light of the fact that I know we're all trying to work
with and be successful at the Bond Review Board, her
suggestion might really help us, you know, because you
know, assuming -- and I'm not assuming anything. I'm not assuming how this board would vote.

   But hypothetically, if the board voted to approve, her suggestion might improve our situation as we become partners from this point forward before the Bond Review Board. But that's just something for thought.

   MR. CONINE: Now, Ms. Anderson, you said 25 to 30 percent. Is that --

   MS. ANDERSON: That's about what I think the --

   MR. CONINE: So if the taxes were $100,000 a year --

   MS. ANDERSON: It would be 25 -- that's --

   MR. CONINE: -- they'd be paying 25,000, you'd have to amortize that monthly. That's -- what her perceptions of state law is, where the State General Revenue Fund has to redeem, if you will, to the local school district some loss of revenue.

   So I know that's going to be tough to figure out, but you're a pretty creative kind of guy.

   MR. FORD: Let me say this. We were at the Bond Review Board working meeting on, I guess, Tuesday. And the controller's office report was that because the PHA is a governmental entity, the property is not rendered, it is not on the tax rolls, and therefore, does
not require any rebate from the State of Texas General Revenue.

Now, we were just -- there was another deal before you today that was a CHDO deal, where they had a pilot program, and there was a lot of discussion. When the discussion came up to the PHA, they said, it's like a void on the map. There is no rendering. There is no assessment, and therefore, there is no reimbursement by the State of Texas General Revenue to the school district for this property.

I was looking for Elizabeth Rippy to support, because she was in the meeting, but the discussion took five minutes.

MR. CONINE: Here she comes.

MR. FORD: She could maybe address this better than I.

MR. JONES: This is interesting.

MR. CONINE: Well, we all learn something every day. And I'm learning something right now.

MS. RIPPY: I'm Elizabeth Rippy --

MR. JONES: We might make this part of a seminar sometime.

MS. RIPPY: -- with Vinson and Elkins bond counsel. And Steve is correct. There was a property tax
expert from the Comptroller's Office in attendance at the Bond Review Board meeting. And I'm not an expert on property taxes. I'm just repeating what we heard at the meeting.

But I believe the way that the comptroller looks at any government-owned property is basically it's not considered as valued in determining the total property value for an area. They basically ignore it completely, all government-owned property from any calculations.

So their kind of conclusion was that this would not have an effect on general revenues for the State of Texas and any obligation of the state to make a payment.

MR. CONINE: So a demarcation between a public housing authority and a CHDO, basically.

MS. RIPPY: It's treated completely differently as far as their calculations go.

MR. CONINE: Okay. Fine.

MS. RIPPY: That was in accordance with their representative.

MR. JONES: Thank you, Elizabeth.

MR. CONINE: Good to know.

MR. JONES: That was exciting.

MR. CONINE: I wouldn't say it was exciting to know; I just said it was good to know.
MR. JONES: No, I think it was exciting for Elizabeth. I love to see lawyers put on the spot. Okay.

MR. CONINE: Me, too.

MR. JONES: We have a motion that's been made and seconded. Further questions, comments, discussions? I am sorry, ma'am. The time for public comment has come -- I apologize. I'm sorry. I cannot do that. Once the board starts debating an issue, further public comment is not allowed, and we do have a rule in that regard. I apologize.

Further questions, comments, discussion? Are we ready to vote? I assume by your silence, we are. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed to the motions, please say nay?

MR. SALINAS: Nay.

MR. JONES: The motion carries. I only heard one nay. Is that correct? The motion carries, then.

We will then move to Item 2. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. May I tell the board now that you go to Volume 2? It's the second book.

(Pause.)
MS. CARRINGTON: The next three items for the board's consideration are amendments to three Tax Credit transactions with tax credits that have previously been allocated.

The first one is Aransas Pass Retirement Center, located in Aransas Pass. In this particular transaction, the interior corridors were eliminated in this transaction, and what the developer proposed to do with the square footage that was to be included in those interior corridors was to enlarge the porches, patios, breezeways, enlarge the clubhouse, and upgrade vinyl siding to cement board siding.

Staff has determined that the proposed changes would not have negatively impacted the points received by the applicant. This is a 2002 allocation of tax credits. It is a retirement center. It is 76 units.

And staff has determined that proposed changes would not have -- also would not have impacted the credits that were allocated to this transaction. And staff is recommending, since this is considered a material change -- that's why the board is being asked to consider this. And staff is recommending that the configuration -- the design of the development be amended as proposed by the developer.
MR. CONINE: Move for approval.

MR. JONES: Just one second. Before we do that, we have public comment from one individual, Mr. Smith -- Rowan Smith.

MR. SMITH: It's on another issue.

MR. JONES: On another issue. All right. Okay. Excuse me. We then will move on, then. I had a motion.

MR. BOGANY: Second.

MR. JONES: Okay. The motion is made by Mr. Conine. It's been seconded by Mr. Bogany for approval of the staff's recommendation. Further discussion?

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. We move to Item 2(b).

MS. CARRINGTON: The second material --

MR. JONES: Mr. Smith, do you care to speak to 2(b)?

MR. SMITH: No, not at this point.

MS. ANDERSON: His is number 3, Padre de Vida.
MR. JONES: His is -- oh, I'm sorry. Okay. Well, we had you down for 2(a). I apologize.

MS. ANDERSON: 2(a) has three different deals. And he is -- I think this would be a good time for this.

MR. JONES: Oh, I see. Okay. Thank you. Why don't we go ahead and let you speak now, if you don't mind.

MR. SMITH: I'll pass. I don't have anything --

MR. JONES: Okay. Lead us on, Edwina.

MS. CARRINGTON: King's Crossing Apartments -- a 2002 allocation of tax credits. What the developer is requesting is a reduction in the size of the parcel from 9.978 acres to 8.081 acres. This was a reduction of 19 percent. Staff feels that this was a material change. We are bringing it back to you for your consideration.

What the developer is going to do with that other land is actually turn it into single-family housing. It does not reduce the number of units that were to be produced with this particular development. It will reduce the developer fee, and would have no effect on the amount of credits that were allocated. And so staff is recommending that this material change to this application be approved.
MR. BOGANY: So moved.

MR. CONINE: Second.

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

(A chorus of ayes.)

MR. JONES: All opposed, say nay?

(No response.)

MR. JONES: The motion carries. Ms. Carrington?

MS. CARRINGTON: The third one is Padre de Vida. And this particular transaction is located in McAllen. It is a rather unique set of circumstances in that it was a forward commitment by the board last year. It was a 2002 application. It was 2003 allocation of credits.

Last year, when Mr. Smith applied, his development was located in a qualified census tract. This year, with the changes in the qualified census tract, it no longer is in a QCT.

You will remember that developments in QCTs do get a boost on the amount of credits. And so what the developer has done in this case is they are -- it was mixed income when the board approved it last year. So
there were tax credit units and market rate units. And it was an 80 percent/20 percent transaction.

So what the developer is proposing is that instead of having 20 percent of the units be market rate, 100 percent of the units be considered tax credit units. That would increase his applicable fraction. And he is also increasing expenditures to be able to get the basis up to what it was when the forward commitment was approved by the board.

And staff is recommending the approval of this material change in this application.

MR. SALINAS: So moved.

MR. BOGANY: Second.

MR. JONES: We have a motion by the mayor, seconded by Mr. Bogany. Further comments, questions, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, say nay?

(No response.)

MR. JONES: The motion carries. Item 2(b).

MS. CARRINGTON: Thank you, Mr. Chairman. The next five items --

MR. JONES: Excuse me. With regard to Item
ON THE RECORD REPORTING
(512) 450-0342

2(b), we do have some public comment. Mr. Fluetsch?

MR. FLUETSCH: I don't have any comments. I'll be available if there's questions on the Travis Park item.

MR. JONES: Thank you, sir. Mr. Bill Fisher?

MR. FISHER: Thank you, Mr. Chairman. I am here on behalf of the developer of Rose Court at Thorntree. I just wanted to speak briefly to complete the record on that project regarding public support. Since you're not the issuer, you don't have access to the TEFRA and other information.

We've held two public meetings because it's the Dallas Housing Finance Corporation at issuance. We had about 14 folks from the neighborhood at the first meeting, including three of the presidents of the homeowners' groups that were on the councilman's list for this particular area.

Everyone at that meeting spoke on the record in favor of the development. We had our TEFRA hearing approximately a week later. We had the President of the CDC, Pleasant Grove, Pleasant Woods CDC, the South Dallas Land Use Study, and United Homeowners of Oak Cliff, Ms. Norman's group, who is very active in this particular area, all of whom spoke on the record.

I brought with me today some things that were
missing from the record that I would like to be included, which are letters of support from the city councilman, from the state representative in the -- who used to be a state representative, Jesse Jones, who is also one of the sponsors of the One-Mile Limit Rule in favor of the developments, State Representative Terri Hodge, and State Representative Yvonne Davis, who is now the new state representative for this area.

The market study indicates that the economic energy in our area -- it comes from a very large neighbor, which is the hospital -- the Charleton Methodist Hospital. And I'm pleased to tell the board that we have a letter of support from Charleton Methodist as well. And I'd just like to make sure that was on the record. Thank you.

MR. JONES: Thank you, sir. Mr. Manley. How are you today? Come on up.

MR. MANLEY: Fine. Thank you, sir.

MR. JONES: Good to see you.

MR. MANLEY: Nice to see you all again. My name is Larry Paul Manley. I'm here to speak on behalf of Item 03-415, which is Southwest Pines Apartments in Tyler. I am representing the owner and developer of this property. And we only have one issue to address. First of all, we thank staff for its recommendation. And
we generally are in agreement with the staff's
underwriting comments, with one significant exception.

    We have a handout for you with a one-page memo
that covers it. You may have it in front of you. Where
we differ is in an item -- our first impression, as we
understand in talking to underwriting staff.

    And it has to do with the underwriting
guideline rules on treating construction period interest.

    The underwriting guideline says that for underwriting
purposes, that only one full year of interest is used for
construction period calculations.

    And we recognize that that makes a great deal
of sense in the 9 percent transaction, where you use a lot
of equity in the front stage, and then you draw down your
construction line as you progress.

    And we see that approximately 12 months
outstanding interest over an 18-month construction period
makes sense. In a 4 percent transaction, however, it's a
different world, because you have to issue your bonds the
day you close, and you draw down all the interest that
day.

    And so you have real interest costs beginning
day one until you finish your construction. And it has a
major impact on the amount of construction period
interest.

And in our case, when you flow that through, we're asking for what amounts to an increase of 14,000 and change in tax credits annually. It has a $300,000 impact on our eligible basis, based on the numbers in underwriting. And it has a significant impact on our GAPP financing.

So for all those reasons in the memo -- in the one-page memo with the backup that you have in front of you, we would like to request that you consider increasing the recommendation of staff at 936,000 to a total of 950,381. And I'd be happy to answer any questions you might have.

MR. JONES: Questions? Thank you, sir. I appreciate it. Matt Harris?

MR. HARRIS: No comment at this time, but available for any questions.

MR. JONES: Les Kilday?

MR. KILDAY: Chairman Jones, the board, Ms. Carrington, thank you for giving me the time to talk. I'm here -- my name is Les Kilday. I'm here to represent the ownership entity for North Forest Trails Apartments, TDHCA Number 03-417.

I am here asking that the board -- and I think
you should have a letter that I addressed to Chairman Jones and copied all of you on it, asking -- requesting that the tax credits be increased from 458,554, which is the current number on the agenda, to 486,876.

Let me give you some of the circumstances behind that. Back in June we were asked which board meeting we would like to be considered under. We asked the June board meeting -- or asked for the August board meeting, and for various reasons that we had.

But we asked for that meeting. Back in August -- on August 3, which is a Sunday, we were given information from underwriting asking questions, and some clarification on a few of the items in underwriting.

We were asked in that to -- there were five items we were asked to give our response by three days -- a normal three-day response by that Wednesday -- next Wednesday.

On Monday afternoon, we were called by underwriting asking to add a sixth item, and that sixth item was to increase the applicable rate applied to the -- to the eligible amount, from 3.4 percent to 3.61 percent. Underwriting asked us to do that.

I said, Yes, we would, absolutely. And we will get the information to you by Wednesday, the deadline
you've given me. Tuesday afternoon, we got a call from underwriting asking us to move our item back to the September board meeting.

We responded with voicing our concerns as to why we would rather stay on the August board date. We didn't know -- the bond rules hadn't been -- the emergency bond rules hadn't been approved yet. We didn't know the Senate Bill 264 was going to be affected at all by this.

And we have -- there is a number of dominoes that fall after the TDHCA approves the tax credits. The issuer has to approve it. There is a subcommittee that the City of Houston has to approve, and the city council has to approve it.

So we recommended that we stay on the August board book. Then the response I got, late in the afternoon on Tuesday was, We understand your concern, and we know you gave -- we know we gave you a three-day deadline, but for the August Board Book, you're going to have to have your information in today. This was late Tuesday on the second business day.

I responded with, you know, we're just not going to be able to do that. There were some items that needed signatures, and the owners -- the ownership -- the members were out of town. I couldn't do that.
I responded verbally. I mean, I responded in email, my comments on all the items, but said the documentation wouldn't be there until the next morning. We did turn the information back in on the next morning, Wednesday.

So we are requesting that those tax credit amounts be increased, really based on the recommendation by the underwriting group, where we feel it's a reasonable request based on the circumstances. And we would ask your approval of that. I'll field any questions if you want to ask any.

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

R.R. Kilday.

MR. R.R. KILDAY: Thank you very much, Mr. Jones, excuse me, board members, Ms. Carrington. I would only add, and we'll try to be very brief, to what Les said. That we really need these additional credits. This is a priority-one deal, 0-Priority 1, which is 50 percent of median. And so there is a definite need there.

We were only complying -- trying to comply with staff wishes and desires, of course, which we would anyway. As far as moving the meeting from August to September, we've always done anything we could, bent over backward to do whatever the board and the staff wanted us
to do.

In this case, as Les said, it was almost -- you know, it was very -- this was a bond deal. There is a lot involved. We were afraid that there may be a problem. So we requested to stay in August. So I hope that was okay.

One other thing, the underwriting report shows that we could have actually added $800,000 more to our construction costs, according to Marshall Swift, which would have enabled us to apply for over $500,000 worth of credits.

And we didn't do that, because we aren't greedy. And we felt like that would work. And so that's a point I would like to make there. That we weren't reaching any farther than possible.

Also, since I know this counts, even though it's a 4 percent deal, as we discussed with one of the staff members, it's not a finite thing. So we're hopeful that that little increase wouldn't be too much of a problem for you all. So we're asking you to help us there, if you would. Thank you very much. Any questions?

MR. JONES: Thank you, sir.

MR. SALINAS: Do you all want to give them the increase?

MR. JONES: Excuse me? Mr. Bogany?
MR. BOGANY: I have a question of Ms. Carrington.

MR. JONES: Sure.

MR. BOGANY: Ms. Carrington, in increasing the amount, do we have any tax credits to increase with? What is staff recommending?

MS. CARRINGTON: Since this is a tax-exempt bond, and 4 percent credit transaction, it -- the 4 percent credits do not come out of the cap. So yes, the answer would be yes, there are available credits to increase the credit amount.

MR. BOGANY: Okay. What is staff recommending? Or is all four of these staff is recommending?

MR. JONES: And I probably have not given her an opportunity to make her presentation as such, so you're doing a good job of making sure she does that. So let us know.

MS. CARRINGTON: Thank you, Mr. Chairman.

MR. JONES: No, you should thank Mr. Bogany.

MS. CARRINGTON: In the past, you all have taken transactions with local issuers as a group. I would suggest that we take these one at a time so that staff can address the issues that have been raised in the transactions.
MR. JONES: That would be great. Please do.

MS. CARRINGTON: The first one is Rose Court at Thorntree, located in Dallas. The Dallas Housing Finance Corporation is the issuer on this particular transaction. And staff is recommending a credit allocation amount of $1,111,276.

MR. JONES: We have staff recommendation. What is the pleasure of the board.

MR. BOGANY: So moved.

MR. JONES: We have a motion to approve staff's recommendation. Do we have a second?

MR. GONZALEZ: Second.

MR. JONES: Seconded by Mr. Gonzalez. The motion was made by Mr. Bogany. Further questions, comments, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MS. CARRINGTON: The second transaction for your consideration is Development Number 03-409, Travis Park Apartments. This is the only one of the five that's an acquisition rehab transaction. The other four are all
new construction. This is an older property that has a current housing assistance payment contract on it for all 197 units.

So this is a preservation transaction that would be financed with tax-exempt bonds and credits, and the Austin Housing Finance Corporation is the issuer on these bonds. The credit amount that's being recommended is $383,918.

MR. BOGANY: I move that we accept staff's on Travis Park Apartments, staff's recommendation.

MR. GONZALEZ: Second.

MR. JONES: We have a motion by Mr. Bogany, seconded by Mr. Gonzalez. Further questions, comments, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MS. CARRINGTON: The third transaction for your consideration is Development Number 03-415, Southwest Pines Apartments in Tyler, with the East Texas Housing Finance Corporation as the issuer. And the staff-recommended credit allocation is $936,294.
And this was the one that Mr. Manley spoke to and addressed the treatment of the department's construction interest in underwriting. And I would like to ask Lisa -- is this Lisa or Jim who would like to come up and address this issue? They're fighting for who can come -- who wants to come to the mike. I can tell. Jim, do you want to come give her some backup?

MS. VECCHIETTI: Hi, I'm Lisa Vecchietti with the Real Estate Analysis Group. I'm sorry. Okay. As far as the interest expense goes, I feel a little uncomfortable with granting Mr. Manley's request because we haven't done this in the past for other 4 percent deals.

It is in our underwriting rules that we will only use or consider one year fully drawn interest expense for all transactions that we underwrite. Again, our draft rules are up for comment, and I think it's a great comment for 2004. But again, I think it would be unfair to change the rules for one deal.

MR. JONES: He indicated it was an instant of first impression. That it had never come up before. Now, that would be contrary to the statement that you just made to us. Am I missing something?

MS. VECCHIETTI: About what?
MS. CARRINGTON: No, it would not be contrary to the statement.

MR. JONES: It wouldn't?

MS. CARRINGTON: No, sir. This is the first time we have been asked to consider something longer than 12 months, of construction interest on a 4 percent transaction.

MS. VECCHIETTI: Well, the rules are --

MR. JONES: I thought she just said that would be unfair, because for everybody else we've been --

MS. ANDERSON: The way the rules say.

MR. JONES: The way the -- okay.

MS. CARRINGTON: Which is 12 months.

MR. JONES: Which means that we have had the similar situation come up and enforced our rules the way we thought they were. Correct?

MS. ANDERSON: Nobody's ever asked us to do that.

MR. JONES: Nobody -- okay, what you're telling me is nobody has ever asked this before. But the same situation has been here before without the asking?

MS. ANDERSON: Everyone, I guess, theoretically could ask.

MS. CARRINGTON: I think the treatment on any
bond transaction is as Mr. Manley has explained it, in
that the bonds are issued basically on day one, and you're
going to fully draw construction interest.

    MR. JONES: Okay. Well, let me just make sure
I understand it. With regard to all the other ones that
we've done, if we were to do this for Mr. Manley, they'd
all be disappointed they didn't ask. Right?

    MS. VECCHIETTI: Yes.

    MR. JONES: Okay. Thank you. I understand the
situation now.

    MS. CARRINGTON: It took three of us to answer
that for you.

    MR. JONES: I know. I told you earlier I was
obtuse. But Kent got on me about that.

    MR. CONINE: Lisa, isn't it true that at the
tail end of the project, that they had expended more
construction interest so they can come apply and get more
credits at that time for the cost certification?

    MS. VECCHIETTI: That is correct. That cost
certification of 4 percent.

    MR. CONINE: Okay.

    MS. VECCHIETTI: Tax credit deals can come in
and request additional tax credits.

    MR. JONES: Further questions, comments,
discussion?

    MS. ANDERSON: I move approval of the credits
    at the staff recommended amount.

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

    MR. BOGANY: Second.

    MR. JONES: Motion's been made. It's been
    seconded by Mr. Bogany. Further discussion, questions,
    comments? I assume we're ready to vote. All in favor of
    the motion, please say aye.

    (A chorus of ayes.)

    MR. JONES: All opposed to the motion, say nay?
    (No response.)

    MR. JONES: The motion carries. Ms.
    Carrington.

    MS. CARRINGTON: Thank you. Development Number
    four, Development Number 03-416, Glenwood Apartments in
    Amarillo, Panhandle Regional Housing Finance Corporation
    as the Issuer on this transaction. The recommended credit
    amount is $422,708.

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

    MR. CONINE: Move for approval?

    MR. JONES: We have a motion for approval. Is
    there a second?
MR. BOGANY: Second.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. Ms. Carrington?

MS. CARRINGTON: The final transaction for your consideration, Development Number 03-417, North Forest Trails Apartments in Houston. The staff recommended credit amount on this transaction is $458,554. And this was the second development that you did hear discussion on. And it revolved around what was the applicable percentage that staff used to underwrite this transaction. And we underwrote it at 3.4 --

MR. CONINE: Could we get some comments on the timeline dialogue that --

MS. CARRINGTON: Yes, we can.

MR. JONES: -- both Mr. Kildays laid out?

MS. CARRINGTON: Yes.

MR. JONES: Should that be --
MR. ANDERSON: Yes.

MR. JONES: Oh, you won the fight this time.

MR. ANDERSON: Jim Anderson from Real Estate Analysis. I have to apologize. I was actually on leave that week, so I wasn't here. But my understanding is that it's gone down pretty much as Mr. Kilday's laid out here, sir.

MS. CARRINGTON: That we had asked them that we had redone -- they were eligible for underwriting at 3.61 percent. But because of timing issues, that did not get reflected in the board materials?

MR. ANDERSON: That is correct.

MR. CONINE: So if staff were to make it current, if you were looking at it -- forget about the cutoff date to get it in the board book seven days ahead. We're now here in a public forum, and we can in essence do what we need to do to make it right.

MR. ANDERSON: This amounts to an amended request.

MR. CONINE: So would staff be supportive of their amended request at this point?

MS. CARRINGTON: Yes, we would.

MR. ANDERSON: Yes.

MR. CONINE: Okay. And could -- I didn't write
down the numbers you used. Could you refresh my memory the numbers you used?

MS. CARRINGTON: Yes, sir. It would be -- the percentage that we did underwrite it at, but didn't get in the book, was 3.61 percent. And that would be reflective of the credit amount of $486,876.

MR. CONINE: Thank you.

MR. JONES: Mr. Conine, would you like to make a motion?

MR. CONINE: Move for approval of the North Forest Trails at the increased amount of $486,876.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. We then turn, Ms. Carrington, to Item 3(a) on our agenda.

MS. CARRINGTON: Thank you, Mr. Chairman. The items that you have before you under Tab 3 are the methodology for our Regional Allocation Formula, our
Affordable Housing Needs Score, the Qualified Allocation Plan, the HOME Rules, the Trust Fund Rules, the Emergency Multifamily Bond Rules, and the Real Estate Analysis Rules.

What the department will be doing this year for the first time ever is having a series of consolidated public hearings around the state. There will be 13 public hearings, and those start on September 29 and go to October 10.

Contrary to what you all have seen in your board book, for those of you all who read it word for word, we flipped September and October, so the hearings are scheduled for beginning the 29th of September and going to October 10. And we realize we were at least consistent. We had the wrong month and -- in every one of them. So somebody copied off of the first one.

We are -- the department is really very excited about handling all of these rules in consolidated public hearings in each of the state service regions. We feel that this is a great benefit to the public, rather than asking them to come to multiple public hearings when we have a rule out for consideration, what we're saying is come to one public hearing in your region, and be able to discuss all of these rules the department is proposing,
along with our Regional Allocation Formula and our State Low Income Housing Plan and Annual Report, and our Consolidated Plan.

The Housing Center had -- did me a list of what all will be considered at each one of the public hearings, and we have eleven items that are on the agenda of each of these 13 public hearings around the state.

We have also invited the Texas State Affordable Housing Corporation to join us in these public hearings around the state. TSAHC has a requirement to publish some rules for their multifamily program.

They also are required by statute to include a plan in assessing housing needs around the state that we must then incorporate in our State Low Income Housing Plan. So we have invited the Texas State Affordable Housing Corporation to join us in these public hearings around the state.

With that, I would -- unless the board has any questions.

MR. CONINE: Do we have a list of cities and dates and so forth for all that?

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

MR. CONINE: And the board can get those?

MS. CARRINGTON: The board can get those. I
went on our website, I guess, yesterday and they weren't up yet. And I was assured they would be up by today. So I don't know if anybody's been on the website --

MS. SARAH ANDERSON: I said Monday.

MS. CARRINGTON: Oh, Sarah, well, I didn't talk to you. It was somebody who gave me a more aggressive deadline.

MS. SARAH ANDERSON: By Monday.

MS. CARRINGTON: I won't give you the dates, but I will give you all the cities. Longview, Dallas, Wichita Falls, Lubbock, San Angelo, El Paso, Austin, San Antonio, Harlingen, Corpus, Waco, Lufkin and Houston. So it's a road trip for many of the staff, as you can imagine.

And we are looking forward to see how well this works. We think it certainly will facilitate the public comment process for the public.

As I was reviewing the rules over the last several days, the thing that struck me about what the department has done as it relates to all of these rules and proposed rules is the amount of public comment that we have solicited as we have prepared these rules.

We've called them different things. We've called them public forums. We've called them roundtables.
We've called them working groups. But they all basically achieved the same things for the department, and that is, we go out and talk to the public.

We invite the public in, and we ask them to help us and give us feedback and input, how we best draw revised rules, and how we best administer our programs.

Each of the rules that you will be looking at today has gone through some kind of very, very extensive public input process. We probably -- the most comprehensive, I would say, being the Low Income Housing Tax Credit Rules, the QAP rules, which that working group started in February of last year -- of this year, and ended their report -- presented their report to us in June of this year.

Does the board have any questions? Any more questions? Okay. The first two items, for your information this morning, you're not going to be required to act on this today, because the methodology for the Regional Allocation Formula and the methodology for the Affordable Housing Needs Score will be part of the State Low Income Housing Plan that will be going out for public comment, and will be part of those consolidated public hearings.

But what we did want to do was go ahead and
present to you all the methodology for these two very important indicators for us, and they are also -- the Regional Allocation Formula and the Needs Score are also very significant factors in the Low Income Housing Tax Credit funding. And so since we're going out with the draft QAP the middle of September, we wanted to bring this to the board.

I will remind the board that you all will approve the State Low Income Housing Plan and Annual Report in December of this year. Is that right, Sarah? And that it actually will take effect in September of -- I mean, I'm sorry, in February of next year.

With that introduction, I would like to point out on the Regional Allocation Formula, on the Needs Indicators, you will notice that there are five of them.

For those of you that committed this to memory from last year, there were only four. And what has happened, due to Census data, the two that basically are new that you haven't seen before, are Incomplete Kitchen and Incomplete Plumbing. And the way that had been characterized in the past was substandard housing. And now it's been broken out -- it's being broken out into two indicators rather than one.

We have a lot of data on how we have calculated
this, and what this means to the funding in our programs.

You all will remember that we are required by legislation, Senate Bill 1112, which was passed in 1999, to allocate our funds on a regional basis.

And so this is the formula that we use to determine how much will be allocated into those 13 state service regions around the country -- around the state.

With that, I'm going to ask someone from the Center for Housing Research Publications and Communications to come up in case you all have some questions.

MS. SARAH ANDERSON: Sarah Anderson, Director of the Housing Center. And I'll answer any questions that you have on this item.

MS. CARRINGTON: Maybe you want to talk about urban, exurban --

MS. SARAH ANDERSON: This year, one of the most significant changes to the formula came through legislation, Senate Bill 264, which required in addition to doing regional allocation, that we had to break up within each region urban/exurban and rural.

According to our general counsel, that constitutes two categories, with urban/exurban being one category, and rural being another. So in essence, the
funding now is being split up into 26 categories as opposed to 13.

There is going to be an interim committee study done by the Legislature, number one, to determine what exurban means, because there is no prevailing accepted definition of exurban. It seems to be a moving target, whereas it could be anything from a ten-minute drive from an urban center, to something that has a characteristic that is no longer urban, yet not quite rural.

So the Legislature is going to study what exurban means and give us a definition, and perhaps propose next time around whether or not we should break these categories up into three, with an urban, exurban and rural -- three separate categories per region. But for right now we're just going for two.

MR. CONINE: What happened to suburban?

MS. SARAH ANDERSON: Good question.

MS. CARRINGTON: Didn't make it into the legislation.

MS. SARAH ANDERSON: Yes, it didn't have a good lobby.

MR. JONES: Beth?

MS. ANDERSON: Yes, I have a comment for staff's consideration. And that is, I'm actually glad to
see, you know, incomplete kitchen/incomplete -- well, I'm not glad to see that we have housing like that in Texas, but I'm glad to see those categories broken out.

I think it's more vivid than just sort of a general phrase of substandard housing. It's very clear what we're trying to address with those things.

And I -- on reflection -- and I will tell you, I've thought about this definition of overcrowding as we've -- this is my third time to look at this this year, just now, and I would like to ask staff to -- rather than giving overcrowding, you know, more than five times the weight of an incomplete kitchen and incomplete plumbing, I'd like to see you all go back and look at that and equalize that weighting.

I mean, the poverty weighting is the heaviest, and the cost burden is next. I mean, those both make sense to me. But you know, I just know that probably a lot of people in this room shared a room with a sibling when they were growing up. And they were probably more willing to do that --

MR. CONINE: I still do.

MS. ANDERSON: With a sibling?

MR. CONINE: It gets crowded in there every now and then.
MR. JONES: I do notice -- I can testify that he hasn't grown up.

MS. ANDERSON: So I really think that --

MR. JONES: But I'm dying to get him to list all those he does share a room with.

MS. ANDERSON: That the kitchen and plumbing ought to be given additional weight relative to overcrowding, and maybe you just kind of level them out or something. I'd ask you to take a look and consider that, please.

MR. CONINE: Can you speak to the overcrowding standard? Not the weighting, but the standard of one per room? And how was that derived? And can it be adjusted?

MS. SARAH ANDERSON: That's part of the HUD Census designation, which is more than one person per room. And that's just part of the Census designation. It's not something that we've made up.

MR. CONINE: It comes from HUD, huh?

MS. SARAH ANDERSON: Uh-huh.

MR. CONINE: Okay.

MS. ANDERSON: So essentially every time we do a deal that has three bedrooms in it, and some of those have two kids in a -- you know, in a bunk beds, or something, bedroom, we're exacerbating overcrowding, kind
MS. SARAH ANDERSON: I'm not sure I want to speak to that one.

MS. ANDERSON: I'll accept that answer.

MR. CONINE: What's the procedure for staff to relook at the weighting percentages, Ms. Carrington?

MS. SARAH ANDERSON: Right. And it is per room, by the way. It's not per bedroom. It's more than one person per room. So you're speaking --

Is Steve --

MR. SCHOTTMAN: Yes?

MS. SARAH ANDERSON: -- back there?

MR. SCHOTTMAN: It's just a -- make enough difference if you had it -- let's say, six rooms. Okay.

MR. CONINE: State your name.

MR. SCHOTTMAN: Sure. Steve Schottman, also with the Housing Center. The Census definition of that item is persons per room, more than one person per room.

So if you had a six-room house, including every bedroom, bath, everything else, and you know, the ratio is two, that would be you'd actually have 12 people trying to fit into three bedrooms, as opposed to saying you've got, you know, two persons to each bedroom for six people total.

So it's per room as opposed to per bathroom -- I mean,
bedroom. Sorry.

MS. SARAH ANDERSON: Which might take you back to the Frat. Back to college --

MR. CONINE: Okay. Back to the --

MS. ANDERSON: You know, I think if you just equalized, I mean, I think not having a refrigerator, not having running water or a bathroom would be -- they're pretty serious deficiencies in housing.

MS. CARRINGTON: And our draft can reflect a different weighting on that. May I ask what the board would like to see if the overcrowding percentage, which is now 15 percent, is reduced, where would the board be interested in having that percentage we reduce it by go to?

MR. JONES: I'd just say I echo Ms. Anderson's comments. I mean, I would agree with her.

MS. ANDERSON: Just level it out on those --

MR. JONES: Yes.

MS. ANDERSON: -- last -- so you raise the other two from 2.5, scoop them up, bring overcrowding down. You kind of level it out.

MS. SARAH ANDERSON: Between the 20 points, just from --

MS. CARRINGTON: And Mr. Conine, to answer your
question, you know, what staff will do is as the draft
goes out, it will reflect the board's wishes in that area.

I would like to point out, for those of you all
that have particular areas of interest, when you look at
page 3 of seven, the first percentage on that page for the
HOME Program is the amount that -- those are the
percentages in each of the major metropolitan areas of the
region.

So as a for instance, the region that has
Lubbock as the main MSA in that region -- the amount of
HOME funds that would be available for the Lubbock area
would be 5 percent of our total. The amount of Housing
Trust Fund and Low Income Housing Tax Credits would also
be 5 percent of the amount.

So it is those percentages that the department
uses on the funds that are required to be allocated
regionally. Those are the percentages. So that's how
it's determined how much money goes into those 13 state
service regions.

Also the Housing Center -- we've outlined for
you on page 4 of seven, the changes to the Regional
Allocation Formula since this was approved last year. We
have already mentioned the rural and the urban/exurban
areas.

ON THE RECORD REPORTING
(512) 450-0342
We heard a lot of comments about the value that we were providing to, or the amount we were counting against an area because of tax-exempt bond financing. And so that has been reduced, I think, from the full amount of the bond issuance to actually 20 percent of that bond loan amount. And Sarah, is there anything else that is worth noting in the changes from last year?

MS. SARAH ANDERSON: No. I think generally you've covered everything. The one thing that I would point out is that for the HOME Program, that because of limitations on funding from legislation, where 95 percent of the money has to go to non-participating jurisdictions, we're seeing sort of a unique situation, that for the breakdown between urban/exurban and rural, and non-PJ, we are finding that in some of the regions, there are going to be some almost mini entitlement areas created, where you have -- there may be only one city in the region that is larger than 20,000, but is not a participating jurisdiction.

And we're seeing there are two regions that have only one city that would be eligible for that funding. And I think in three other regions you have where only two cities are eligible for the urban/exurban funding, and likewise.
So the -- I think we're sort of a -- something we didn't perceive coming down, and we'll be -- it will certainly help us in one way in marketing our programs, where we know how much money is going to specific areas. But also it brings up some interesting policy issues that we'll be dealing with in the next year.

MR. JONES: Any other questions? Thank you.

MS. CARRINGTON: And then the next component is the Affordable Housing Needs Score, which is not mandated by legislation. However, it does allow the department to help us identify specific need or areas of specific need within our 13-state service regions.

Again, this methodology that we've laid out for you is a significant part of the Low Income Housing Tax Credit scoring criteria that's outlined in the Qualified Allocation Plan, and again, will also be included in the State Low Income Housing Plan, which will be going out for public comment and for board approval in December.

And on the second page of your memo, we have the summary of the significant proposed changes in the Affordable Housing Needs Score since last year.

MS. SARAH ANDERSON: And I'm assuming, Ms. Anderson, that you would like us to even out those factors that you pointed out earlier?
MS. ANDERSON: I would say that. Yes. Thank you. Clairvoyant of you.

MS. SARAH ANDERSON: Save you time. Does anybody else have any questions?

MS. ANDERSON: I have a question about this last bullet on this page -- this back page.

MS. SARAH ANDERSON: Uh-huh.

MS. ANDERSON: Maybe -- we apparently used to give a scoring bonus for communities that had not received an award, so that helped us push awards out?

MS. SARAH ANDERSON: Yes. We -- last year we adopted a five-point bonus if they had not received funding from us in the last three years. Because of changes in legislation with adjusted concentration issues having to do with the one-mile radius and the number of -- and a couple of other issues, we felt that perhaps it was a scoring issue, as opposed to something that should be -- if the board is interested in geographic distribution, and given a bonus to an area that had not received funding, that perhaps shouldn't be hidden within a needs score --

MS. ANDERSON: Right.

MS. SARAH ANDERSON: -- but should be its own category. So we went back to this thing purely based on need.
MS. ANDERSON: You know, places like Willis come to mind. Okay. So that's -- I didn't mean to --

MS. SARAH ANDERSON: Just thinking, perhaps it was an unfair slipping it in under this.

MS. ANDERSON: Okay.

MR. JONES: Other questions, comments? All right. We have then concluded Item 3(a) on our agenda. It appears to me that this might be a good time to go to lunch.

MS. CARRINGTON: We don't want to do a QAP on an empty stomach.

MS. ANDERSON: Brooke doesn't.

MR. JONES: The question is, do we want to do a QAP, period? But anyway, that wasn't -- let's not get into that.

MS. ANDERSON: Yes.

MS. CARRINGTON: The answer is yes, Mr. Jones. We do.

MR. JONES: We might be going home real quick if we didn't do that. Okay. Well, let's take a lunch break, and we'll meet back here around one o'clock. Thanks, Beth.

(Whereupon, at 11:55 a.m., the hearing was adjourned, to reconvene this same day, Thursday, August
1 14, 2003, at 1:10 p.m.)
MR. JONES: I believe, Ms. Carrington, that we are on Item --

MS. CARRINGTON: 3(b)(1).

MR. JONES: -- 3(b)(1). The paper up here continues to swamp me.

MS. CARRINGTON: Thank you, Mr. Chairman.

3(b)(1) is Consideration of the Qualified Allocation Plan for the Low Income Housing Tax Credit Program for 2004.

The first thing is, that we are changing the name of the program. And we are dropping the term Low, and we are calling it the Housing -- what are we calling it -- we're calling it the Housing Tax Credit Program. Thank you.

(Applause.)

MS. CARRINGTON: This is something actually that Mr. Bogany asked us about probably about a year and a half, two years ago. Can't we drop that word? And we were too far in the process for the '03 QAP to be able to do that. But it certainly is something that we can incorporate in the '04 QAP.

We spent a lot of time talking about the working group, and the working group's recommendation on
the QAP. What you have in front of you today for your consideration for approval is a draft.

We'll incorporate the working group's comments. It also incorporates all the requirements of Senate Bill 264 and 1664. There have been some changes since the draft was put on the website. And I would like to go through those. And I will go through them section by section, and page by page, so that we can get those on the record, so that the draft that is published as a result of this meeting does include those changes/recommendations.

I don't think that we would consider -- staff doesn't consider any of these substantial, but we do -- we are recommending that these changes do get incorporated in a draft QAP for today.

On page 8, Section 50.3, Item 68, your document shows the definition of related party as a referral to the definition in 2306. And I objected to this. I wanted it written in the QAP so that we weren't requiring developers to then pull out a copy of 2306 and get that definition by reference. So that will go back in.

Page 13, Section 50.6, Item E, we are recommending removing the cap of 76 units for developments qualifying in the Rural Regional Allocation. Developments in the rural regions exceeding 76 units will qualify for
the rural regional allocation if the market study supports it. And when we get to that, if you all would like to discuss that and discuss staff's rationale, we certainly will.

Page 20, Section 50.9(f)(4)(c). We're clarifying that applicants adhere to international building code, or other locally-adopted codes.

Page 20, Section 50.9(f)(4)(b) --

MR. CONINE: Woah, woah --

MS. ANDERSON: Okay. Would you just repeat that?

MS. CARRINGTON: F.

MS. ANDERSON: F?

MS. CARRINGTON: (4)(b), about two-thirds of the way down the page.

MS. ANDERSON: Is that right?

MS. CARRINGTON: A certification -- excluded USDA deals from the threshold of having a dishwasher and disposal, because in the original financing with USDA, they don't permit dishwashers and disposals.

MR. CONINE: Really?

MS. CARRINGTON: You may want to discuss that when we get to it. Page 39, Section 50.9(g)(13) --


MS. ANDERSON: Thank you.

MS. CARRINGTON: Uh-huh. Change the --

recommending changing the required contract term for
leveraging points from ten years to five years, since most
project-based Section 8 and USDA rental systems contracts
are now five-year -- they're done in five-year increments
with HUD and with USDA.

Page 49, Section 50.16(a), Clarify the deadline
for submitting cost certifications and the timing for
subsequent department review of cost certifications.

MR. CONINE: What does that mean?

MS. CARRINGTON: Do you want to address it now,
Brooke, or do you want to just -- if we can answer it now,
I think it would be good, if we just go ahead and answer
it now.

MR. CONINE: While I've got my finger on the
page. Yes. I'll forget to come back to it.

MS. BOSTON: The two things that we changed --
one is that we had, in the draft that was in your original
board book, it showed that we were proposing that cost
certs could be turned in in June, after the placement
service date.

However, because we're only able to reallocate
the credits up to 180 days, that actually basically
negated any opportunity for us to do that, which wasn't
what we intended at all. We were just trying to give
people time to get their accountant to get the whole thing
together. So we moved it to April.

The other item is that the language related to
how we handled the cost certs when they come in-house --
we're proposing that once it's received in-house, we'll do
a review then, a certain number of days. I think we came
up with 60. Then once all your documentation is in in
response to that review, we'll make sure we get your 8609s
out in 90 days.

But what's been happening a lot is we have said
90 days originally, and there was a problem that people
would say, Yes, 90 days. Where are my 8609s, that they
haven't given us all the backup materials.

So the clock is ticking from a point -- from
not a good point.

MR. CONINE: So you go 60 and 90 now?

MS. BOSTON: Well, right. Sixty would be -- we
make sure we do your initial review. And if you had
everything in there, then you'd be fine. But if you
didn't have everything in there, then from the day that we
receive everything and it's considered a full complete
package, then we'd have 90 days.

I don't think it will take that long on most of these. But some folks turn stuff in, and are missing so much stuff, that really you can't even start getting everything set and placing -- actually getting the building ID numbers set up in the system and everything until everything is in. And so if it takes them eight months to get everything in to us, we kind of can't start until then.

MR. CONINE: Really? They turn in incomplete stuff all the time?

MS. BOSTON: We have been.

MS. CARRINGTON: We have seen some that are not complete. Yes.

MR. CONINE: You know, a lot of those final syndicator payments are -- come due on the 8609, so you think that would be a motivating force.

MS. BOSTON: Well, actually just in the last few QAPs we did add that deficiency notices on cost cert materials are being CC'd to the syndicators. And so we have started doing that now.

In the past, the syndicators didn't even necessarily know. So that we're hoping that will also light a fire.
MR. CONINE: Yes. Well, I'm going to flip it around on you. Since your 60 and 90-day time frame would, quote, delay the payment -- the final payment from the syndicators, is there any way staff could tighten that up?

MS. BOSTON: Yes. It may be better if Tom wants to speak to this. This is being done in the Real Estate Analysis Division now. So I was speaking to you from the perspective of having integrated it into the rule. But in terms of actually how fast they can turn stuff around --

MR. CONINE: Oh, Tom's here. Hi, Tom. Good to see you.

MR. GOURIS: Good to see you, too, Mr. Conine. Tom Gouris, Director of Real Estate Analysis.

MR. CONINE: Great to have you out today.

MR. GOURIS: Thank you.

MR. CONINE: We missed you earlier this morning.

MR. GOURIS: I heard.

MS. CARRINGTON: But his staff did a fine job.

MR. CONINE: Yes, a couple of your peers or cohorts. Go ahead.

MR. GOURIS: I think the concern is if there are pieces that are missing and we have to go back and ask
for those pieces, we want to prioritize the folks that have gotten their work -- gotten all the information to us first, because, you know, they're ready to go forward.

If we have to keep going back and forth -- and 90 days is a long time period. But they typically come in a kind of a crunch period of time. And so we want to give our folks the flexibility or ability to commit to something we thought we could deliver on.

That's why, you know, within 60 days, we're going to have the opportunity to review it once, make sure they've got all their information. If they don't, we send out a letter to the syndicator. And once they return -- respond with that information, we're going to prioritize it, but not to the extent that the folks that got all their information to us right the first time do.

MR. CONINE: So is the 60-day time frame critical, or the 90-day time frame critical? Which one is more critical to you?

MR. GOURIS: Both are really --

MR. CONINE: Do people -- if there is an omission from the package, and it seems obvious that you could send them a letter saying, Look, this and this and this is missing, so the clock's still running?

MR. GOURIS: Yes. I mean, if we're going to
have to move one up, I would rather move the initial time frame up, if they've responded in 45 days or something. But --

MR. CONINE: Yes.

MR. GOURIS: You know --

MR. CONINE: Would that be all right with you? Forty-five days?

MR. GOURIS: That would be fine.

MR. CONINE: Could I ask that we amend that to 45 days in the draft?

MR. JONES: You could ask.

MR. CONINE: I could ask.

MS. BOSTON: That will be done.

MS. CARRINGTON: And you shall receive it.

MR. CONINE: Really?

MS. CARRINGTON: Yes, sir.

MR. CONINE: She brought it up. I didn't bring it up.

MS. CARRINGTON: The last change that we are recommending is on page 62. Relates to charging of inspection fees. This is in Section 50.21(h). And the way it reads right now is, "Inspection fees in excess of $750 will be charged." And we're saying may be charged.

Then I would like to call the board's attention
to pages 1 and 2 of the memo in front of the draft Qualified Allocation Plan.

We made various changes to this document based on our work session with the board members two weeks ago now. And I can go down through there -- through these with you, or --

MR. CONINE: Do we have public comment?
MS. CARRINGTON: -- we cannot.
MR. CONINE: Do we have any public comment, Mr. Chairman, on this item?
MS. GRONECK: None.
MR. CONINE: None.
MR. JONES: Delores, our secretary, says we had none.
MR. CONINE: Okay.
MR. JONES: She's lied to us before, but I don't have any evidence she's doing it to us at this time.
MS. CARRINGTON: As you all know, the public has commented a lot. And many of --
MR. CONINE: Yes. I know. I didn't know if there was any more or not.
MS. CARRINGTON: And we certainly, I know, will have some substantive comments through the public comment period over the next month or so.
MR. JONES: I'll say this. We've had public comment.

MR. CONINE: Yes.

MS. CARRINGTON: Yes, indeed. We did incorporate all of the recommendations that were made by the board at the work session, and those are outlined for you in pages 1 and 2, and I'd be happy to go through them briefly, or if Mr. Bogany --

MR. BOGANY: Yes. I had one question. I have two questions. I don't know if they're going to be addressed. The ex parte communications side -- you know, we can't talk to the developers. And I'm just concerned -- my concern, but just a thought, is how a homeowner who can call me and talk to me, and give me all sorts of data, and I've got to come in at this board and make a decision. And the only data that I've seen is from that homeowner or that neighborhood advocate.

And so I was just wondering if there's any way that, you know, that if I can't get information from the developer and talk to him if I have a question about what I've read or something to satisfy, why am I able to get information from the public?

My second question has to do with that if a neighborhood advocacy group can bring me a market study,
and use whatever information they want to use, but the developer who comes here has their own rules that -- we have given them rules that they have to follow, why can't that neighborhood group follow the same rules on their -- given the same rules, and so say if you're going to do a market study, these are the rules you need to follow to present to the board?

MS. CARRINGTON: On the first question, the reason the board is prohibited from having ex parte communication is because it's in the legislation.

MR. BOGANY: Uh-huh.

MS. CARRINGTON: 2306, Section something, prohibits a board member from having discussions with a variety of folks related to an application in a setting other than a board setting or a public meeting, or some kind of public forum.

MR. BOGANY: Do I have to take comment from the public and in my own personal --

MR. JONES: I'll jump in there. You do not.

MR. BOGANY: Okay.

MR. JONES: And in fact, I -- the way I handle that is -- and this is just me. But I tell public members that if they want to ask general questions about how we handle these things, what kind of testimony you can give,
you know, that kind of thing, then I'll answer
generalities.

MR. BOGANY: Okay.

MR. JONES: I will not discuss with them, nor
will I allow them to discuss with me specific projects or
specific problems, discuss any projects.

MR. BOGANY: Okay.

MR. JONES: But I think that's up to board
members, don't you think, Edwina? But I do think the
legislation is clear with the regular developers.

MR. BOGANY: Okay.

MS. CARRINGTON: And on your comment, Mr.
Bogany, about market studies, one of the changes or the
tightening up of the requirements in 264, which was our
Sunset Legislation -- one of the things that legislation
does is attempt to identify the various items that people
can discuss at public hearings. And it certainly allows
for other or additional market studies to be presented.

Although what we are saying in our QAP is that
if there is additional information that's to be presented,
there are some deadlines for that information to be
presented so that you don't walk into a board meeting, or
the day before a board meeting, have someone deliver a
market study to you and use that as countering
information.

So what we have done in here is attempt -- well, we haven't attempted, we have -- we've put some time frames -- we've put some time limits, and said if it is to be considered by the board -- the information is to be considered by the board in making their decision, then we're requesting -- obviously, we can't prevent the public from bringing anything they want to us on the day of the meeting. But we are outlining that it's very difficult for us to be able to consider that information if we don't have it in in time.

MR. BOGANY: Okay.

MS. CARRINGTON: With that, I think probably I'd like to ask Brooke to come up and answer any of the questions or issues that you all have with this draft QAP. You might --

MR. JONES: Good to see you, Brooke.

MS. BOSTON: Likewise.

MS. CARRINGTON: She has her chart in here that she and I both like a lot. And this is the chart that will give you the reference of where the requirements came from that are in the QAP, whether it was a working group recommendation, whether it was in 2306 by statute, and any notes related to that.
MR. JONES: Brooke, is answering our questions as much fun as going to the dentist?

MS. BOSTON: I like the board meetings. I like answering questions.

MS. CARRINGTON: She likes this very much. She and I sat down on Tuesday and we went through all of my questions.

MR. BOGANY: Are we looking at the scoring breakdowns? Is that what --

MS. CARRINGTON: We're looking -- yes, anything that you --

MR. JONES: The whole field -- anything you want to.

MR. BOGANY: The neighborhood input -- so I guess it's always been 24 points available for neighborhood input. So how would that reflect? So say I have a public hearing. I've got 20 people get up and say I'm for it. And I've got 30 get up or 40 get up and say I'm against it. So how do you determine what points are going to be given on that deal?

MS. BOSTON: First, just to clarify. The 24-point spread that it's up to positive-12 or down to negative-12. So obviously if one bill got all the positive and the other bill got all the negative, it is
technically a 24-point difference. But just to clarify, someone can't earn 24 positive points.

The second part of your question -- the information -- we've been real clear in the QAP. It has to come in in a letter. It needs to be from a neighborhood organization that's on record. And so definitely input we would take from individuals at a public hearing would be summarized for the board.

It would not, though, count for these points unless it -- you know, one of them would also need to have turned in a letter on behalf of the neighborhood organization and meet the scoring requirements for the neighborhood organization.

MR. BOGANY: So what's considered neighborhood input on this? I mean, I'm lost to determine how -- where does the neighborhood input comes in, does it -- is it quantitative? Is there some number, or what?

MR. WITTMAYER: This is a new legislative requirement. Chris Wittmayer, the department's general counsel. And we've struggled with how best to score the input from neighborhood organizations, and after a lot of discussion and input, we concluded that it was very important that we evaluate the basis of the input.

So we decided the best way to do that was to
have the EARAC consider each letter that comes in from the qualifying neighborhood organization, evaluate the evidence that is presented in support of the input for and against the proposal, and then we'll kind of learn as we go along and evaluate each of these letters, whether they're appropriate for positive or negative points, and how many points.

MR. BOGANY: So it's going to be subjective?

MR. WITTMAYER: It will be somewhat subjective, if necessarily by the nature of the input.

MR. BOGANY: Okay.

MS. CARRINGTON: And Mr. Bogany, you had also asked what is a neighborhood organization.

MR. BOGANY: Yes, I'm sorry. What is a neighborhood organization?

MR. WITTMAYER: We have attempted a brief definition of neighborhood organizations. I think what's central to the definition is that it is an organization of some type that is pursuing or has a purpose of pursuing some aspect of the general welfare of the neighborhood.

Certainly, I think, that civic groups we're familiar with in the Houston area would be such a neighborhood organization. Homeowner associations would be neighborhood organizations.
Other organizations, and of course, again, we'll have to evaluate these on a case-by-case basis as they're presented, but some organizations that come to mind that may not be neighborhood organizations would be like, perhaps the high school band booster club, football booster club.

Other clubs that may not have a geographic boundaries associated with them are probably not neighborhood organizations. But here again, we'll have to evaluate these on a case-by-case basis as they come in.

MS. CARRINGTON: I think it's also important to say that the way the legislation reads, it says, "A neighborhood organization on record with either the county or the state." And the only support or opposition that we can consider for points are those organizations that are within the boundaries of the proposed development.

MR. BOGANY: Okay.

MR. JONES: Questions?

MR. CONINE: On the ineligible building types, where we focused our attention to the number of units of ones, twos and threes that would be applicable in a project. I've rethought that a little bit.

MS. BOSTON: Yes.

MR. CONINE: And I think maybe this does an
unintended consequence the way it's written, before I say anything else. But I've seen projects where you have, you know, one building is all one bedrooms, and another building is all two-bedrooms. Yet, when you put it all together, it works out fine.

Does this technically eliminate the ability to do that? To have a building that would be all ones and a building that's all twos, the way it's written?

MS. BOSTON: No.

MR. CONINE: You're sure?

MS. BOSTON: The -- because it's not building-specific. You're talking about G. Right? The one that you had had us add in response to the work group?

MR. CONINE: Yes. Where it says, "These buildings or facilities," and if a building -- say you had a ten-building project of 250 units, would a building that would consist of all ones, or a building out of the ten that consists of all twos be ineligible based on this definition?

MS. BOSTON: I guess I don't see --

MR. CONINE: Or am I missing something?

MS. BOSTON: Well, and maybe I'm missing something. Where do you see -- I see. I see. Okay. Up at the introduction of the whole thing.
MR. CONINE: Yes.

MS. BOSTON: No, because the language under G is just specific to the development, I think we'd be fine. But for clarification, I think we could take out the words "or facilities" in the intro, and it would still capture everything. Or we can just say the developments which have, and then each of the items would depend on whether it was development or building.

MR. CONINE: Right. Okay. Well, if you're comfortable with the language, I just didn't want --

MS. BOSTON: I wouldn't have been making them ineligible in our staff review. I hadn't read it that way. But for clarification --

MR. CONINE: The other fear I have, you know, after some thought, is that we end up with a project that's 20 percent ones, 40 percent twos, and 40 percent threes, which I still have -- am very uncomfortable with from a marketing perspective.

And I'm not so sure that -- if we shouldn't go back to some of our original thoughts, where we would put ceilings on ones, ceilings on twos, and ceilings on threes, so that we allow the flexibility, if you will, under certain parameters that would, you know, hopefully fit most marketplaces within the State of Texas.
I for one -- we had a lot of two and three-bedroom projects come through this morning, which I don't believe that a market analyst that -- I'd love to have an opportunity to sit down and go face to face with and have them tell me that there is not a need for one-bedroom units in any market in this state.

So in order to get a better geographic dispersion of ones, twos and threes, do you think that maybe capping each of those types, rather than having the 40 percent numbers for each would be a little better way of doing it?

I'm not going to throw any numbers out right now, because this is the stuff for comment. But correct me if I'm wrong, but the bond guys are kind of using this as a guideline to go by in putting their bond allocations together. And I don't want it to end up with something in November when we get this back that may be different than what they turned in at the -- in October or whenever it is -- September.

MS. BOSTON: Right.

MR. CONINE: So that's why I'm bringing it up now. If I were to suggest 60 percent as a one-bedroom cap and 40 percent, maybe 50 percent as a two-bedroom cap, and 30 percent as a three-bedroom cap, and I -- as a just an
idea, what would you think about that, just to put you on
the spot?

MS. BOSTON: Like I said, this thing could go
out for comment that way. I guess because we see such a
diversity, I'm kind of not 100 percent comfortable
commenting for the development community in saying if that
sounds good or not.

I have heard critique of the 40 percent that's
in here.

MR. CONINE: Right.

MS. BOSTON: I mean, I think --

MR. CONINE: And I'll be glad to, you know,
argue that with someone, but --

MS. BOSTON: Certainly.

MR. CONINE: -- I just -- again, to alleviate
this wild example that I put in front of you, the
20/40/40, which would be -- it seems to be it would be
hard-pressed to justify in most cases.

Is it better to leave it alone, would you say?

Or -- and just let the public comment on it, and handle
it when it comes back? Or is better to change it now
because of the anticipation of the bond guys?

MS. BOSTON: I mean, I do think having a cap
on --
MR. CONINE: Here comes the General Counsel.

MS. BOSTON: -- each bedroom type, as opposed to having it on -- I mean, instead of just saying 40 on all types --

MR. CONINE: Right.

MS. BOSTON: -- I mean, it does give people more flexibility. And so that -- to me, that's a good thing, because instead of saying --

MR. CONINE: Well, we're trying to make it less flexible, because right now we have all twos and threes coming through. So we are trying to corral things just a little bit here.

MS. BOSTON: It's making it more flexible than telling everyone that you can only have 40 of each.

MR. CONINE: Right.

MS. BOSTON: This is a compromise between what we have now, which is nothing on the -- versus what you had in the draft that was in the board book.

MR. CONINE: Right.

MR. WITTMAYER: So for purposes of proposing a rule, I would suggest or recommend that the more restrictive position would be the better for the proposal, and then if we wanted to loosen it up -- so if you wanted to go with 60/40/50/30, that might be the way to propose
it initially.

MR. CONINE: Ms. Carrington, you've got some experience in this area. What would your thoughts be?

MS. CARRINGTON: Maximum flexibility, to design to what the market conditions are.

MR. CONINE: Okay. I'll leave it like it is.

MS. BOSTON: You want to leave it in -- just the 40 percent as drafted?

MR. CONINE: Yes.

MS. BOSTON: Okay.

MR. JONES: Brooke, have you seen the comments in Representative Paxton's letter?

MS. BOSTON: I don't think so.

MS. ANDERSON: I have some questions about that.

MR. JONES: Okay. I was going to invite her to address that. But if you haven't seen them, would it be okay if I gave it to her and let her --

MR. CONINE: Well, this is in a different context. This is in the bond rules. Right?

MS. ANDERSON: Yes.

MR. CONINE: As opposed to --

MS. ANDERSON: Well, he's making comments about --
MR. JONES: Well, this is Low Income Housing Tax Credits.

MS. ANDERSON: Well, it's not -- no, it's on the bond rules.

MR. CONINE: Yes.

MS. ANDERSON: But there is a question that touches both programs.

MR. CONINE: Yes.

MS. ANDERSON: And so I wanted to ask Chris. He cites Section 2306.359(c), which is the section that mandates the level of community support for the application.

He expresses a belief that, you know -- I mean, if I'm reading his intent right, that he thinks the letters ought to be scored, and that -- or the 4 percent on program as well as for the 9 percent tax credits.

And I'm just wondering what kind of discussion going along as these rules have been in development in since May, when this bill was passed, what kind of discussions you've had as staff.

And you may have a point of perspective, and Brooke, too, on that, about whether or not to treat both 9 and 4 percent similarly or differently, and why.

MR. WITTMAYER: Under the legislation, we're
only required to score the input from neighborhood organizations on the 9 percents, and not on the 4 percents.

MS. ANDERSON: And that's because it was embedded in the language of the bill in the middle of a section that was all about 9 percents, or --

MR. WITTMAYER: Because it refers to the scoring for 9 percents and not for 4 percents.

MS. BOSTON: They wrote two different sections: One says how you're going to score a bond deal --

MS. ANDERSON: Okay.

MS. BOSTON: -- and one says, Here's how you're going to score 9 percent credit.

MS. ANDERSON: Okay. And the thing about level of community support was not in -- was not a criteria in the 4 percent -- in the bond deal thing?

MR. WITTMAYER: No. No. Community support is in the 4 percent, but it's specifically for 9 percents score input for the neighborhood organizations.

MS. ANDERSON: Okay.

MR. WITTMAYER: I think what this email, if I understand it correctly, seems to be saying, we'll take the neighborhood organization concept from the 9 percents and use that to be the community support which is required
for the 4 percents.

What we have done instead is kept the neighborhood organization scoring in the 9 percent side, and used for community support scoring on the bond side, input from elected representatives --

MS. ANDERSON: Elected representatives --

MR. WITTMAYER: -- yes, or appointed -- school superintendent appointed person. One concern we had was about the representativeness of the input that we get. And that's a concern that we have on the input from neighborhood organizations. And we avoid that question by accepting and scoring input from the various officials that we are proposing in the bond rule for the 4 percent.

MS. ANDERSON: And you address it in the 9 percent program by specifying how the letter -- what all the letter has to have to in it, how many members you have, how you arrived at your decision.

MR. WITTMAYER: Right.

MS. ANDERSON: So I mean, there would be a way -- you address the concern in one program. Is there another reason that that same approach to addressing the concern would not work in the 4 percents? I'm just trying to understand the staff's policy thinking.

MR. WITTMAYER: These -- until this input for
scoring from neighborhood organizations came to us in this new legislation, our scoring processes on the 9 percents was pretty much a highly objective process. You either had a dishwasher or you didn't. You had a garage or you didn't.

Now, we're kind of getting into subjective areas that I think staff is somewhat uncomfortable with. We're going to implement it to the best of our ability. We're going to make it work. But we are concerned with the subjective nature of it.

We decided that the best way to make that analysis would be in the EARAC, and we're going to take these letters as they come in, and score them to the best of our ability. And they kind of see the 9 percent requirement is our first effort in this. And we'd like to get some experience on that side before we would perhaps move over into the bond side.

Also, we have a shorter period to implement it and score it on the bond side. And in fact, we're looking at proposing our preapplication deadline of September 2, so this is a very fast-moving trend.

MS. ANDERSON: Okay. Thanks.

MR. CONINE: On the topic of notification, neighborhood notification, is there any signage stuff in
the QAP, or is that just the bond?

MS. BOSTON: There is signage stuff. Right now it's proposed that you would post the sign with your full application, or you can -- it's similar to the bond rule where there is an alternative. You could also notify residents within 1,000 feet, I think. Is it 1,000 feet, Chris?

MR. WITTMAYER: 1,000 feet.

MS. BOSTON: So you then have the alternative of doing one of those two.

MR. CONINE: Okay. I'm going to -- I was going to bring that up on the bond side of it, but since it's in the QAP, I'll go ahead and do it now.

I think it would be prudent for us to match the number of foot distance that notification has to go to with the municipality's notification distance relative to zoning changes. And in lieu of the fact that if there is no municipality, if you're out in the country trying to do one of these things, then the 1,000 feet would kick in at that point.

But I don't want to get us as a board in the business of telling the City of Tyler how many feet need to be notified. I think if we matched up with the city's notification policy, it would, you know, show a
partnershiping effort on our part to begin with. And it
would also be what the local community is used to.

So would you guys have a problem with amending
the language here to match that?

MS. BOSTON: Well, and then if it's a community
that doesn't have zoning it would be the 1,000 feet as
well?

MR. CONINE: Yes. Right.

MS. BOSTON: Okay. So no zoning --

MR. CONINE: If there isn't any notification --
you know, Houston may have some sort of notification for
other things other than zoning. If -- I was just saying, if they have a general notification policy --


MR. CONINE: -- let's follow with whatever they
use. If they don't, then let's go 1,000 feet.

MS. BOSTON: That's easy. It's just as easy
for us to administer.

MR. CONINE: Does that sound all right,
Counsel?

MR. WITTMAYER: We could certainly do that as a
policy decision for the board. I do recall during our
public input meetings that there was expression from one
or two neighborhood representatives that the requirements
of the local municipalities were subminimal as to hardly reach across the street in terms of providing notification.

MR. CONINE: Well, they have ways to change that. You know, they can go down to city hall and make sure they can change that. I just want to make sure we follow step with whatever the cities currently have adopted to be -- whatever they think is best for their particular city, rather than us telling them what to do.

MS. BOSTON: Okay.

MR. JONES: Mr. Bogany?

MR. BOGANY: I have a small question. The last meeting we had several people saying that they never received notice or never saw any notice. And somebody said we posted in this newspaper. Somebody said we posted in this newspaper, and they said, Well, I don't read that newspaper.

Is there anything in the QAP that determines that if we're going to post this in the local paper, which way you've -- what do you go about -- how do you go about choosing that particular paper to do that?

MS. BOSTON: Right. We tell them in a metropolitan area, they have to go with the metropolitan newspaper. If they're in a community that's considered a
bedroom or smaller subcommunity that also has a newspaper, they have to do both.

MR. BOGANY: Okay.

MS. BOSTON: So for instance, here in Austin, if it's Pflugerville -- I don't know even if Pflugerville has a paper, but --

MR. CONINE: What if it's exurban?

MS. BOSTON: You'd have to be --

MR. CONINE: What if they're exurban?

MS. BOSTON: It shouldn't matter. The community either has a paper or it doesn't.

MS. ANDERSON: Do you have a paper out in Frisco?

MR. CONINE: Yes, we have the Star, or something like that. We do.

MS. BOSTON: In that case, it would be in both.

MR. CONINE: Both the Morning News and in that one?

MS. BOSTON: Uh-huh.

MR. JONES: Is there one in Dallas?

MR. CONINE: Yes.

MS. ANDERSON: Is there a paper in Dallas anymore?

MS. CARRINGTON: Thoughts differ.
MR. CONINE: easy.

MR. BOGANY: So that's how it would --

MS. BOSTON: Correct. And actually that came about a couple of years back because a smaller community wasn't notified. The developer had only run it in the larger metropolitan area. And so we made sure we put that in to cover that.

MR. BOGANY: Okay. And the last question, and I'll be through on it, as to the exurban deal, would you explain to the board how we're going to handle the exurban areas, and how hopefully we'll get more credits into some of those areas that have been denied?

MS. BOSTON: Yes. Are you talking about the allocation distribution? Or are you talking about the points that we put in?

MR. BOGANY: The -- both.

MS. BOSTON: Okay. The way that the allocation distribution, as Sarah Anderson mentioned earlier, is that within each region it's divided into rural allocations and urban/exurban allocations. Two different pots.

Basically, to fit in the rural, you'd have to meet our definition of rural, which is -- continues to be defined as it has been for the past several years for the Tax Credit Program. If you don't meet that definition,
you fall under urban/exurban. So within that pool, there is nothing specifically that would drive to urban/versus exurban.

The way we're capturing that issue is we have added ten points. So if you are in a development that doesn't meet the rural definition, but is less than 100,000 in population, you would get ten points. And in followup to a conversation you and I have had, we had done some research of the past two years.

We sorted out the exurban communities, tried to identify how many points they would have needed to become competitive with the people in that region who did get an award, and it looks like ten was about the right number. And as you know, we originally have had it as five, and that wasn't going to be enough to have made the difference. So --

MS. ANDERSON: Can I take my -- take a turn?

MR. CONINE: You may.

MR. JONES: Yes, ma'am.

MS. ANDERSON: When we were talking about the Affordable Housing Needs Score a little bit ago, and Sarah Anderson made the comment about how they -- the move from the Affordable Housing Needs Score, the extra points for not having an award in the last three years, because that
just really wasn't where that thing should be -- is there any -- are there any -- there are no points like that that I remember in a QAP, are there?

MS. BOSTON: We did add this year points for a development located in a Census tract where there are no other existing tax credits.

MS. ANDERSON: And that was -- well, that would have had the same practical effect, I guess?

MS. BOSTON: Right. So that's five points.

MS. ANDERSON: Right. Okay. Great. And then I'm on page 3 of 64. I just am reading some language about demolition of existing units, which was blah, blah, blah, and it gives an exception for HOPE VI, will be qualified as an at-risk development.

So that it will be at-risk if we tear it down to the dirt if it's getting HOPE VI funding. But otherwise, any development that exists, we're supposed to tear it down to the dirt like the San Antonio one last month will not qualify as at-risk?

MS. BOSTON: Right.

MS. ANDERSON: Okay. Thank you. Somebody else can go.

MR. BOGANY: Brooke, we had a couple of meetings ago we had a group in Austin that wanted to
change the land, because the property was sitting on it, and they had to go in and change the land because they found out some of it was in the flood area.

Is there anything in the QAP to kind of help us if we come across that situation again?

MS. BOSTON: We did add a little bit of language in the amendment category, just specifying that the department does deem a site change of -- and let me double-check. I want to say that we used ten percent or more, to be material. It still would need to -- they still can ask, and it would still come through the department.

We would define it as being material, and then it would come to the board. I don't think we want to preclude anybody's opportunity to make site changes. It's pretty common for people that need to make a change for an easement or for dedicated parkland, or whatever the case.

I don't think we want to keep that from happening. I think in those cases it's a pretty minimal amount, you know, an acre at most. That was a pretty unique circumstance, and we did put the change into the amendment language to make sure that one with that extreme an amount of acreage change would definitely have to come before you all.
MR. BOGANY: Okay. One last question. Are we -- did we eliminate the carryovers, where we'd -- forward commitments in this QAP?

MS. BOSTON: No. The board -- it's still written where the board has the discretion to do them, if they want, which is the way it's written this year.

MR. BOGANY: Uh-huh.

MS. BOSTON: You're not obligated in any way to do forward commitment.

MR. BOGANY: Okay. Like in the past we were obligated to do one. Probably still are.

MS. BOSTON: You've never been obligated. The language, just up until last year had said that the board could do 15 percent, which is kind of -- I think the public could come to believe after several years of that happening that 15 percent would be allocated. And so they kind of felt like it would take place.

MR. BOGANY: So in this --

MS. BOSTON: So by having taken out the 15 percent --

MR. BOGANY: You did take it out?

MS. BOSTON: Yes, we took it out last year.

MR. BOGANY: Okay. So no one can expect a forward commitment. If they didn't get tax credits, they
may not get any at all?

   MS. BOSTON: Yes. They can -- you know, I have no doubt they'll petition to you, but correct. There is no obligation or -- there is not a number that they can say, Well, we really thought we'd get close to this amount, or anything like that.

   MR. BOGANY: So if we give a forward commitment, will there be a rule in there saying that they are going to have to live by the rules of the next QAP?

   MS. BOSTON: The forward commitment would say that, yes, in the actual commitment notice with them.

   MS. ANDERSON: I have a question.

   MR. JONES: Yes, ma'am?

   MS. ANDERSON: There is a section on the Qualified Market Analysts where I notice there is some changes in the language. And one change is we've inserted the word performance, when we're discussing the individual's performance, experience and educational background. This is for your, you know, certification of these people.

   Is the definition of performance somewhere else in here? Or is that -- or is the detail behind this intent in Tom's rules?

   MS. BOSTON: Yes.
MS. ANDERSON: Okay. I'll go there then. Oh, let's talk about -- just as I'm now on page 13, you earlier -- Ms. Carrington was talking about the changed lifting of rural cap above 76 units.

MS. BOSTON: Uh-huh.

MS. ANDERSON: Can you just help me understand why? I mean, I know we think we may have more money going to rural areas. I would argue that doesn't necessarily mean we want larger -- but help me understand that --

MS. BOSTON: Okay. Before, the language had said if they go over 76 units and the market study supports that, then they're considered general set-aside.

However, because -- well, for two reasons essentially.

One is because we're talking about a rural allocation, if they really are in that rural area, I think the department wants to be able to credit it for that 30 percent that we're shooting for statewide.

Also, because we generally tend to only have about applications that could support about the 15 percent amount, this is a way to let us better reach the 30 percent that we've been striving for. I definitely -- I see the other side of it. But it's just out for public comment.

MS. ANDERSON: Yes. I guess my concern is we
have so much trouble believing market studies from time to
time, to have to have all this be relying on if the market
study supports it --

MS. BOSTON: Right.

MS. ANDERSON: -- you know, that doesn't give
you too much to hang your hat on.

MS. BOSTON: Tom's saying that the reference to
if the market study allows it has always been in there.
The difference is if you exceeded 76, and the market study
allowed it, you could still be in the rural area, you
would just be qualified as general --

MS. ANDERSON: Okay.

MS. BOSTON: -- and in this case --

MS. ANDERSON: Now, you're really just moving
the setaside over to --

MS. BOSTON: Exactly.

MS. ANDERSON: Okay.

MS. BOSTON: Do you want me to change it?

MS. ANDERSON: No, that's okay.

MS. CARRINGTON: I'd like to ask, as you're all
thinking about your next question, I would like to point
the board to pages 42 and 43. This is something that we
feel like you all have been asking for for the last year
or so. Someone mentioned the word just a few minutes ago,
discretion.

And what you will see beginning at the bottom of page 42, and going to the top of page 43, Board Decisions; Waiting List; Forward Commitments on Board Decisions.

There is a list, it goes A through R. And it says, "The board in its discretion, may evaluate, consider and apply any one of the following discretionary factors."

And so we have articulated a list of items for you all that as you look at considering the transactions and making decisions, we would consider these your all's discretionary factors.

MR. CONINE: Make the chairman happy.

MR. JONES: Can we make it so we can all have discretion but Conine?

MS. CARRINGTON: We could actually put that in R, "Other good cause as determined by the Board, with the exception of the Vice Chair."

MR. JONES: Go ahead and make that change.

MS. ANDERSON: Since you drew me right there, Item G, which reads, "the housing needs," which is one of our discretionary factors, "housing needs of the community in which the development will be located, and needs of the area, region and state."
I'm wondering if we might insert in front of the word "area," the word "community."

MS. BOSTON: We most definitely can.

MS. ANDERSON: I'm just trying to address -- area sort of sounds this big. Community is a little smaller. So we go community, area, region, state.

MS. BOSTON: Right.

MR. BOGANY: I'd like to move that we move this to publication, the QAP.

MR. JONES: For publication -- right action.

Ms. Carrington?

MS. CARRINGTON: Correct.

MR. JONES: Okay.

MS. CARRINGTON: Yes.

MR. JONES: So the motion has been made that it be approved for publication. Is there a second?

MR. GONZALEZ: Second.

MR. JONES: It's been seconded.

MR. GONZALEZ: I'm saying that to get discussion.

MR. JONES: Mr. Gonzalez. It's been seconded to get the discussion going. I think there is still further comments and questions. Mr. Conine?

MR. CONINE: I'm still struggling with the 40
percent, and I think Ms. Carrington may be right. In the
spirit of more flexibility -- you know, what -- another
type of --

MS. CARRINGTON: Right?

MR. CONINE: -- circumstance that may bring
itself to bear here is a -- let's just call it an urban
Tax Credit deal, where you're in the middle of
singlesville. And the case, again, the way it's stated,
you can't get, you know, more than 40 percent one-
bedrooms, when the market study may allow for 60 percent,
or at least to that point. So --

And on the three-bedroom side, I still have
trouble finding an area of the state, in my mind, that 30
percent would be too little for.

So I'd like -- I think I'm going to go back to
my original assumption, and to circulate it for public
comment, having the 60 percent one-bedroom cap in there,
50 percent two-bedroom cap, 30-percent three-bedroom cap.

And let's see what they say coming back.

MS. BOSTON: Okay.

MR. CONINE: If the maker of the motion will
accept that as part of his own --

MR. BOGANY: I'll accept that amendment.

MR. JONES: And the second accepts it too?
MR. GONZALEZ: Yes.

MR. JONES: Yes. Great. All right. Further questions, comments?

MS. ANDERSON: Yes.

MR. JONES: Ms. Anderson?

MS. ANDERSON: I have a question about why we're taking out the dishwasher and disposal? Is it because originally when the USDA things were originally built they don't have to have them, so it's expensive to put them in? Is it a financial issue?

MS. BOSTON: They're actually required to remove it. If they put it in for us, USDA will require them to remove them. And well, that's -- one of the developers, immediately, as soon as he saw it, he said, Woah, you can't make us do this. It's just -- he said that they make them remove them upon construction. So --

MR. CONINE: Would you give me the information on that, and let me go see the Department of Agriculture on that? That is absolutely absurd.

MS. ANDERSON: That may be something you want to do at the national level, Mr. Conine.

MS. BOSTON: Yes. I mean it is absurd.

MS. ANDERSON: I will get it for you. You know, I -- because I -- you know, I get concerned about
those deals, because -- and we've had this conversation, because they score so low anyway. I mean, they get their nose above threshold in the 9 percent round, so they get to compete. And then we fund them, and they score --

MS. CARRINGTON: Fifty.

MS. ANDERSON: No. We funded one that scored 25.

MS. CARRINGTON: Oh. That's not -- and I'm sure it's wonderful, but -- and did we ever come up with any way to address that?

MR. CONINE: Don't wash the dishes.

MS. BOSTON: You know, we have evaluated that. And I think we talked about that even a little bit with our joint board meeting with ORCA. And I kind of hate to say it this way, but I think that they aren't going for the points because they're in -- they tend to be in a setaside that is uncompetitive.

MS. ANDERSON: So they know they're going to get it.

MS. BOSTON: Right. I mean, we have had rural deals, including rural USDA deals, who were the highest-scoring deals in their region two years ago. You all may remember -- I can't remember the city. I know Joe Chaney was the developer.
And he blew the metro deals out of the water.
So it can be done. I think they just choose not to
because they don't need to to get their deals.

MS. ANDERSON: Well, that might say something
about that setaside.

MS. BOSTON: I hope that doesn't sound harsh.

MS. CARRINGTON: She's a little harsher than I
would be. There are some points, when you look at our
scoring, at least in the past, that the rural deals can't
get. They're not -- they -- we gave points for larger
bedrooms --

MS. ANDERSON: And we had that good chart when
we met with ORCA --

MS. CARRINGTON: -- QCTs and that kind of
thing, so.

MS. ANDERSON: But 25 points?

MS. CARRINGTON: Is very low.

MS. ANDERSON: You know, so all right. I may
fall on my sword on that next year.

And did we -- do -- how have we handled the
issue of where we would like to have local funding, and
we're willing to give points for, you know, local funding,
but we want to know that it's for a real dollar amount.
Is that dealt with?
MS. BOSTON: Yes. We have firmed that up all around. We are requiring -- well, first of all for points, we are requiring a specific amount for a certain range -- like, you know, a certain range of dollars for a set number of points, and it's graded -- you know, it's graded so you can get it in different range.

MS. ANDERSON: Right. Right. More dollars, more points. Okay.

MS. BOSTON: And then additionally, we're requiring that ten days before the June board meeting, we either have the commitment in hand for the funds, or they tell us if they don't have it, and then we're going to go back and evaluate. If -- let's say without the --

Well, first of all, we want to make sure it's still feasible.

MS. ANDERSON: Uh-huh.

MS. BOSTON: If it's still financially feasible without the funds, then we're going to take the points out, and if for some reason, depending on what setaside or region they're in, if they're competitive, they would still stay in our recommendation just the same. Obviously it could take them out of the running.

MS. ANDERSON: Okay.

MS. BOSTON: So --
MS. ANDERSON: The preapplication conference?

MS. BOSTON: I thought I --

MS. ANDERSON: I'm sorry?

MS. BOSTON: I thought I took it out.

MS. ANDERSON: Well, I don't know. We -- I'm just sort of following up with you on some of the things that were on my list that we discussed, the notion about being optional and not mandatory?

MS. BOSTON: I took it out entirely, only because if it's an optional thing, then we will probably market it, but it wouldn't be in the QAP as a rule.

MS. ANDERSON: Okay. I'm with you. Good. On that section on extensions, which I don't know if this has kind of been renumbered, there was an issue about -- something about the visibility that the board would have and who has requested extensions and who has not. And you know, we have a very competitive climate, particularly, you know, in the 9 percent program. So how did that extensions language end up?

MS. BOSTON: The working group had originally just -- three --

MS. ANDERSON: Right.

MS. BOSTON: The working group had originally recommended that all extension requests have an automatic
30-day approval.

MS. ANDERSON: Okay. That is what it was.

MS. BOSTON: And then only after that would it come -- would it really be decided on for the merit of the extension or cuts. And you had asked that we took it out, and we did.

MS. ANDERSON: Okay. Thank you.

MS. BOSTON: Okay.

MR. JONES: Further questions, comments, discussion? Hearing none, we have a motion on the floor. It's been seconded. I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. Ms. Carrington?

MR. CONINE: Thank you, Brooke.

MS. BOSTON: You're welcome.

MS. ANDERSON: Thank you, Brooke.

MS. CARRINGTON: Item 3(a)(2) [sic] are the HOME Investment Program Partnership Rules. And with both the HOME Rules on Item Number 2, and the Trust Fund Rules on Item Number 3, I'd like to look to my general counsel...
for some guidance here.

The -- since the rules have been put in your board book and posted on the website, there have been some minor modifications and changes, maybe words stricken that should have been stricken, and we caught them after they were put up.

I am prepared to briefly hit each one of those for the record. I guess, Chris, I'm looking for your guidance as to how we can best handle this expeditiously.

MR. JONES: I don't think we need to briefly hit anything for the record unless the board wants us to. Why don't we just open it up for questions?

MS. CARRINGTON: Okay.

MR. JONES: And let people direct our attention where they haven't. I mean, that would be my suggestion.

MS. CARRINGTON: As I do present the item, the HOME rules were last revised in their entirety at the board meeting on March 29, 1998. These are the rules that govern both the Single Family activities with our HOME Program, and also our multifamily activities with the HOME Program.

And what we have done with the Qualified Allocation Plan with the HOME rules and the Trust Fund rules, and to the extent possible, with our Multifamily
Bond rules, and also with our underwriting real estate analysis guidelines, is that we are using terminology that is consistent through all of the programs.

So as we have definition of applicant, definition of related party, those definitions are all the same definitions throughout all of the programs. As we have added a definition to the HOME Program for administrative deficiency, that tracks what we do in the Tax Credit Program.

We've also put in the same kind of time lines on there for curing deficiencies. And one thing that I would hope the board would cheer about is that on all of these rules, what you will find is that our application deadline is at five o'clock on whatever the day is that those applications are due into the agency.

So there is no more postmark discussion or overnight discussion. It is having those applications in our agency at close of business on that particular day. We believe that this consistency throughout our rules certainly facilitates the utilization of our programs for the public.

For those who look to layer funding and hopefully makes it less complicated and complex for them as they attempt to utilize TDHCA's programs.
So with that, I would like to present to you the amended and revised HOME Investment Partnership Program rules.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Second.

MR. JONES: We have a motion that they be approved. It's been seconded. Further questions, comments, discussion?

MS. ANDERSON: I would just ask Ms. Carrington if there is -- you know, if there is -- from your perspective, is this mostly sort of an update, and applaud you and the staff for the consistency of definition, and you know, terms across programs, et cetera, any substantive changes that -- other than those kinds of things that -- you just want to make sure we know about?

MS. CARRINGTON: I think adding some of the threshold criteria in the multifamily rules -- there are also thresholds that are in the Tax Credit Program, addresses the level of the quality of the housing that we are working to achieve with the funding of all of our programs.

Some of our HOME awards in the multifamily area can be as much as one million. I think it's actually up
to 1.2 million, if I remember correctly -- 1.5, Eric is telling me.

Okay. In that case, there are some instances, certainly, where we are the first-lien lender, and we are the first-lien lender with HOME funds. And so our concern is to have good-quality housing developed as a result of that.

One of the other requirements that has been incorporated in all of our rules is the requirement that was put in 2306 for developments to have a physical needs assessment at the end of your ten, and also the funding of a reserve account if it wasn't otherwise required by a first-lien lender. And so you see all -- you see that requirement throughout also.

Flood Plain requirements, ineligible building types -- so much of what you see in the QAP as it addresses the type of housing threshold and quality, you see in the other programs also.

MS. ANDERSON: Thank you.

MR. CONINE: Ms. Carrington, what month do you anticipate us seeing these back again?

MS. CARRINGTON: They -- these rules are a part of the Consolidated Public Hearing Process. So the last date on that is the 10th of October. I would imagine we
will be bringing the HOME rules and the Trust Fund Rules
to the board in November.

MR. CONINE: Okay. Thank you.

MS. CARRINGTON: When the board will also be
looking at the QAP.

MR. CONINE: Okay. Thank you.

MS. CARRINGTON: And Brooke has something she
needs to say.

MS. BOSTON: Also for the QAP, and we may need
to retroactively do this then for all the subsequent
rules. We're proposing their repeal as well for the Texas
Register component of this. And so Chris was pointing out
to me technically, I don't think we voted on repealing the
draft rule. I don't really know if you all need to vote
on that.

MS. CARRINGTON: Yes. The old QAP --

MR. CONINE: Let's get the lawyer up here.

MS. CARRINGTON: The old QAP was Section 49.

For those of you who read carefully, the new QAP is
Section 50.

MR. WITTMAYER: Under Item 3(b)(1), we have the
proposed repeal of Chapter 50, the 2001 QAP. And we
skipped over that. So if the board would like to have a
motion to propose the repeal of the 2001 QAP.

ON THE RECORD REPORTING
(512) 450-0342
MS. ANDERSON: You mean the 2002?

MR. CONINE: You mean the chairman messed up?

MR. JONES: Well, we currently have a motion on the floor. So let's deal with that first. We have on the floor the motion to --

MR. CONINE: Approve.

MR. JONES: -- approve for publication the HOME Investment Partnership's Program rules, proposed amendment to Title 10, Part 1. That motion is before us. Any further questions, comments, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. The chair would then entertain a motion to repeal Title part 1, Chapter 50, the old Low Income Housing Tax Credit Program rules. Is the motion made?

MR. BOGANY: So moved.

MR. JONES: So moved by Mr. Bogany.

MR. CONINE: Second.

MR. JONES: Seconded by Mr. Conine. Further discussion? Hearing none, I assume we're ready to vote.
All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. Item 3(b)(3), Ms. Carrington?

MS. CARRINGTON: The amendments to the Housing Trust Fund Rules. Preface is the same. We're actually amending rules that were last approved by the board in April 2000. Roundtable --

MR. CONINE: Move for approval.

MS. CARRINGTON: Thank you. You bet.

MR. BOGANY: Second.

MS. CARRINGTON: You bet.

MR. JONES: Okay. Mr. Conine makes a motion that they be approved for publication. It's been seconded by Mr. Bogany. Questions, comments, discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. We'll then move to Item 3(b)(4). And we have public comment. Diana
McIver. Hi.

MR. CONINE: I thought we had some public comment left.

MS. MCIVER: Chairman, board, I'm pleased to be able to speak to you this afternoon. My name is Diana McIver, and I'm President of DMA Development Company, and also Vice President of TAP.

The comments that I have are specifically addressed to predominantly the scoring section of the TDHCA bond. But initially, one is addressed just to the prequalification assumptions. And it does, though, address rehab.

And if you look at the prequalification assumptions, it says that construction costs will range from 47 to 61. And a reality, what I'm requesting is that assumption be that if you're doing acquisition rehab, that you get to count those acquisition costs, plus the construction costs. Otherwise, we're going to have some very expensive rehab. So that's just a technicality.

The second issues that I want to address really do relate to the scoring. And as currently constructed, the scoring that is proposed is it favors new construction, and it favors family housing. And so all of my comments are addressed to leveling the playing field
for rehab and for senior housing. And they would be these.

One is, you get five points for a certain size of units across the board, and averaging of a size of units. And if you're doing rehab, it's going to be hard to meet that, and you're going to lose that five points.

So I would just request that we rehab projects get the five points for unit size automatically, and that those just apply to new construction.

Then beyond that, the quality and amenities -- my recommendation would be that we treat it similar to what we do in the 9 percent program. And in the 9 percent program, when you start going through those items like washer/dryer connections and microwave ovens and covered parking, you basically allow a rehab project to have double the points for each item.

And so I'm requesting that within the scoring for the bonds which rehab, that the double point be the same as it is in the 9 percent program. So it's a policy the department has had. Now, there is -- there are, I think, is still a typo in that section. It talks about the maximum points being 38.

In reality, when you total them now with the revisions, there are 34. And I would say even though
you're giving double points to rehab, you were still then capped out at 34. Or if you assume that someone will not do garages, and regular covered parking, then you would cap it at 32. But something along those lines.

And then my third point gets to the list of amenities that we have to select from. And all of those are directed, for the most part, to family housing. So I would just propose some substitutions.

And one is where the amenity for family housing is playground and equipment, then I would propose that we do a -- either a covered, furnished community porch, or a walking trail for a senior project.

Where it's barbecue grills and tables, that we substitute for senior housing an outdoor gazebo with seating. And for game room, that can sort of go either way. But also to allow a t.v. lounge in senior housing as a substitute for a game room, since that wasn't defined.

And then workout facilities -- a lot of senior projects do have workout facilities, but they need to be appropriately addressed with the kinds of fitness equipment that seniors use. But as an alternative to that, if a sponsor didn't want to have fitness equipment, they be allowed to have a library or some other --

So my comments were all relating to trying to
level the playing field for rehab, but also for senior housing. And I appreciate your time. Thanks.

MR. JONES: Thank you, ma'am. John Garvin.

MR. GARVIN: Good afternoon. Thank you for the opportunity to comment. My name is John Garvin. I'm with the Texas Affiliation of Affordable Housing Providers.

Our first comment on the rule -- proposed rules is on page 7, with that new signage requirement. We don't think that it has anything to do with what the past legislative session on notification.

What I would like to recommend is -- and this came up in the Conference Committee on Senate Bill 264. And it was, we are trying to get this extended notification out of threshold, and get it into points as an encouragement, because you know everyone will go for the points.

And one of the legislators in there, actually, the author of the bill on the House side said, Well, if you have to notify me, I will be sure to notify all of the neighborhood associations.

So what we were thinking is TDHCA put together a database of all the neighborhood organizations on record, and then certified mail to the local legislator saying, If there are any more that you know of, let us
know, we'll add it to the list, and then it will be done. Because we find the signage extremely burdensome. And in the first few years of it it was okay. But with the rampant neighborhood opposition, we just find it kind of discriminatory against Multifamily Affordable. If --

MR. JONES: So when they're mad that they haven't been notified, they're going to be mad at us and not at you all. Right?

MR. GARVIN: Exactly. Now, what we're looking at --

MR. JONES: I mean, that's a big burden to be shifting here, really.

MR. GARVIN: No. There would be more notification, still. I mean, like someone mentioned earlier, not everyone --

MR. JONES: But if somebody doesn't get notified, I mean, I guarantee you, this department takes a lot of black eyes.

MR. GARVIN: Oh, I sat here and watched it.

MR. JONES: And I guarantee you, you have just created a monstrous black eye for us on numerous occasions, because somebody is going to get notified, and it's going to be the department, then, that's at fault.
Am I off base?

MR. SALINAS: There's nothing wrong with the sign.

MS. CARRINGTON: Definitely is an issue and a problem.

MR. JONES: Okay. Thank you. I just wanted to point that out.

MR. GARVIN: Okay. We -- I agree. I've been to these meetings. I agree with you, people when they don't feel they're notified -- on that --

MR. JONES: I just think -- you've been part of this department, John. And I think you know that we've got a real hard job to do, and we stub our toes enough on our own.

But to give us added responsibilities in controversial areas -- boy, I find that is to being something that, you know, I just hate to see this department and this staff be subjected to that, because if they don't get notice, and we create that kind of system, where, oh, suddenly it's our responsibility to go to the Legislature -- I mean, the legislators --

MR. GARVIN: With all due respect, that's not what we're saying.

MR. JONES: Okay. Well --
MR. GARVIN: Right now the new statute says TDHCA is required to notify neighborhood organizations on record. And to make sure that you all didn't miss any of these neighborhood organizations on record, you propose doing the sign. Which makes sense. We're not saying it doesn't make sense.

We do find, however, that it's not required of single-family or conventional. So it is only against multifamily housing, and we find just with the neighborhood organizations here today saying can't you do single-family housing? Okay. We hear that all the time.

I live in multifamily. It's not worse than single-family housing. So we're saying to the staff -- and we do completely understand. We get that neighborhood opposition, too. Is instead of doing the sign, make the sign an option if you have to. I mean, I'm not expecting things to be thrown at me just for even suggesting otherwise.

But if you meet the letter of the law, the law says --

MR. JONES: Well, John, let's be clear. Before we leave that, okay, just because you're so much fun to talk to.

MR. GARVIN: Yes, really, I'm just a --
MR. JONES: You know, we are compelled by the Legislature, by various public officials to get out notice. You agree with that, don't you?

MR. GARVIN: Uh-huh.

MR. JONES: I mean, there is no question about that. In fact, you know, if we go through Sunset next time and we're not doing that, you know, they're going to hang us all. You know, not individually, collectively. So that's a given. Right?

MR. GARVIN: Yes.

MR. JONES: Is it not true, I mean, if we're just going to -- let's all be honest with each other, is it not true the best way to get notice is the sign?

MR. GARVIN: I don't agree.

MR. JONES: You don't agree? And why not?

MR. GARVIN: I think that if you do a solid -- two neighborhood organizations that are on record, and you do a solid notification of that in writing, there is a chance they will read it and they're really look at it. You can post it on your website if you have to.

But to put up a sign is inciting neighborhood opposition. To give out proper notification is saying we want a fair exchange. Not that we want to say, Watch out, look what's coming here.
MR. JONES: But why is a sign inciting public opposition? I mean, if -- you know, in my neighborhood, we don’t have an organization. My neighborhood has no organization that I live in.

MR. GARVIN: Well, you’ll be seeing a lot more development up there.

MR. JONES: But if they're going to change the zoning in my neighborhood, they put a sign on the lot.

MR. GARVIN: Right.

MR. JONES: It's been done that way in every community across this state for hundreds of years. Why is that inciting public opposition? I see signs in my neighborhood concerning zoning, and I don't think they're inciting me to oppose it. I really think they're trying to just notify me so I can be for it if I want to, or against it if I want to.

By why -- I mean, that conclusion that you just made, that it incites public opposition -- I find no basis for it.

MR. GARVIN: In our experience, from the development industry, we do. And --

MR. JONES: But why? I mean --

MR. GARVIN: -- even with the notification --

MR. JONES: I mean, you know, you’ve got to
have a reason for that, John. I mean, there must be a reason for that. Why the mere fact that you're actually letting the public know what's going to go on that particular piece of property, is that an incitement of opposition?

MR. GARVIN: You'll be letting them know through notification, anyway. A sign means anyone who drives by can go, Oh, no, look what's coming. Notification to the neighborhood organizations that understand housing policy --

MR. CONINE: Yes. It's a jurisdictional issue.

MS. ANDERSON: And that -- and I would say, you know -- and that's why --

MR. JONES: No, you know, John, you know --

MR. GARVIN: Are my three minutes up yet?

(Laughter. Applause.)

MR. JONES: Yes.

MR. GARVIN: Okay. Moving past the sign issue.

If you do -- on the alternate of the 1,000-foot deal, we agree with a recommendation to do it as it mirrors the local zoning ordinances, and where there is no zoning, 500 feet is what we recommend.

MS. ANDERSON: Did you say five or 500?

MS. CARRINGTON: Five hundred.
MR. GARVIN: Five hundred. Well, whichever you choose. And just one other -- or a couple of things. But for clarification, the Bond Review Board currently has rules proposed that says TDHCA's deals will be exempt from going unless they are CHDO deal.

And yes, the original rules had it -- stated the exact same way. And then I noticed a change that said now "The department conduit housing transactions that have no impact to the state's general revenues shall be exempt from approval by the Texas Bond Review Board, with the exception of" -- it took out CHDO applications, and put in "applications claiming a property tax exemption."

And it's not consistent with the rule that the Bond Review Board is proposing. And when this whole PHA exemption came up as you heard earlier, and where PHAs are not used in determining the tax rolls as it relates to school funding, we thought you should stay consistent, because this is inconsistent with the rules being proposed by the Bond Review Board. So just clarification.

MR. JONES: Now, let me give you some feedback, okay, from the board, as we talk about these rules. I know, and have heard developers tell me that one of the things that's done is to try to fly under the radar screen. And the later you get public opposition, the
better off you are.

You know, I have had that said to me to my face before.

MR. GARVIN: Not many of my developers -- they know it's a bad investment to --

MR. JONES: And that's -- so -- and I believe that. I believe that, and I have great respect for you. You know that. And I would just say this, though. To me, the only reason I really question you on this point is I don't think we're working together.

Because, you know, if we agree that notification is important, then sometimes when I hear your arguments in this area, it doesn't sound like you really agree that notification is important. It sounds like you're going back to the let's get under the radar screen.

And I would just encourage your organization, and I encourage developers, let's work together on this issue. But let's not pretend like we're working together and say things to each other that just, you know, we know better.

MR. GARVIN: And if I could, I agree with you. No, you're not going to invest in a project -- I mean, there was a deal -- that deal out in Katy that I wouldn't let people rent a property from me there, because I'd be
afraid for their lives; the people are horrible.

And so I mean, good neighborhood notification
is fine, and neighborhood opposition is often valid.

MS. ANDERSON: Boy, John, I have to take
exception to that comment. And I'm not here to beat you
up. But one of those people that was a part of the
opposition there has also worked very constructively with
this agency for the last several months.

MR. GARVIN: And I've heard that, too, and I
know the person. They were fair. And some of our members
are on that same committee. So we do agree with the
neighborhood opposition. But some of it is beyond
control. It does have a mob mentality, and it's just --
we have to further affordable housing. And you can't do
it when 800 people come up thinking that you're going to
put in a bunch of criminals.

MR. JONES: And I agree with you. And I
stated, on the record, that I did not agree with that
premise. And I will state it on. That is, you don't
understand affordable housing if you believe that. That
wherever it goes, crime follows. That is wrong.

MS. ANDERSON: Right.

MR. JONES: There is no doubt in my mind that
that is wrong. But not having the best notification
possible is also wrong. And the bosses to this board believe it's wrong, I believe.

When they talk to me, and when they take me on the carpet like I'm taking you on the carpet, and I apologize to you --

MR. GARVIN: I appreciate that.

MR. JONES: I wouldn't do it if I didn't really like you and have so much respect for you, because I feel like I can express it --

MR. GARVIN: I wish you liked me a little less.

MR. JONES: -- to you and get away with it.

MR. GARVIN: Typical attorney.

MR. JONES: But you know, our bosses to us, you know, certainly have told us that.

MR. GARVIN: I've heard them too.

MR. JONES: And I think the public -- I mean, if the people of the State of Texas are all our ultimate bosses with regard to these tax dollars, and tax credits, which I believe are tax dollars, too, then they're telling us that too.

And I just think with either the developing community as well as our board, as well as our department, would be better off if we'd all get on the same page there and say, Okay. Notification is important. Now, let's
really try to get it done, as opposed to putting all these
limits on notification.

Because I'm convinced that really, you're
better off if the opposition happens earlier, because we
have a chance to work with it, and we have a chance to
deal with it. And I would say this. To the extent
developers don't believe that, I think they're selling the
public short, because I think if we have time to work
together, we can get there.

MR. GARVIN: I agree with you. And the
majority of my membership also agrees with you. Proper
notification is a good business decision. I agree with
what Mr. Bogany was saying earlier, on -- that applicants
have to come here and defend their market studies and all
their underwriting and all of that, but neighborhoods can
come and say, Oh, we have 1,300 calls from that district,
that deal over there.

I think they should have to submit it earlier
so that they can be challenged by the applicant and make
it a fair playing field. We don't mean to intend that
we're against notification in its entirety. But we do
think that easing up on it couldn't hurt. We'll just
agree to disagree on that.

And then only my last deal on this was the --
and Representative Jones did a bill, and this is on the
Real Estate Analysis thing, which you're not up to yet,
but I think I might sit down after this one -- there was a
Bill 264. It had Senator West's bill rolled into it on
the one-linear mile concentration.

And we worked very hard to get both those bills
amended, both the House bill and the Senate bill amended
to say you can distinguish between family and elderly
within that one-mile radius. Well, it didn't get rolled
into Senate Bill 264, but Representative Jones got his
bill continued with it, and got it signed by the Governor
after Senate Bill 264.

So we'd like to ask the department to research
that and see if you can -- if because it was signed after
the 264 by the Governor, if it doesn't mean that you can
distinguish between family and elderly when you're doing
your concentration analysis.

MR. CONINE: Meaning the one-mile exemption
would be -- would go away when you're doing two different
product types? Is that what you mean?

MR. GARVIN: Right. You wouldn't consider
elderly in the --

MR. CONINE: Okay.

MR. GARVIN: Any more questions?
MR. SALINAS: I just don't think that -- you know, the more publications we have the better for the community. I don't know. I think you're safer, and people get outraged when they don't get notified.

I mean, I would feel -- if I want to do a good project, I won't feel proud and just go ahead and put aside that I'm going to do a project there for the neighborhood.

MR. GARVIN: And you can do a sign saying the best thing on earth is coming here, too. I mean, there is no --

MR. SALINAS: The Katy -- the Katy deal was a learning experience for this whole board and this whole state. We almost lost the agency because of that, because the state representative from Katy -- what's his name?

MR. GARVIN: Callegari -- Senator Callegari.

MR. SALINAS: Yes. You know, we had gotten 12 years from the Senate. And then we almost got only two because of him. And you know, all we had to do was to -- just to have a little bit of common sense.

We went ahead, and thank God this board decided to go ahead and stop that project, because we would have lost the agency because of that project. There were 1,600 people against that project.
MR. GARVIN: I was at that hearing.

MR. SALINAS: Not one in favor. Now, what's wrong with having public input?

MR. GARVIN: We -- I supported the public input.

MR. SALINAS: You know, this is what the community is all about. This is about elections and having public officials. I mean, there is nothing wrong with having information up front for people to go ahead and look at. And --

MS. ANDERSON: And I think we've -- I'll brag on us for a minute. I mean, I think this board demonstrates repeatedly, you know, its ability to sift through what it hears from both sides, you know, and make a fair decision.

MR. GARVIN: I'd just like to announce TAP is having a new business that will do a signage for anyone that's interested.

MS. ANDERSON: Now, we have the other in McKinney, you know. And McKinney's project -- we voted in favor it. You've got -- it got stopped at the Bond Review Board. And it was a good project.

MR. GARVIN: And we believe this was extremely fair [inaudible]. I'm not saying that.
MS. ANDERSON: Nobody would leave the room.

MR. JONES: John, thank you so much for coming.

MR. CONINE: Is that all the public comment?

MR. JONES: That's all we've got on public comment.

MS. ANDERSON: Any more public comment, Mr. Chairman?

MR. GONZALEZ: Nobody wants to comment anymore.

MS. CARRINGTON: They're afraid to come up here. For the board's information, the copy of the Proposed Emergency Multifamily Bond Rules that you have in front of you today has been black-lined against the copy of the draft rules that you had at the July board meeting.

That was the board meeting that you did ask us to table those rules so that we could take some public input, and you all could have an opportunity to take a look at them.

We did have two public meetings, where we had probably 35 folks at one, and maybe 20 to 25 people at the second public meeting. So we did take public input, and have made some amendments and changes based on those comments. And as I said, the copy that you have today is black-lined against what you saw in your board book on the 30th of July.
With that said, if I can make a couple of comments. One of the changes -- one of the amendments that I did want to read into the record is on page 11. John has already referred to this. It is at the top of the page in that first paragraph, that first full paragraph. And it begins one, two, three -- fourth line down.

It says, "The department's" and it would strike conduit housing. Where it would read, "the department's transactions will be processed in accordance with the Texas Bond Review Board's rules." And so that is -- because Bond Review Board has not approved those rules. And so our language, obviously, and of course, will track and be in accordance with the requirements of the Bond Review Board. If I can make four comments.

MR. JONES: Please do.

MS. CARRINGTON: Okay. One of the changes that you will also see in these proposed rules is an option, as opposed to the signage requirement. We are proposing to give the developers an option. And that option would be -- and this is on page 7, this addresses the -- it says, "The final application and supporting material will consist of the following information."

So one, the first part of Number One of the
requirement is this public notification sign. We had even
gone so far in the back of these rules to give a sample of
the sign along with size and lettering and what the
requirements are.

Based on comment that we have heard, we have
come up with an alternative that says that the developer
will mail written notification to all addresses located
within 1,000 feet of any part of the proposed development
site.

Let me say that we had comments from the clerk
of the Urban Affairs Committee, who said to us that the
language on the signage that we were proposing was not a
part of what the legislative intent or the legislative
requirements were. And that at least as far as Chairman
Talton was concerned, that he was absolutely opposed to
the signage requirement being included in our rules.

So with that comment from someone who was very
intricately involved in this happening, we thought perhaps
giving an option was one of the things that we might want
to do.

MR. SALINAS: What does that -- what does the
bill say?

MS. ANDERSON: Silent.

MS. CARRINGTON: It's silent on signage.
MR. JONES: The bill doesn't say you have to do signage. So the opinion is that since it doesn't say they'd have to, that what that means is they shouldn't be required to.

MS. CARRINGTON: And what we are currently doing, Mayor, with our bond program, is that it's an option for the developers to put the signs up. And for the most part, Robbie, I think they are putting signs on the property. So right now it's an option.

What this would be would be a requirement. Certainly there is one of the things I know, and as I read the public -- as I read the transcripts of the three TEFRA hearings last weekend, we receive criticism either way.

MS. ANDERSON: Right.

MS. CARRINGTON: Because what you saw in the TEFRA hearing transcripts were people saying, Well, the sign was behind a tree. Or the sign was too small for me to read. Or I don't drive down that road. I drive the next road over. So I didn't know there was a sign up.

And so I think what the department knows is that there is no perfect way. That there is no perfect notification.

MR. SALINAS: Won't they -- won't the people get notified by their own planning and zoning people and
the city?

MS. CARRINGTON: Uh-uh.

MR. SALINAS: Or businesses --

MS. CARRINGTON: Not if the property is already zoned. And --

MR. SALINAS: If the property is already zoned, then you don't have any problems.

MS. ANDERSON: Well, if -- you still have neighborhood concerns about it.

MR. SALINAS: Then you don't need no signs. If you don't even have --

MS. ANDERSON: But you're going to notify the neighbor --

MR. SALINAS: -- zoning, I mean, you have no signs. I mean, you're talking about the Houston problem.

MS. ANDERSON: Is there neighbor --

MR. SALINAS: Houston was -- would always have this problem. I think you need signs in Houston. Maybe three signs on every project so people would be notified, because I don't think we have the problem in the rest of the state.

Everybody knows their zoning. Everybody has their elected officials. I'm sure that if you want to do a project like this in Houston -- I mean, in Dallas,
Texas, I mean, you've got to go through your local planning and zoning.

MS. ANDERSON: Well, what --

MR. SALINAS: And your zoning -- I mean, they will go ahead and notify the people of what's coming down to their neighborhoods. The problem is where you just don't have the zoning.

MS. CARRINGTON: We have certainly seen neighborhood opposition on property that was zoned multifamily.

MR. SALINAS: Yes, but that would be entirely up to the city council and the city mayor and the elected officials, that if they wanted to get themselves reelected again, they're just going to have to work their way with the public that is opposing that certain project. I don't think we have anything to do with it.

I mean, if you have a zone, the developers go and buy a piece of property for a certain project, and they go and find if it's zoned right. That's why you buy it. If it's not zoned the right way, then you buy it with an option until you get it zoned. You just don't buy a piece of property just thinking that you're just going to get it zoned. Right, Conine?

MR. CONINE: It's difficult to go get a
landowner to allow you to rezone his property, especially if it's going, say, from commercial to multifamily or --

MR. SALINAS: Exactly.

MR. CONINE: -- single-family to multifamily without having actually owned the property. So I think it's the -- it's just hard to do that.

We're asking them to try to do that through P&Z in our regulations and get it to that point so that it's not official until the actual city council passes the zoning. But at least we know that P&Z has approved it, and there is a pretty likely -- good likelihood that city council will approve it once P&Z is done.

MR. SALINAS: Yes.

MS. ANDERSON: I think we've seen more community opposition on 4 percents, and most of those come -- I mean, unless they're in Houston or Victoria -- I mean, they come to us already -- pretty much zoned right in the 4 percents.

I'm sorry. This is a dumb question. I just get all these terms confused. But in the 4 percent bond, is the developer notifying neighborhood associations? Or is the agency notifying neighborhood associations? Or is -- or are they only notifying elected officials?

MS. BOSTON: Because the requirement of
associated -- well, it is a requirement for the bond. But because there is 4 percent credits on both programs --

MS. ANDERSON: Right. Four/nine.

MS. BOSTON: Right. Because there is credits on both fields, the threshold for the credit program and QAP applies to all. That requirement is two things. One, they notify neighborhoods and elected officials. And then when it comes here, again, TDHCA notifies neighborhood organizations and elected officials again.

MS. ANDERSON: On both kinds of deals. So really the notification is not just signage or letter. It's signage or letter, plus the developer sends a letter, plus we send a letter to affected neighborhood -- so the black hole is if there is no neighborhood association to send a letter to -- I mean, the gap -- the potential --

MR. CONINE: No. I think the applicant may -- the way I read this language, if you read the last sentence of paragraph 1, it says an applicant chooses to provide the mail service. We're not going to be mailing all these people. Surely no.

MS. ANDERSON: No, I --

MS. BOSTON: Correct. And I -- when I said notification, I meant a specific list. And I'm sorry. I should have been more clear.
MS. ANDERSON: To the neighborhood associations. I'm just trying to make sure -- see, just -- I'm just -- all I'm saying is there is another avenue of notification to -- if there is a neighborhood association, both the developer has to mail to them, and then we have to mail to them. So we're not just relying on a signage and the letters within 1,000 feet.

We have this additional -- as long as there is a neighborhood association, we have that additional avenue of reaching the public.

MR. SALINAS: Well, how about the municipalities? Where do they get involved in this?

MS. BOSTON: They also are notified by the applicant and the agency.

MS. ANDERSON: Yes.

MS. CARRINGTON: Two different times, both the local elected officials, and also the state senator and the state representative that the development would be located in.

MR. SALINAS: My argument there is if a local municipality says, No, you're not going to -- I don't care how many credits you get, you're ont going to get it done. If a local Planning and Zoning does not approve the zonings, and the city council does not approve the
project, it's a no. You can have 20 signs. It's not going to happen.

The developer needs to be working closely with the community, and of course, their city elected officials in Planning and Zoning before they even apply for tax credits, I would think.

MS. BOSTON: Yes. And I think that's just -- the key is what you said, is the timing, you know, because as Mr. Conine said, some of these folks just don't have the zoning change at the time they apply. This way you're getting to notify the neighborhood before the zoning change.

MR. SALINAS: Before you even apply for some tax credits. I would think that -- I would do that if I was in the business.

MS. CARRINGTON: One other comment I might make on signage is that from our public input group that we put together, they felt very, very strongly about continuing -- or making the signage a requirement, as opposed to an option, making it a requirement.

So we have heard from a variety of sources, with a variety of differing opinions on this notification topic.

MR. BOGANY: Ms. Carrington, I have a quick
question. Does the signage have to adopt this black-and-white form, like the one I saw the other day? Or can it be a picture of a nice family holding his kids and a --

MR. SALINAS: That will be a four-by-eight.

MR. BOGANY: It can be four-by-eight. But does it say that it has to be black-and-white writing like this? Or it could be a picture of a family, just saying a housing credit program is coming to town?

MS. CARRINGTON: At least what we have proposed is very prescriptive with a lot of information about the development. But no pictures.

MR. JONES: But couldn't it be added -- I mean, what -- what he means -- but couldn't it be added optionally? I mean, as long as you include our basics, I think you can put anything else on the sign you want to. Isn't that true?

MS. BOSTON: Definitely.

MR. JONES: I mean, the sign can become an advertisement for the new community. And by the way, I also include this. I mean, most advertisement have prescribed language in it that's required by some statute, but they're still advertisements, so you can certainly do that.

MR. BOGANY: Well, that's my point, is that I'm
driving by and I see a sign with a bunch of real small writing there. I'll just assume that it's going to be a Low Income Housing Tax Credit. And --

MR. CONINE: Does it have to look like this? Are we saying it has to look like this?

MS. CARRINGTON: We were attempting to give some guidance.

MR. BOGANY: Well, I would like to be able to option that, if the developer wanted to be -- to put that nice project that he is doing, and then have below, meeting notice and all of that. They should have that option, to be able to make it look a little bit more invitational, versus a public notice that something's wrong.

MR. CONINE: This is pretty explicit. It says five-inch -- tell me what we've got. Do we have this? Is this what we have? Where it has five-inch letters, four-inch letters, two-inch letters? That's what we have.

MS. BOSTON: Right. As a minimum.

MR. JONES: As a minimum?

MS. BOSTON: That's -- I mean, at least it has to have that information.

MS. CARRINGTON: With that sign, the idea being we wanted it large enough somebody driving by at 30 miles
an hour could read the sign.

    MR. CONINE: Ms. Carrington, as you said
earlier in one of these other topics, we need a little
more flexibility here, because you can't do this and still
make a pretty picture with the family holding the baby
like he's wanting to get done.

    MS. BOSTON: Keep in mind, though, that that
sign is still meeting a TEFRA requirement, and it is
notifying about the hearing. So some of that information,
no matter how cute they make it, has to be there.

    MR. JONES: But why can't that sign there be
part of another sign? I mean, you know --

    MR. BOGANY: I just think the -- if it's a
four-by-eight sign, you can do a whole lot with a four-by-
eight sign. And I'm just thinking that it should give the
developer an opportunity to use that as advertisement for
new families that might want to lease it. Might also give
public notice. It should say several things that they
want the option.

    They want to do writing like this, great. But
if they want to do a picture of a family or the project
itself, or a floor plan or something, or a schematic of
the site plan, they should have that opportunity to be
able to do that and not be looking like this if they want
to choose it. I just think they ought to have that flexibility.

    MS. BOSTON: We'll definitely put at a minimum. And then that way they can go above and beyond as much as they like.

    MR. BOGANY: Okay, because it's a sales job. And it starts with that sign.

    MR. SALINAS: I really don't think we need signs in South Texas or anywhere else. I think you all need them in Houston. But not where we control -- and I'm speaking on behalf of the cities -- I think we control zoning and I think we control almost everything that has to do with our ETJs, you know.

    And signs or not won't make a difference, you know, but I can understand somewhere where you don't have any control of zoning, then you might want to need some signs.

    MR. JONES: But I do think the law is that they -- there is notification, the public is entitled to notification if it's a Tax Credit deal, even if zoning is appropriate. I mean, under the laws as it is written in the United States of America and the State of Texas that we're abiding by, I as a public member, even if it's within zoning, am entitled to notification.
MR. SALINAS: We -- you have a public notification in your local newspapers. You have public hearings in your city halls, two or three public hearings on those issues. By the time it gets to the city council, by the time it gets -- it's supposed to get here, we're supposed to have that thing squared away. And fine, if you all want to put a sign, that's fine.

But what I'm saying is the local developer, or whoever is going to build these local projects, should have that worked out by the time he gets here. Now we're trying to dictate, say, Well, he put up a sign over there because in case the cities and those people are not doing their job. Fine.

Let's go ahead and put up a sign. I don't have a problem with that. But what I'm saying is I think most of the cities in the State of Texas are controlling their designation in their own cities.

And they do their zonings. They do the publications in the local newspapers, and they do public hearings in their city halls, and they make developers go and communicate with their neighborhoods.

I don't see -- but if this is what we have to do in certain areas, well, let's do it.

MR. CONINE: Are you finished with your
presentation?

MS. CARRINGTON: Yes, sir.

MR. CONINE: I want to move we get this thing on the floor to a discussion for approval.

MS. ANDERSON: Second.

MR. JONES: Okay. Motion's been made that it be approved for publication and seconded.

MR. CONINE: Can we make the change -- well, first off, let me ask a question. Did the -- are all the definitions that we went through in the QAP and the Housing Trust Fund, the HOME awards -- are they consistent with the definitions here now?

MS. CARRINGTON: Yes, sir.

MR. CONINE: Okay. Can we modify, then, this document to take up the notification footage issue, so that we refer to the local municipality or 1,000 feet, whichever comes in? And make sure that change gets made, consistent with the previous documents.

And also the bedroom percentages in this document anywhere? Or is it just in the QAP? Oh, we took care of that issue. All right.

I'd like to hear some staff comment on Ms. McIver's testimony relative to leveling the field for acquisition rehab and elderly.
MS. BOSTON: I think she has excellent points.

MR. CONINE: I thought she did too. So we need to go over to the scoring section, probably on -- well, first, the acquisition rehab, 47 to $61 square-foot cost issue. Is it better to throw in the acquisition cost, as she suggested? Or would it be better to just exempt acquisition rehab from that particular number?

MS. BOSTON: Robbie, do you have a second? Or Robert? I mean --

MR. ONION: To exempt it for an acquisition rehab.

MR. CONINE: Okay.

MS. CARRINGTON: So in other words, they just get the points.

MR. ONION: We were referring to new construction points.

MR. CONINE: So we need to add some language, then? Is that okay with everybody that we add some language for that?

Now, on the double points for -- well, the five points on the size issue, and since the size has already been determined on an acquisition rehab, should that -- that should be an automatic, in your viewpoint, or in her viewpoint. Do you agree with that?
MS. BOSTON: I agree. And you wouldn't want to make them ineligible. So yes, it -- that definitely will level the playing field.

MR. CONINE: Okay. And she suggested some different amenities, I think, for -- she left shuffleboard out, which I can't believe.

MS. CARRINGTON: And horseshoes.

MR. CONINE: Horseshoes, and a few others -- dominoes and a few others. But she had suggested and made some specific suggestions. And I don't know whether staff could maybe think of a few more, or you know, the board can think, if you want to issue some more thought here on it, the board can issue some more thought. But I thought they were good suggestions.

MS. ANDERSON: Yes. She said t.v. lounge and you know, a walking trail. I thought that was --

MR. CONINE: Right.

MS. CARRINGTON: And library.

MS. CARRINGTON: Library.

MS. BOSTON: That's fine. We --

MR. CONINE: Okay.

MS. ANDERSON: You know, they all -- no, I guess those all have the same amount. Or it depends where you put them. You need -- you know, because your
amenities have different points.

So like, playground and equipment, or walking trail, or something, will get three points. You have to spread them out -- you have to sort of spread them out so that --

MS. CARRINGTON:  Game room, t.v. lounge.

MS. ANDERSON:  Right. Right.

MR. CONINE:  I'm going to go over to the scoring criteria sheet for just a minute. On the points or the differentiation of points as to the deferred developer fee, can you tell me the motivation there for rewarding projects that -- let's say they're costly and have to defer a lot, versus those that aren't too costly and don't have to defer a lot?

MS. BOSTON:  I will let Robert explain that to you.

MR. CONINE:  Okay. Great.

MR. ONION:  Yes, sir. What we were trying to accomplish by the scoring system and the deferred developer's fee is to link the best, feasible deals first. And certainly, the amount of deferred developer's fee is an indication of how feasible it is.

We feel like we've plugged all of the necessary holes that can be used to kind of skew that. And so as we
rank this at a snapshot picture of it, that those that have the least amount of deferred developer's fee is the most feasible at this point in time.

Obviously, to borrow a phrase from you, bond transactions are very fluid, and we realize that we're going to have an interest rate -- Excuse me, not interest rate, but rental increase, possibly, the following year. And so the transaction will change. Hopefully it will get better.

However, in looking at these preapplications, in most cases the numbers are as good as they're going to get at preapplication stage. And they may even -- and become less feasible as a transaction goes on, and the numbers are firmed up.

MR. CONINE: I guess my concern is that again, I'm thinking of high-cost urban projects, primarily, that would logically cost more. Maybe an acquisition rehab, for instance, that may cost more, where it's in an area of town that you really need some affordable housing, and the developer is willing to defer some of his fee in order to make it on par with everybody else, but he can't get there because the scoring is just as penalizing.

Once you defer a developer fee, no matter whether it's 50 percent or 70 percent, it's equal in your
eyes as to feasibility. One is not more feasible than the other.

Land costs may be a reason for the increased deferred developer fee. If you're in a high land cost area, then you're in essence, being penalized. And I just have a hard time with once you level it by deferring a fee and making all projects financially feasible at that point, having nine-point differential being awarded in such a narrow band of 50 to 80 percent.

MR. ONION: Well, it is true that it -- this is our first attempt at scoring. And certainly, we would -- along with the expenses and some of the things that we're pegging, we're not being able to actually underwrite each of the particular transactions. But what we did try to do is to treat everybody equally across the board.

And hopefully, if that's done across the board, then our methodology will still hold true, that these transactions that have less deferral are more feasible, and we want those to go first.

MR. CONINE: They're not more feasible. I disagree with that statement. What they are is they cost less. They don't have anything to do with feasibility. Cost has nothing to do with feasibility.

The ultimate income and expense and how you
service the debt on that has to do with feasibility. So you're using a little different word, I think, than what you mean.

MR. ONION: Again, we take the debt coverage ratio at exactly 1.1 on each of the transactions.

MR. CONINE: Right.

MR. ONION: We use the same expenses. We treat everybody the same. I realize there is variations to that, and there may be some higher cost land. We do realize that once you get over 5,500 a unit, just based on the bond transactions, it becomes a high-cost land that would not work for a bond transaction. So --

MR. CONINE: Well, that's what I'm trying to prevent here. If you get rid of the deferred developer fee point scoring, then a project in the middle of downtown Houston might work, because you don't have someone in exurban Houston getting nine points for having less deferred fee.

And I don't think that has anything to do with feasibility. The only thing it just has to do with cost.

MR. ONION: Well, you know, obviously if the developer's fee -- there is a larger percentage that is deferred going in at the preapplication. Usually the indication is is that number doesn't get any better. It
gets worse.

And then the third-party lenders and equity providers see that as a risky transaction, and so financing is just not feasible for the project. So the department is trying to weed out the best.

MR. CONINE: But that's a separate issue. That's a separate -- we can approve it and they can turn it down, and it will come back to us. Okay? If that's the way it is.

What are we doing in 9 percent round? Do we score on deferred developer fee or not? So why are we doing it in this at all?

MR. ONION: Well, usually in the 9 percent, the equity portion is much larger than it is on the bond side. And so the amount of deferred developer fee is much smaller in relation to a bond transaction.

That's why it's so sensitive on the amount of the deferred developer's fee. And if we say that it's over 80 percent, even at the preapplication stage, we say that it does not meet our requirements -- our threshold. And therefore, we'll not consider it for an inducement.

MR. CONINE: Well, that's a difference, and I might agree with that particular threshold requirement, that anything over 80 percent just gets kicked out.
But to score points for something less than 80 percent -- I think it does a disservice in some circumstances. And I would recommend that we take that particular part of the scoring system out of it. I just don't see it as a matter that affects whether or not a project wins or loses on a scoring criteria. I think --

MS. ANDERSON: It's not they're going to get kicked out. I don't want to -- Brooke did a good job of explaining this to me last week on the phone, because I had the same sort of like, what is all this?

Because we're in a -- it's not like they get kicked out if they have fewer points. They just might be a June deal and not a February deal. But they'll be later on the list because we have to match the high-scoring deal to the first number on the ping-pong ball.

MR. CONINE: And that's my point, Beth, is why are we punishing them? What's the purpose of the punish, if you have leveled the playing field on financial feasibility, which is the issue here?

MS. ANDERSON: Yes, I guess what worked for me -- I bought the argument that if it starts out on October 2 with, you know, 50 percent deferred fees, or 70 -- that number is not likely to go anywhere except north. It gets based on your all's experience, that
number gets worse.

   MR. CONINE: In a downward interest rate market, you're going to say it goes north? I don't agree with that assumption. Just because we're currently -- for the next year it looks like we may be in an upward interest rate environment. But it doesn't necessarily hold true.

   MR. ONION: However, certainly at the preapplication stage they may not know exactly what the construction number is, the cost to build.

   MR. CONINE: Right.

   MR. ONION: They will not know that the property may need some additional engineering work, which will drive up the cost of the land --

   MR. CONINE: Right.

   MR. ONION: -- which would make it less feasible. They certainly do not know whether or not they will get a bump in the rental --

   MR. CONINE: But what do we pick up as a department? We don't pick up financial feasibility increases, because once they've deferred, they've already deferred, whether it's 50 or 80. Why are we scoring points for that? What are we gaining?

   MR. ONION: By ranking what we perceive to be
the most feasible transactions first, and leaving the ones that are below that on the waiting list. Giving more of an opportunity to close transactions sooner in the year, rather than cycling through all of the priority ones to get to priority-two deals, which are more economically feasible.

MR. CONINE: Well, you're making the assumption that they're economically feasible, and I'm arguing that assumption. I say -- I'm saying that you, by deferring whatever portion it takes to get there, you then leveled out the 50s and the 80s. They're both financially feasible at that point, equally.

MR. ONION: And correct. And I would think that the one that is 50 or below has a better chance of absorbing any changes in the numbers as they go along with the feasibility of the project, versus one that is close to 80, which will then get to the point where it is no longer feasible and cannot be financed by third-party lenders.

MR. CONINE: Well, I think my defense is of urban and rural projects. We always say it's hard to do rural in bond deals. If a guy wants to defer 80 percent of his fee to get a rural deal done in Texas in a bond deal, he's not going to get it if he's not awarded ten
points.

If he only gets one point against one in an exurban deal that's a 50-percent deferral.

MR. ONION: And the difference is in bond --

MR. CONINE: Now, I just don't understand the logic here.

MR. ONION: The difference then is bond transactions. If the area median income isn't near 45 to 47,000 average area median income, a bond transaction doesn't work. It doesn't make any difference whether it's priority one or priority two.

San Antonio is a very good example where you're sitting on the fence, where because the area median income is 45 to 47, that without some additional subsidy, it's extremely difficult to get anything done. And so that's why other areas of the state that are below 45 --

MR. CONINE: I'm not -- you're switching to feasibility, and I'm talking points. Two different subjects, totally.

MR. ONION: I -- again, I think the point system is encouraging those transactions, which I think are stronger and have a better chance of getting closed. And I think that's part of our process, in looking at the scoring and doing any preliminary underwriting, is that we
want to make sure that if they do receive a reservation, 
that they have a likely chance that that reservation will 
turn into affordable housing. 

MR. CONINE: I'm going to have to disagree. 
And I recommend -- again, I think we're punishing the 
urban deals and the rural deals for the bond program. And 
I recommend we remove the points totally for this deferred 
developer fee. 

MS. ANDERSON: Could I just ask a question? 

MR. CONINE: Sure. 

MS. ANDERSON: If we take these points out -- I 
mean, this is like -- I mean, Kent is right. There is a 
huge swing in the points, one, five and ten. Do we have 
enough variability in the rest of the scoring criteria 
that when you take your, you know, 60 applications, and 
you rank them all in October, that you're going to get 
enough variation in your scoring, and you're going to get 
30 applications, and they all have the -- you know, they 
all score 78? Do you understand what I'm trying to ask 
you? 

MR. ONION: I think there will be enough 
variations. Certainly the public support and opposition, 
which is new now for the scoring, will provide that. 
Again, previous to this, before we had even a point
system, we strictly just used anything over 80 percent
deferred developer's fee was kicked out, and we allowed
all the other transactions to go in and just compete and
see if the transaction could get done through the
reservation period of 140 days.

MR. CONINE: Which is what we'd be getting back
to under my proposal.

MS. ANDERSON: But we're still scoring them,
just not on amount.

MR. CONINE: Yes.

MS. ANDERSON: We're still coming out in a
certain order, but just not at the --

MR. CONINE: The 80 percent kick-out on
threshold I don't have a problem with, but --

MR. ONION: We sure have to kiss a lot of toads
before we get affordable housing on the ground.

MR. CONINE: I'm not going to comment on that.

MS. ANDERSON: Well, and it -- okay. So right
now you only kick out the 80s and above. And so we induce
everything, and of the -- I don't know. I mean, let's
just take this year as an example. Starting in January up
through today, I don't know how many we've approved, but
is it 2X, if we've approved X, have you worked through 2X?
Or --
MR. ONION: To give you an example on the priority one for the prior year, we had 29 priority one transactions --

MS. ANDERSON: Right.

MR. ONION: -- and we were able to get three to close. So our hit ratio on priority ones has been --

MS. ANDERSON: How many came to the board? I mean, we probably killed a couple of those.

MR. ONION: Yes. I'd have to go back and see how many of those. But there were a lot of them that just simply did not --

MS. ANDERSON: We didn't -- but we didn't kill 26 of them.

MR. ONION: -- work as a result of not being feasible.

MS. ANDERSON: Okay.

MR. ONION: And at 100 percent at 50, which of course now has changed, priority one transactions really don't work in Houston unless you have some additional subsidy.

So that left -- that's why you've been seeing a concentration of projects in Dallas, because their area median income is higher. Houston is just barely you can make it work. And of course, Austin I think has its own
unique problems.

MR. BOGANY: So if we did what Mr. Conine suggested we do, the advantage is to the developer or is it to the agency or to the project? If we removed what he suggested on deferred fees, and removed that like we used to do it, my question is, who is the advantage to? Is it the urban? Is it the rural? Who has an advantage? So is it any harm in moving that out?

MR. ONION: I don't think rural really even comes into the picture just because of the area median income --

MR. BOGANY: Okay.

MR. ONION: -- and what works and -- with bonds or not. So it's just we will have to work through more transactions in order to get affordable housing on the ground. And we certainly have done that in the past. We've done a very good job and still met our goals.

MR. BOGANY: So it's no work for you, then, if we remove that?

MR. ONION: I'm flexible. It will work either way. One, I think, rewards those that have tighter numbers, that look like better transactions.

MR. CONINE: Right. It gives rural Texas a shot; just a shot. It doesn't automatically run them out.
MR. BOGANY: Okay.

MS. ANDERSON: Was there any public comment at either one of the developer forums about this topic?

MR. ONION: No, ma'am. Not that I'm aware of.

MR. CONINE: Well, there was some. Yes, there was in one of those transactions that I read. It was either a Friday morning or a Monday morning, there was some comment about it.

MR. ONION: If -- could you refresh my memory? I don't recall.

MR. CONINE: Well --

MS. ANDERSON: Well, I remember Mr. Fisher talking about don't sort of -- underwrite it enough that you know, don't try to shortcut your underwriting in your preapp stage, where you might unnecessarily paint some people out.

That we kind of end up weeding -- we run the risk -- and I don't know if it was this -- if it was the developer fee, or what it was that he thought we might be weeding too many things out, kind of up front. Okay. Yes.

MS. CARRINGTON: And we also had a discussion about how our scoring criteria was, as Diana McIver has talked about on elderly, that we had scoring criteria that
might be discouraging or providing lower points for more rural transactions. And we did do some adjustments based on those comments.

MR. BOGANY: Mr. Chairman, do you have a motion on the floor?

MR. JONES: We have a motion on the floor, but it's going to get kind of confusing.

MS. CARRINGTON: Do we have to --

MR. JONES: The motion we have on the floor is that they be approved as presented.

MR. CONINE: Well, I move to amend the motion, then.

MR. JONES: Well, just wait a second. And then Kent's gone through and made certain changes, which kind of as he went through, he said everybody agree on that. So I think some of those changes are clear that we can make the motion to amend that he suggested and make those changes. Brooke, have you kept a good running list of what those changes are?

MS. BOSTON: Yes.

MR. JONES: Good. So -- and then this last one, though, there does not seem to be clear consensus on it. So you might want to deal with that with a separate motion, unless there is a clear consensus.
MR. CONINE: Move to amend the motion to strike the scoring criteria points for deferred developer fees.

MS. ANDERSON: Second.

MR. 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.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MR. CONINE: Thank you.

MS. ANDERSON: Can I talk about garages for a minute?

MR. CONINE: Go ahead.

MR. JONES: Certainly.

MS. ANDERSON: We're enamored with garages. And I heard it -- I think I heard it in the developer forum, or read it in that transcript, and then I read it in some public comment about garages. You know, garages get five times as many points as a microwave oven. And I just -- you know, if I'm a single mom, you know, coming home at night, do I want a garage, or do I want a microwave oven?

And I know as a -- I'm not a single mom, but
I'm single most of the time these days, and I'd rather have in my house a microwave oven than a garage most nights.

And so I just would ask what am I missing about why garages are so wonderful that we're giving them five points?

MR. ONION: I think staff looked at what the cost was in order to place that amenity. And certainly a microwave oven -- and I'm going to guess it's about $200. Obviously a garage is much more expensive.

One of the things that we did decide is that the only way that you could get points for that garage, is if it was included in eligible basis, and therefore, was not an extra charge to the tenant.

So a lot of the things, in looking through the points, has to do with the cost of placing that amenity. Otherwise, if it was a microwave and a ceiling fan, and you had higher points, obviously you would be encouraging the developer to put those amenities versus a garage because of the cost difference.

MS. ANDERSON: How many of these garages -- I remember something in some of the public testimony -- in some of the transcripts I'm reading that said, you know, you can argue whether a garage is a garage or a double
storage room. What's your -- I mean --

MR. ONION: I think a lot of times they are
used either for storage or for an automobile. And
research has found that the tenants do have cars.

MS. ANDERSON: Right.

MR. ONION: And we do believe that's an amenity
that is certainly well received with the tenant community
of either affordable or market rate property.

MS. ANDERSON: And true -- if we go back to
this argument about don't write rural off, don't write,
you know, anything that's not in a big-four county off. I
mean, is that really an amenity for an urban area?

MR. ONION: A garage?

MS. ANDERSON: Uh-huh.

MR. ONION: Yes, ma'am. And it has been
demonstrated as being a market amenity that's been well
received.

MR. CONINE: Where do the 50 percent of the
units come in? It says garages equal to 50 percent of the
units.

MR. ONION: Well, obviously, to put garages in
all of them -- we wanted to -- there is a question on
whether or not 100 percent garages per units would be
something that would be used by all the tenants. So we
limited it to 50 percent as being to get points.

Obviously if they want to put more, because if they feel like the market that helps lease up the property it certainly could do that. But we wanted to put a minimum amount, because we had a certain amount of garages, and then we had a certain amount of carports.

MS. ANDERSON: And it's a free amenity. Right? You said they can't -- they won't charge for this.

MR. ONION: Yes, ma'am.

MS. ANDERSON: Well, it seems like it would give middle management a headache. I got there and I'm the 51st percent tenant --

MR. ONION: Again --

MR. CONINE: What if it's not direct access?

MR. ONION: What if they're not direct access?

MR. CONINE: Yes.

MR. ONION: That is still fine.

MR. CONINE: And can they charge for optional detached garage space, $75 a month or something like that?

MR. ONION: Only if they take it out of eligible basis, in which case they would not receive the points.

MR. CONINE: Okay. I'm with Ms. Anderson. I think five points is a little rich for me on that
particular one as well. And in some of the architectural
stuff that I've done, when you get into the 18 units to
the acre stuff, to get 50 percent garage cover, it's just
still pretty steep.

I might suggest a number of 35 percent there,
because that, from a practical standpoint, to get enough
parking on site, and have some decent density, which
municipalities create, to have 50 would generally mean
that you couldn't -- there couldn't be direct access.
That some of them would have to be free-standing and
detached, and that's a whole separate issue and a whole
separate problem.

And if you want to take advantage of the
projects where the garages could be attached to the
building in and of itself, I think you need a lower
percentage there in order to make it practically work from
an architectural perspective. So I would suggest we drop
that to 35 percent, and maybe take the points down to
three points, something like that.

MR. JONES: I would go -- I will compromise
with you. I will go 35 percent. I think garages are
something that if you want to change some images, you
would go a long way. And I don't mind the 35 percent, but
I believe in the five points.
The reason I believe in the five points is just what he says. If they want five points, there is a lot of easier ways for them to get them and a lot of different amenities.

But if you want to really upgrade your development, and maybe make your neighbors a lot happier with you, I think this is something you could really do. And the ones that have garages are very, very impressive. So I would be against giving away the five points. And I don't mind the 35 percent. I understand where you're coming from there.

MS. CARRINGTON: With all due --

MR. BOGANY: I agree from -- with Mr. Jones, that the garages are important. And I think it's a new change, it's a new development, and it's basically letting people know you're living in homes -- apartment homes instead of apartment projects.

I agree with the five points. The 35 percent I agree with, because I think you know, logistically it's harder to make 50 percent of them based on their layout. But I truly believe a garage complex is much nicer than one without them. And I think people using them for storage, even if they can't put -- these units are not that big.
And even if they've got to go get storage and use it as a storage facility for their property, it gives them another opportunity; it's no different than having a single-family home with no garage in one. Rent one -- and one with one is more valuable, just bottom line. And it makes the neighborhood look nicer.

So I think -- I could agree with the 35 percent. The five points -- I think they need it.

MS. ANDERSON: I actually don't -- I mean, I think the -- with all due respect, Mr. Chairman, that there are other ways to get five points are things they're going to do anyway. I mean, they're going to have microwave ovens in these units. And they're going to have -- you know, they're -- because everybody has those.

I -- and I also -- if you're going to lower the threshold to 35 for architectural reasons, which I can buy into, then I don't think you'd give them 35 points. You've just made it easier to get to five points. Right?

I mean, this was five points for 50 percent of the units. Now, we've lowered the number of units, we're still going to give them five points.

That seems right now we're really incenting that behavior. And again, I just sort of go back to -- you know, thinking about, you know, market rate things.
that I continue to see go up today. They -- you know, they don't all have garages in them. I just -- it just seems -- you know, it just seems a little rich to me.

MR. BOGANY: In the ones in Houston, Beth, the ones that have garages, they charge extra for them. You spend anywhere between 75 to a hundred and a quarter to get that garage.

And if I think it was a development comes in and doesn't charge for one, I think that just adds a ton of value for that $700 a month note out there. And I would truly say, in most houses that are sold in affordable, none of them come with microwaves. There is just a stove there.

MS. ANDERSON: Yes, those are houses that --

MR. BOGANY: And I truly -- you know, I see it all the time. I think they should, but for some reason, the builders don't put them in there. And I would think that the garage thing, to me, is just -- really helps changes the look of the complex. It really does.

MS. ANDERSON: I'm willing to go out there and you know -- well, no, we don't. Well, we will get public comment on these. But --

MS. CARRINGTON: They're going into effect for this year, emergency rules, they are going into effect.
They will be part of the consolidated public hearings.

MR. SALINAS: What's wrong with having 35 percent of the garages?

MR. JONES: That's fine. I agree.

MS. ANDERSON: I think that's fine.

MR. BOGANY: Nice point.

MR. CONINE: That's fine.

MR. JONES: Everybody agrees on 35. I will argue the number is three to five points.

MS. ANDERSON: Then let's settle on four.

MR. CONINE: Is that four?

MR. BOGANY: No, I agree they only have five. I think that's -- that tells me the developer is trying to make this an apartment home, and it just has a better look. It really does.

MS. ANDERSON: I'm just trying to help us get to consensus.

MR. JONES: I gotcha. Well, here's what I hear. Mr. Conine, do you make a motion that they be amended to four points? Or what do you want to make it?

MR. CONINE: Yes, 35 percent and four. I'll settle on that.

MR. JONES: Okay. Well, let's just do the 35 by consent, if we can on it. We can go ahead and make
that change when we do the lump sum amendment. Okay. So we've got 35. Okay. We've got a motion for four. Is it seconded? I assumed it is by Ms. Anderson?

MR. SALINAS: I'll second it.

MR. JONES: Okay. By the mayor. The mayor seconds it. Okay. Further discussion on the motion?

MR. BOGANY: I think it should be five points.

MR. JONES: I'm with you.

MR. BOGANY: Bottom line. Let's leave it there.

MR. JONES: I vote with you, Shad. This may be a three to three deal. Okay. Okay. All in favor of the motion, say aye.

(A chorus of ayes.)

MR. JONES: Okay. All opposed to the motion, say aye.

MR. BOGANY: Aye.

MR. JONES: It's three to three. The motion does not -- oh, okay.


MR. JONES: Okay.

MS. ANDERSON: I'm going to vote nay as long as we're talking about this. Okay. Great.

MR. JONES: So where does that -- oh, you voted

ON THE RECORD REPORTING
(512) 450-0342
for --

    MS. ANDERSON: No. I did not move or second on four, and I voted against four.

    MR. JONES: Okay. She's voted against four.

So your motion dies. Three to three.

    MR. CONINE: You don't have to be so explicit.

    I understand all that.

    MR. JONES: Okay. Moving right along.

    MR. SALINAS: So five.

    MR. JONES: So it is five? Yes, it stays five.

    MR. CONINE: Can we talk about the negative points.

    MS. ANDERSON: You need to vote on that.

    MR. JONES: We just -- well, we're going to vote on approving it as is.

    MS. ANDERSON: No, but I want you to vote on 5, because I want to vote against it.

    MR. JONES: Okay. Let's do that. Okay. There is a motion that it be five from Shad. Right? There is a motion that it be five, over there. Okay.

    MR. SALINAS: I will not vote on this part. We already decided on that.

    MR. JONES: Well, I think you're right.

    MR. SALINAS: You know, I --
MS. ANDERSON: No, we didn't. We -- there was a motion on the floor for four, and that --

MR. BOGANY: We wanted four and we got turned down.

MS. ANDERSON: -- failed. So now we have no points as of right this minute.

MR. SALINAS: Four points.

MR. JONES: No, we've got five points. I've got the staff's recommendation. We've already -- we've already got a motion on the floor to approve staff's recommendation.

MS. ANDERSON: I understand what you're saying. All right.

MR. JONES: So you have to have a motion to amend. Okay. Thank you. We're moving along. Great. Okay. What have we got left, guys? Anybody? I guess we're going to --

MS. ANDERSON: Well, --

MR. JONES: Yes?

MR. CONINE: How about proximity to a negative feature? Can we talk about that for a minute?

MS. BOSTON: Sure.

MR. CONINE: Interstate highways and service roads. Why is that such a negative?
MS. BOSTON: Actually, on both the QAP and in this rule, the working group had spent a lot of time trying to identify what they thought were positive and negative site features in multifamily developments. And this was one of their recommendations. And --

MR. CONINE: Really? Now, more -- one of the best ways to get a project occupied is drive-by traffic. You would think you would want to be as proximitied to a major artery as humanly possible.

MS. BOSTON: I think it's just from a -- I'm guessing, from like a safety perspective, and just that you don't have to have any noise if you're not next to the street.

MS. ANDERSON: [indiscernible] is doing it in Dallas.

MR. CONINE: What's the 300 feet? Oh, within 300 feet.

MR. ONION: Right. We certainly agree with you, but we thought two areas, a factor of being too close to the highway for the traffic, et cetera. But certainly from a marketability standpoint, I think we certainly understand having the high-traffic visibility.

MR. BOGANY: I had a question about the high-voltage transmission towers. There is -- I've never seen
any evidence saying that that's a negative on a piece of property. And then when you get into some of the urban areas, you're looking for space.

And I know right now Texas Southern is building apartments up and down where their transmission towers are. And I'm just -- why would you take five points away because they were near that?

MR. ONION: As an industry standard, it's self-imposed. There is no zoning that says that you cannot build right up next to a high-transmission line.

MR. BOGAN: Uh-huh.

MR. ONION: I think lenders and equity providers have self-imposed some 250 to 300 feet away from that.

MR. BOGAN: Uh-huh.

MR. ONION: As that appears to be possibly a marketing negative factor, and that's why we included it in there. And of course, we did receive comments, and you know, if they said anything, that we should increase those features and make sure that the less desirable features are not part of the transaction.

MR. BOGAN: Okay. Thank you.

MS. BOSTON: Can I ask a clarification from you all?
MR. JONES: Sure.

MS. BOSTON: One of the suggestions that Ms. McIver had made was to double the amenity points for rehab deals, which is how we handle a non-QAP, still capping it at the maximum of points, but basically they have to be fewer of them to get to that number of points. And again, it's just a way for things to remain equitable.

Did -- we hadn't commented on that, but you commented on quite a few for other ones, and I just wanted to be sure you weren't overlooking it on purpose, or --

MR. CONINE: No, I thought we had talked about that, but maybe I was mistaken.

MS. BOSTON: Okay.

MR. JONES: The answer to your question is yes.

MR. CONINE: I will okay to that.

MS. BOSTON: Okay. So we can --

MR. CONINE: The other thing that Ms. McIver brought up that wasn't really talked about was one-mile separation and being able to do family and elderly within one mile. Can you comment on that, Brooke?

MS. BOSTON: It already is that way. And the one-mile restriction -- it already reads that way. That it's per-type.

MR. CONINE: Per type?
MS. BOSTON: And the restriction itself is in the QAP, because it's restrictions cut it since it's the same whether it's 4 percent or 9 percent. And it's worded as family or elderly. So it's already taken care of.

MR. CONINE: So I can put an elderly project 200 feet from a family project?

MS. BOSTON: Correct.

MR. CONINE: But I can't put another elderly project within a mile of that elderly project.

MS. BOSTON: Correct.

MR. CONINE: And I can't put a family project within a mile of that family project?

MS. BOSTON: Correct.

MR. CONINE: Good.

MS. BOSTON: And if -- definitely if Mr. Garvin has a particular location where he saw otherwise than that, he should tell me before we run in the Texas Register. But I did double-check --

MR. CONINE: I'm not sure he wants to come back up here.

MS. BOSTON: -- on that. It's been taken care of.

MR. CONINE: Okay. Thank you.

MR. BOGANY: Brooke, I have a question. So
we're reverifying, making sure we are all voting on the right thing. How do we come out on the signage? Are we going to give the developer the flexibility to put pictures, or whatever they want to put on the sign, as long as it includes the information you need on there for public notice?

MS. BOSTON: Correct. I have that we're going to word it as, At a minimum, must have the following.

MR. BOGANY: Okay.

MS. BOSTON: But can do it as they like.

MR. BOGANY: Thank you.

MR. CONINE: I'm done.

MR. JONES: Just for clarification on that, I'll say this on the signage issue. I mean, I'm willing to leave it the way the staff's presented it, which makes the signage optional. As I understand it, there's two different ways to do it.

And I understand why you all are doing that. I think that, you know, I respect the staff's decision. I think you're doing that because you've been told -- who is it in the legislative branch that told us this?

MS. CARRINGTON: Chairman Talton.

MR. CONINE: The clerk, wasn't it?

MR. JONES: Was it his clerk or him? I mean, I
want to make sure we quote it right.

MS. CARRINGTON: When he delivered the message to us at our open meeting a week ago Monday, he said he was delivering that message from the chairman.

MR. JONES: Okay. But it was his clerk that said that?

MS. CARRINGTON: Correct.

MR. JONES: Okay. I want to make sure I quote it right, because we have been told by a member of the legislative branch that this is what the legislation means. Now, I've read it. I don't know that I agree with that, but that's just my opinion, you know. I could be wrong.

But I don't -- I think it's silent on the issue. I do not think it takes a position on the issue with regard to the signage. And the mere fact that it's silent, I think it's -- you know, I don't understand the logic that you need for them to say that we can't acquire signage.

But I will say this. I understand in light of that comment, and in light of the fact that we have a legislator commenting as if this is what the legislation means, and this is what you have to do in order to comply with the law, I think the staff in an abundance of caution
has taken a very conservative position on the matter. But I can see the wisdom in doing that.

Having said that, I would also like to note on the record, though, that I think if you talk to members of the public who are supposed to be receiving these notices, that members of the public, as they've said at our public hearings, would prefer signage. And they think that's a real good way for them to be notified.

I would say I understand the developers disagree with that, and I respect that. But I will say this. If you're really serious about notification, I think it's real hard intellectually for me to understand how you don't agree that signage gives notification now.

Now, having said all that, and in light of the instructions our staff has received from the Legislature, I at least for publication purposes, plan to support the staff's position as we go on down the road and hear more from the public about this. But I do support our staff's position very much.

MR. CONINE: Call for the question.

MR. BOGANY: Question.

MR. JONES: Question's been called. The motion we have on the table is to approve it, and I assume that motion has now been amended so to include all the
amendments that have been done by consensus by the board members here. Is that the motion, Mr. Conine?

MR. CONINE: And it was voted on.

MR. JONES: And it was voted on. Sounds right, Mr. Conine?

MR. CONINE: Right.

MR. JONES: Okay. Is there a second?

MR. WITTMAYER: Mr. Chairman?

MR. JONES: Yes?

MR. WITTMAYER: There were five separate actions that we have on the bond rules, and I just wasn't 100 percent clear as to what our action was, which the item was.

MR. JONES: Well, we're going to do all five actions in this motion.

MR. WITTMAYER: All five together.

MR. JONES: All five together. And the amendments are going to be those that have been voted on or that the board has indicated they are making by consensus as we've done our discussions.

MR. WITTMAYER: And just to be clear for the record, that the emergency rule will be a rule that will be put in effect immediately upon its filing with Secretary of State, and the bond process -- the
preapplication deadline is September 2. That's why we're -- where it's required that we have the emergency rule.

We're also putting the emergency rule out as a proposed regular rule. We will have a minimum of 30 days public comment period. But we have to have the emergency rule in order to move forward with this bond cycle.

MR. JONES: Thank you, sir. Is that your motion, Mr. Conine?

MR. CONINE: That was it.

MR. JONES: I knew it was. Any further discussion on the motion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries.

MS. CARRINGTON: The last set of rules for the board's consideration are the Real Estate Analysis Rules. We substantially -- we took these rules last year out of the QAP, made them their own set of rules.

We have made some changes to these proposed rules that incorporate the requirements of Senate Bill
264, and also include a new section called property condition assessment rules and guidelines.

And staff is recommending that the board approve these draft changes, or the changes for these draft rules, and that we publish them for comment to go in our cycle with the consolidated public hearings.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

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

Any discussion?

MR. CONINE: Yes.

MR. JONES: Mr. Conine?

MR. CONINE: Around the one-mile radius limit, are we going to modify this for now to match -- to split the family and elderly that was the confusion on the last one?

MS. CARRINGTON: Tom, do you want to address that?

MR. CONINE: Or is that -- does that come into play?

MR. GOURIS: Yes.

MS. CARRINGTON: Yes, it does.

MR. GOURIS: Yes, it does. We added that as a requirement for the underwriting report to -- the
underwriting to put stuff into the document.

On page 11 of 22, about -- it's right above
Number 3, Transition Housing. It's that last -- the
second paragraph where it does that. And it says, within
the same type.


MR. GOURIS: So we're okay.

MR. CONINE: Thank you.

MS. CARRINGTON: Which is language right out of
the statute by --

MR. GOURIS: Very similar.

MS. CARRINGTON: Very, very similar to that.

Okay.

MR. GOURIS: Might I make a comment?

MR. CONINE: Sure. Love to hear you comment.

MR. GOURIS: I'm sorry. I notice that we had
low-income in our rule and I didn't take it out. And I
would like your permission to take that out. It wasn't
consistent.

MR. CONINE: Granted.

MR. JONES: Okay. The motion's been amended to
take out Low Income.

MS. CARRINGTON: Consistency is the key.

MR. JONES: Yes. And Mr. Conine wants that in
his motion. They want that in their second.

    MR. CONINE: Right.

    MR. JONES: So it's certainly been done.

Further discussion?

    MS. ANDERSON: I have a question --

    MR. JONES: Yes, ma'am.

    MS. ANDERSON: -- for Mr. Gouris about the
market analysis section of these rules, which have not
changed, except for the addition of the one-linear mile.
And I'm -- I have to tell you I'm surprised they didn't
change, given -- during the 9 percent round, you know,
there was one particular analyst that your staff commented
on multiple occasions wrote weak market studies that make
it very difficult for us to do our job.

    The deals we approved today -- there were
negative comments about a couple of the market studies.
And I just -- you know, I see in the QAP we've added the
word performance, which would give you an additional
criteria to evaluate these people.

    I would have expected to see something flowing
through the market analysis rules and guidelines that
would, you know, communicate to our industry what we
expect in a market analysis, what we expect of a market
analyst's performance. So help me understand.
MR. GOURIS: At the top of page 13 of 22 --

MS. ANDERSON: Uh-huh.

MR. GOURIS: -- last year we included for the first time rules with regard to performance. The intent of those rules -- they are to remove market analysts who do not perform according to our requirements, with some allowance to get them to be able to return to acceptable status if they correct those errors.

What we hope to get accomplished in the next couple of months is sitting down with those market analysts who we felt we had difficulty with in the past year, apprise them of those difficulties, and have them make those corrections or satisfy to our -- provide to our satisfaction that they won't be making those same types of -- give us those same types of concerns in the future.

In some ways, it's a little like herding cats, or trying to move them into this direction without being too draconian. It's a relatively small group of folks. We appreciate their professionalism and the difficult job that they have to do. And we want to make sure that they are on-board, and coming with us to where we're going.

We do have the ability to remove them from the list, and we will do so if we don't feel like their performance improves.
MS. ANDERSON: When's the last time we kicked somebody off the list?

MR. GOURIS: We've only had the list for a year, or two years. But this rule's only been in place for a year. And we haven't removed anyone to date. But we plan on doing that.

MS. ANDERSON: Well, one -- we just consistently run into these market study problems. It makes our decision-making process much worse. And so I know that you are going to do a great job of getting this squared away.

MR. GOURIS: Yes, ma'am. I understand.

MR. CONINE: Okay. Any other comments from -- our Chairman has left for just a few minutes. I guess nature called, or somebody called. Any other comments? Here he comes.

MR. GONZALEZ: Motion to adjourn.

MR. JONES: Seconded. All in favor, say aye. The motion carries.

MR. CONINE: I think we're ready for --

MR. JONES: We're ready to vote?

MR. CONINE: Yes.

MR. JONES: Okay. We have a motion that'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.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. Four.

MS. CARRINGTON: 4(a)(1), you have in front of you two appeals in the HOME Program. You funded -- we funded HOME-eligible activities last month. And these are successful appeals. Staff is recommending that the board approve both of these. One is the City of San Benito. And that award would be $300,000 for Homebuyer assistance.

And the second award -- the second appeal that staff is recommending that the board grant is the Middle Rio Grande Futuro Communities. And that is for $112,000 for Homebuyer Assistance. Both of these came out of Region 11. They were undersubscribed regions, and so these amounts will be subtracted from the amount that was available for Region 11.

Also, with both of these applications, staff is recommending 4 percent, which is allowable under the HOME Program, 4 percent and administrative funds be granted to both of those applications.

MR. BOGANY: So moved.
MR. GONZALEZ: Second.

MR. JONES: Okay. And we're going to deal with both of them together. Correct? Okay. We have a motion staff recommendation be approved as to both A(1) and A(2).

It has been 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.)

MR. JONES: All opposed, nay?

(No response.)

MR. JONES: The motion carries. 4(b).

MS. CARRINGTON: Okay. And I've got all these for 4(b)(2).

MR. JONES: Okay. 4(b)(2) -- we have a number of people -- two -- you mean the Village Apartments/Cove Terrace --

MR. CONINE: No.

MS. CARRINGTON: It would be --

MR. CONINE: Cottage Community, Caspita Apartments, and Cedar Park.

MS. CARRINGTON: Yes, Cottage, Caspita and Cedar Park, three separate appeals.

MR. JONES: Okay.

MS. CARRINGTON: That is what the board will be
considering.

MR. JONES: Okay. And now we will take public comment on 4(a)(2). Right?

MS. CARRINGTON: Correct.

MR. JONES: Okay. And the first is Stuart Shaw.

MR. SHAW: Mr. Chairman, the board, I'm Stuart Shaw, and I'm one of the apartment development team for the properties listed here as Caspita Apartments and Cedar Park Ranch.

I'm part of the development team, but I'm a big part of the guarantee team. And anyway, this is two projects that we have shepherded, and one in particular worked on for several years, trying to get affordable housing for a bond. That would be Caspita, and that's a family project.

Cedar Park Ranch is a senior's project, both the Cedar Park, about three miles apart. And both are in particularly in well located tracts of land. I just -- we're appealing a decision by the staff that it is just troublesome to me. It has to do with our application for HOME funds.

And we have applied for HOME funds for both of these, and just encountered a lot of difficulties along
the way. And I'm here to speak in favor of our appeal. I'm requesting that you vote in favor of our appeal. We need to be in line for HOME funds for these projects, for both of them.

And I don't know what the process is at staff, and Edwina and I have spoken about this a little bit earlier, that unlike tax credits where we get a three-day period to cure a deficiency, in our HOME applications, we don't get any time to cure a deficiency. We're not notified of it.

And it's made it really difficult. We're trying to do a good job here. And I note what you said earlier, Mr. Conine, about whether or not a deferred developer fee is a function of a good development.

And I -- for instance, these are really nice pieces of land. They're not you know, over by the railroad track, cheap, you know, nothing else to do with them besides affordable housing pieces of land. They're nice pieces of land.

And we're really trying to get a good job done. And it -- we feel like we're kind of going up -- an uphill battle on the HOME funds. Anyway, what I'm asking is is that just in general, is that you look into a response period for a development team.
In this case it's Maple Avenue Economic Development Corporation is our partner and general partner, and we're the developers. And we're trying to get both these projects done. But we didn't get any notice from TDHCA when our HOME applications were rejected.

And in particular on this last one -- I've read the -- now I've read in the book today, or last night, the internal memos that are circulating about our application. And it looks to me like -- and I'm just asking you all to bear with me on this, it looks like on the internal memo dated May 22 by the lawyer for TDHCA, that we were sort of tried and proven guilty in that memo.

Not being disingenuous, but we were accused in that memo of being deceitful about our application. We're not.

MR. CONINE: Could you please wrap it up, Mr. Shaw.

MR. SHAW: I sure can. I sure can. We're not. And in fact, we're being absolutely genuine about it. And we can defend it. We just need the time to do it, and we'd like to have a chance to do it. We sure need your help, and we appreciate if you would vote in favor of it. Thank you.
MR. SALINAS: Caspita?

MR. CONINE: That was 4(a)(2), the second one, Caspita. Yes.

MR. SALINAS: Caspita. How much were the HOME funds?

MS. CARRINGTON: It is the -- may I say that both Caspita Apartments had applied for $1 million in HOME funds. Cedar Park Ranch had also applied for $1 million in HOME funds. And staff's reason for denying both of those is the same reason, which we will address when you all ask us to.

MR. CONINE: David Evans.

MR. EVANS: Good afternoon. My name is David Evans. I'm Vice President of the Covenant Group in Fort Worth. I'm specifically speaking towards the Senior Park Ranch Senior Project. Covenant Group has 14 years of experience specifically for and exclusively for senior citizens. Our focus is on affordability.

We manage 20 senior properties at this time. The value, in our mind, of the senior -- Cedar Park Ranch product, in terms of HOME funds, is that it is a -- it's with MAEDC, who has 20 years of experience product. In Amarillo, Metroplex, Gainesville, they've shown their capabilities as the general partner. And that this is a
100 percent/50 percent priority-one deal.

    All of the corridors will be interior and
conditioned. Four elevators. And a very strong social
services program. We can be better with HOME funds. Each
dollar that -- from the HOME funds program that goes
towards construction releases funds to make the social
program even better.

    It was mentioned earlier that the 4 percent
deals need help. And the HOME funds in this case was the
help that we need. I ask that you approve the appeal.
Thank you.

    MR. CONINE: Thank you, Mr. Evans. Any

    MR. EATON: Thank you, Mr. Acting Chairman,
members of the board, Ms. Carrington. Let me try to
summarize -- I think just to be clear, I think Monique
Allen, Executive Director of Maple Avenue Economic
Development Corporation has signed a witness affirmation
form, has agreed to yield her time to me --

    MR. CONINE: Okay.

    MR. EATON: -- as well. Irrespective of what
Dave Evans and Stuart Shaw might tell you about how the
project needs the funds, which is absolutely true; both
these projects need these funds. And what good projects
they are.

   The fact is, let's look at it at a much more
legalistic and straightforward and I hope more simple
context. But as this is before you as a board appeal
under Rule 1.8 -- Provision 1.8 of Title 10 of the
Administrative Code of the State of Texas that governs
this particular appeal.

   And it says that a proper ground for an appeal
is a procedural error. And a procedural error is defined
as the administrative agency or the State of Texas failing
to follow its own rules or procedures in the processing of
an application.

   Well, if you look at the memo that was
circulated. I'm not even going to refer to the brief that
I've sent out, or the letter appeal, or anything else.
Just referring to the memo by Paul Smith that was
circulated internally, I understand Mr. Shaw taking some
umbrage about -- what appeared to be accusatory comments
about Maple Avenue Economic Development Corporation.

   I want to point out a couple of things that
are -- they're not things to argue about, because you only
argue about things that are not verifiable facts. It's a
verifiable fact that Mr. Walt Fleming, who is a board
member of Maple Avenue Economic Development Corporation
joined the board of Maple Avenue Economic Development Corporation in 2002, and was actually the very first name on the list of directors in the original application for HOME funds submitted for the first of these two projects, Caspita, which was December 2002.

So the statement that -- on the original application, "Walt Fleming was not listed as a board member with the organization," is false on its face. Secondly, the statement that -- regarding a letter sent by Jorgè Reyes of the department, "On May 5, Jorgè sent a letter noting the lack of local experience, and the board member then appeared in a new list of board members submitted after the original application."

That's also false. I'm not saying that's false by intent or malice. But it's a false statement. It's important for you to understand that a memo being circulated for your reliance to help you make a decision has false statements in it about when this board member was added.

The reason that's important is because as part of the uniform application that this department circulates to the public at large, there is a statement about experience, "There has to be in order to qualify as a CHDO for certification as a CHDO setaside for HOME funds,
experience in the community, a history of service to the community."

Here is exactly what the uniform application says. "An organization or its parent company must show at least one year of serving the community where it will develop affordable housing. The year of service does not have to be directly related to housing.

"If an organization or its parent company does not have one year of serving the community, but has staff or board members who have served the community for at least a year, the organization may use this individual experience to meet their requirement.

That's not coming from us. That's not coming from us seeking it from a third party. That's coming from the Texas Department of Housing and Community Affairs. In my humble judgment, and I would certainly submit to you, it is reasonable and equitable for any applicant to this organization to be able to rely upon something that you publish as a guideline for how to comply with your rules. That's called a procedure.

Your agency failed to follow that procedure when it denied the certification of Maple Avenue Economic Development Corporation as a Community Housing Development Organization for Williamson County, the sole basis for
that rejection being lack of service to the community of
Williamson County.

There is some more discussion in here as to whether maybe that rule -- maybe that procedural guide posted as part of your uniform application was legally incorrect. I'd be happy to entertain questions about that, because I think it is exactly legally correct.

And Mr. Conine, you're talking about flexibility. There is a rather odd quote in here saying the guy got some materials from someone at the Enterprise Foundation that's supposed to tell him what HUD is thinking about the basis and genesis and legislative intent behind the HOME Program, not HUD, not the federal government, but Enterprise Foundation, which I find odd.

But moreover, if you go to HUD and you look at everything that's written, not only in the statute, but in the HOME regulations, in the clause referencing requirements, it all says the key component of the HOME Program from a Federal standpoint is flexibility.

Now this particular organization, Maple Avenue Economic Development Corporation, has a history of over 20 years of service to different communities within Texas. It has a history of service to the community of affordable housing development and acquisition within the State of
Texas.

It, through the proxy of its board member, has a history of over a year of service to the community of Williamson County. Organizations don't have feet, don't have hands, don't have lungs. They're fictitious things, fictitious persons created by statute. The only way they can have experience is by their staff, their board, the individuals that serve them.

If, in fact, the agency's position is going to be we were legally wrong in posting this requirement, in giving you this guidance in our application, I think the question you have to ask yourselves is, Have there been times in the past when people have relied on this, and have in fact been awarded HOME funds, and been certified as CHDOs, being in an identical legal position as Maple Avenue Economic Development Corporation is in now.

If there have been, I would strongly suggest that there might well be some liability in that regard. And at the very least, we certainly have a condition of inequitable treatment of this applicant, Maple Avenue Economic Development Corporation, and a serious question about equal protection of the law with respect to this applicant.

And based on maybe a really simple idea that if
you tell us, that's how we're supposed to do it, and we do
it the way you tell us to do it, it's completely unfair
and inequitable to then say that isn't what we meant, it
doesn't count. And that's what this all boils down to.

And I would respectfully request that you grant
the appeal based on those fundamental grounds of equitable
treatment, fairness, and equal protection.

MR. CONINE: Thank you, Mr. Eaton. Questions
of Mr. Eaton?

You -- now, you mentioned a December 2002 date
that I think Mr. Fleming was --

MR. EATON: Yes.

MR. CONINE: -- listed on the board in an
application?

MR. EATON: Yes.

MR. CONINE: But I didn't hear you say when he
actually got on the board.

MR. EATON: I'd have to say it was in late
2002. It might have been November. I don't know. I've
actually asked a couple of people this morning if they had
verification of that date. But we don't know. But --

MR. CONINE: The board managed -- the
corporation don't --

MR. EATON: I -- I mean, I didn't have those
with me. I --

MR. CONINE: Okay. Thank you.

MR. EATON: I can certainly supplement that for the board. Thank you.

MR. CONINE: Okay. Instead of moving on to the next one, let's just deal with both of -- Caspita and Cedar Park in the same appeal. I'm going to go ahead and do those two before --

MS. CARRINGTON: Yes, sir. They are. It is separate, in that it's $1 million of HOME funds for each one of them. But their appeal is on the same basis.

MR. CONINE: Why don't you go ahead and give the staff presentation for those two only. And we'll go back to Cottage Community in just a second.

MS. CARRINGTON: All right. I'll ask Chris, Chris Wittmayer, our General Counsel, to do the presentation.

MR. WITTMAYER: Chris Wittmayer, the department's general counsel. You may rely on the opinion that I give you here in addressing this appeal, and the staff recommendation is to deny the appeal.

When you look at the Federal regulations -- well, first it's important to understand that this concerns the CHDO setaside of the HOME award. And I think
it's useful to begin very simply by noting that CHDO stands for Community Housing Development Organization.

And the specific requirement of the Federal regulation, or one requirement for a community housing organization is that it has a history of serving the community within which housing to be assisted with HOME funds is to be located.

And says, "In general, an organization must be able to show one year of serving the community before HOME funds are reserved for the organization. However, if you have a newly-created organization formed by local churches, service organizations, neighborhood organizations, you may meet this requirement by demonstrating that the parent organization has at least a year of serving the community." That's the Federal requirement.

Our own HOME rule is similar. We state that it's required that the organization have a history of serving the community within which housing to be assisted with HOME funds is to be located, as evidenced by a statement that documents at least one year of experience in serving the community.

While the Appellant relied heavily on the CHDO application summary, which appears on the department's
website, and the Appellant did accurately quote what this guidance states, I suggest first, that it needs to be read in light of the Federal regulation, and also the department's rule, that if we are to take a very technical view of this, let's be clear about specifically what it says.

What it says is that if an organization or its parent company does not have one year of serving the community, but has staff or board members who have served the community for at least a year, the organization may use this individual experience to meet its requirement.

The Appellant's position is that they have one board member who has some history of serving Williamson County. I submit to the board that this does not meet the Federal regulatory requirement. It does not meet the department's rules.

And it does not meet this summary application on our website, which requires that it have board members.

I read that to require at least two board members that have served -- a history of service in Williamson County.

MR. CONINE: That the plural came in the Federal, or our own regulations?

MR. WITTMAYER: In the guidance most heavily relied upon by the Appellant, it's in our guidance. The
plural is in the guidance.

    MR. CONINE: It's in the guidance?
    MR. WITTMAYER: Yes.
    MR. CONINE: Okay.
    MR. WITTMAYER: The Federal and state rules go beyond that. They don't speak to board members only. They say that the organization has to have one year of experience serving the community.

    MR. CONINE: Any questions from any board members? Do I hear a motion?
    MS. ANDERSON: I move to deny the appeals for Caspita and Cedar Park Ranch.
    MR. GONZALEZ: Second.
    MR. CONINE: I have a motion and a second by Vidal to deny the application. Is there any other discussion amongst the board. Are we ready to vote? All in favor of the motion, signify by saying aye.

        (A chorus of ayes.)
    MR. CONINE: All opposed?
        (No response.)
    MR. CONINE: The motion carries. Now we'll go back to the Cottage Community. And we have a public comment from Tom Stacy.

    MR. STACY: Thank you, Mr. Chairman, board
members, Ms. Carrington. Thanks for allowing me to address you, and thank you for your service to Texas.

I'm the volunteer president of the Community Partnership for the Homeless. My personal background is I'm in the, First Real Estate business. My company has owned or developed a couple of million square feet in downtown Austin.

The Community Partnership for the Homeless has provided homes for the past 13 years to homeless Texans, and primarily homeless Texas veterans. The Community -- Cottage Community is a project that will provide homes for single parents, single-parent household families, as well as child care.

In the application which we appeal, we -- Ms. Carrington and staff awarded us ten points out of our appeal. The question that we present to you is a question of ten more points that relates to a letter that was not in the packet when staff reviewed the packet.

The letter pertains to whether our project had -- has trash removal service available. The letter from Texas Disposal System is in our copy of the application that we submitted. Somehow it is not in your copy. And we don't know how that happened. We may have failed to put that in when we turned the application in.
But we, in fact -- and staff recognizes where our letter is dated prior to our submission of the application. We thought it was in there. We sort of -- we don't know what happened to that. But that is the question that we would like for you to consider is that if you can add those ten points to our application.

The funds are critical to this project. It has a lot of community support. We have strong sponsorship on our board. Former Mayor Kirk Watson has recently joined our board. And it's a project we think is very important to this community, and we'd really appreciate your favorable consideration.

MR. CONINE: Any questions? Thank you, Mr. Stacy. Close the public comment. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Acting Chairman. As has been previously mentioned, the HOME Program rules, as they currently stand right now, do not allow for the curing of administrative deficiencies. We are proposing rules next year that do allow for the cure of administrative deficiencies.

One of the requirements with the application is that there be a letter that indicates that all utilities, including trash service, are available to the property. There was not such a letter in the file, so they did not
get the ten points.

So staff, per our rules, are recommending that this additional ten points not be awarded.

MR. SALINAS: How much are they asking for?

MS. CARRINGTON: Brooke, can you tell me how much the -- we do not have that on your summary page. And I just realized that.

MR. SALINAS: I mean --

MS. CARRINGTON: What is the amount? Do we know?

MS. BOSTON: It's a million.


MR. SALINAS: A million.

MS. CARRINGTON: Thank you. Okay. $1 million in HOME funds out of the CHDO setaside.

MR. CONINE: Mr. Bogany?

MR. BOGANY: Can I -- I think this is a great cause, and it's something that I'm sure Austin needs. I just hate to see this organization be denied these funds over a piece of paper telling whether or not they've got trash pickup.

And I'd like to take the discretion of the board and recommend that unfortunately we go against staff on this one, and recommend that this project be moved
forward.

MS. ANDERSON: Second.

MR. CONINE: A motion and a second on the floor. Any further discussion from the board?

MS. CARRINGTON: It looks like there will be some staff -- maybe a staff comment needed?

MS. BOSTON: I just wanted to clarify, Mr. Bogany. These developments are not being voted on for funding. So they'll still come back next month for that.

MR. BOGAN: Okay.

MS. BOSTON: Okay. I just wanted to make sure --

MS. CARRINGTON: But it will make them eligible --

MR. BOGAN: That's fine. It just gets -- it gets the points restated to get them up --

MS. CARRINGTON: Yes, it will make them eligible to be in the round for next year.

MR. BOGAN: Okay.

MS. CARRINGTON: Thank you. Thank you, Brooke.

MR. BOGAN: I appreciate it.

MR. CONINE: Any other discussion? Seeing none, all those in favor of the motion, signify by saying aye.

ON THE RECORD REPORTING
(512) 450-0342
(A chorus of ayes.)

MR. CONINE: And a nay?

(No response.)

MR. CONINE: Motion carries. All right. We move this to 4(b), Ms. Carrington.

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

MR. CONINE: I'm a great acting.

MS. CARRINGTON: We have in front of you recommendation for 12 awards for funding that comes to us from the Comptroller's Office, State Energy Conservation Office that goes into our Housing Trust Fund. We actually had 21 applications. We are recommending 12. Seventeen were eligible; four were deemed not eligible.

This is actually a very good success story for our Multifamily Housing Finance Division. We had a meeting with the Governor's office and the Comptroller's office about two weeks ago, because as you all will remember, at our July board meeting there was some discussion about maybe not being able to allocate SECO funds.

But because of this meeting with the Governor's office, we have been able to satisfy them that indeed, we are being stewards -- good stewards of this money. And we
are recommending these 12 applications. Four of the 12
are not tied to Tax Credits or HOME. That means eight of
them actually are leveraging funds, or layering funds with
other TDHCA programs.

The amount that we are recommending today is
$1,579,089. That is about $53,000 more than what is in
our '03 allocation of SECO funds. However, we do have
deobligated funds from '02 that will cover that amount.

There is one caveat that will be in all of the
contracts. These funds must be contractually obligated by
August 31 of this year. Right now the Comptroller's
office, the SECO staff are reviewing all of the
applications that we received for funding.

And so as we prepare the contracts and send
them out, they will be subject to this final approval of
the application from the State Office of Energy
Conservation.

MR. BOGANY: So moved.

MR. SALINAS: Second.

MR. CONINE: A motion on the floor by Mr.
Bogany seconded by Mayor Salinas. Any discussion? Seeing
none, let's call the question. All those in favor of the
motion, signify by saying aye.

(A chorus of ayes.)
MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Executive Director's Report. Ms. Carrington?

MS. CARRINGTON: I do have two things, Mr. Acting Chairman. The first is we have a letter from the Office of the Mayor in El Paso. And I met with Mayor Wardy the day after our board meeting in July.

And you will remember the controversy that we did have on the Tax Credit developments in El Paso. The Mayor is very complimentary of TDHCA and the board and our affordable housing initiatives in El Paso. And he says he looks forward to working with us, and with TDHCA funding to meet the housing needs in El Paso.

So I'd like to recognize Mayor Wardy and acknowledge the letter that he did receive, and the courtesy that he did extend to me when I met with him the day after the board meeting.

The second item on the agenda -- we have invited Christopher Ptomey. Christopher is our state and federal liaison officer in Washington, D.C. And we've asked Christopher to spend a couple of minutes talking to you all about what's going on and what he is doing in Washington as it's related to the activities of TDHCA.
MR. PTOMEY: Thank you, Ms. Carrington, Mr. Chairman, board members. I appreciate the opportunity to take just a minute and let you know some of the issues that are coming up for the remainder of the fall in Washington, and some of the organizations that we're reaching out to and working with on items of concern in Washington.

First of all, we're kind of in the seventh-inning stretch of the legislative year in Washington during August, while Congress is on recess. In September, the primary items of business will be the Appropriations bills.

Five of the 13 appropriations bills include major housing-related -- housing and community-development-related issues. And we'll be working closely with five members of the Texas delegation who serve on the Appropriations Committees as those bills move forward with the issues of concern.

There is additional pressure on appropriations this year with the projected deficits. And the VA HUD bill, which has its -- our primary concern, has been pushed back. The Senate hasn't even taken up at the subcommittee level the bill as of yet, but will be taking it up the first week of September. So we'll be watching...
that very closely.

The second item is the Mortgage Revenue Bond and Low Income Housing Tax Credit Modernization Bill. We've been doing -- been working very diligently, particularly with the Council State Housing Agencies, and with the Bond Market Association to build support in the Texas delegation for that legislation.

The latest estimate of the benefits of the appeal are 193 million over five years, and 442 million over ten years. And it looks like September there may be an opportunity to have the ten-year rule change included in either a business tax package that deals with the foreign sales corporations issue, or an extenders bill of tax extenders that could be brought up at that time.

So we're trying to build additional support so that when that tax legislation does come forward in Ways and Means in September, we have a better chance of having that ten-year rule included.

The third item is the CSBG and LIHEAP reauthorization. Both the House and Senate held hearings on this in July. Authorization will lapse as of October 1 if those programs are not reauthorized.

It's relatively non-controversial, although Senator Alexander, who is the new chairman of the Senate
Committee that has jurisdiction, has indicated that there will be some changes. So we'll be looking at that draft legislation when it comes forward.

Finally, I just wanted to mention the Housing Assistance for Needy Families, Section 8 Block Grant Proposal, because I know that's been of significant concern to many people.

There were five hearings held in the House in the spring and the summer with regard to that administration proposal. It was not well received in the House. In fact, the chairman of the subcommittee in the House that has jurisdiction -- when he introduced the bill, issued a statement saying that he was not supporting the bill, but was introducing it on behalf of the administration for consideration.

So it looks like that will not move forward this year. Next year being an election year, it's also unlikely that action will be taken on it considering the level of controversy.

Finally, I just wanted to mention some of the organizations that we're working with. Of course, we're working with the National Council of State Housing Agencies, have worked extensively with John Hughes and Chris Laurent on the Mortgage Revenue Bond Bill.
The Bond Market Association is also -- we're also working with to build that close sponsorship. We've worked with Marsha Sigal over at COSCDA, looking at the Housing Assistance for Needy Families proposal, and the possible impact that could have on states.

Next week I'm sitting down with Marty Morris of the HomeBuilders, to talk to him about ways that we can work together, not only on the Mortgage Revenue Bond issue, but on other issues of mutual concern.

Later in the month, I'll be meeting with Lisa Scott of the National Association of Realtors, and discussing where we might be able to work together.

And finally, I just reached out to the National Association of Local Housing Finance Agencies, and with NAHRO to see what we can do together with them, both this fall, and moving into next year for the second session of the 108th Congress.

MR. CONINE: Any questions of Mr. Ptomey? Sounds like you're doing a good job up in D.C. I appreciate all of your efforts. Come by and see me sometime.

MR. PTOMEY: Thank you. Sure will.

MR. CONINE: All right. Okay. Anything else, Ms. Carrington?
MS. CARRINGTON: No, sir.

MR. CONINE: We need to have a brief Executive Session of the board. So on this day, August 14, 2003, at the regular board meeting of the Texas Department of Housing and Community Affairs in Austin, the board adjourned into a closed session as evidenced by the following.

The board of directors will begin its Executive Session today, August 14, at 4:05 p.m. The subject matter of this Executive Session deliberation is as follows:

Litigation and Anticipated Litigation regarding Cause Number GN-202219, Century Pacific Equity Corporation v. TDHCA, Consultation with Attorney Pursuant to Texas Government Code - Matters Concerning 572.054, Personnel Matters under Section 551.074, and any item listed on the board agenda. So we'll now go into Executive Session.

(Whereupon, at 4:05 p.m., the board went into executive session.)

MR. CONINE: The Board of Directors has completed its Executive Session of TDHCA on August 14 at 4:15. I hereby certify this agenda of the Executive Session of TDHCA was properly authorized, pursuant to 551.103 of the Texas Government Code, posted at the Secretary of State's office seven days prior to the
meeting, pursuant to 551.044 of the Texas Government Code, and that all members of the Board of Directors were present, and that this is a true and correct record of the proceedings, pursuant to the Texas Opens Meeting Act, Chapter 551, Texas Government Code as amended.

Is there any other business to come before the board today? How about a motion to adjourn?

MS. ANDERSON: So moved.

MR. BOGANY: Second.

MR. CONINE: All in favor, say aye.

(A chorus of ayes.)

MR. CONINE: Thank you.

(Whereupon, at 4:25 p.m., the board meeting was concluded.)
CERTIFICATE

MEETING OF: Texas Dept. of Housing & Community Affairs
LOCATION: Austin, Texas
DATE: August 14, 2003

I do hereby certify that the foregoing pages, numbers 1 through 314, 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.

8/26/2003
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

ON THE RECORD REPORTING
(512) 450-0342