TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

8:45 a.m.
Thursday,
September 11, 2003

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

MICHAEL JONES, Chairman
KENT CONINE
NORBERTO SALINAS
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
ROBERT ONION
BYRON JOHNSON
ERIC PIKE
BROOKE BOSTON, Director, Multifamily Production
CHRIS WITTMAYER
TOM GOURIS
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EXECUTIVE SESSION

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

ADJOURN
CHAIRMAN JONES: I'd like to call to order the meeting of the board of the Texas Department of Housing and Community Affairs for September 11, 2003. First order of business being certification of a quorum, I'll call the roll.

Mr. Conine?

MR. CONINE: Here.

CHAIRMAN JONES: Ms. Anderson is absent. Mr. Bogany is absent. Mr. Gonzalez?

MR. GONZALEZ: Here.

CHAIRMAN JONES: Mayor Salinas?

MAYOR SALINAS: Here.

CHAIRMAN JONES: Mike Jones is here. We do have a quorum. We have four members present, two absent.

Our next order of business -- well, before we go to public comment, the governor -- I apologize to everyone.

MR. CONINE: Do you know who that is?

CHAIRMAN JONES: Yes, I know who the governor is. The governor is Governor Perry.

MR. CONINE: Okay. Just wanted to make sure. I didn't know if you were stuck on something I could help you with or not.
CHAIRMAN JONES: Anyway, I have, unfortunately, put aside a resolution from the governor concerning today's date and its importance.

MR. CONINE: Is that it?

CHAIRMAN JONES: No, that's not it, but anyway, we, as a department, would like to join Governor Perry in remembering our fallen citizens on this particular day two years ago, and with that, I would like us all to observe a moment's silence as we start the meeting.

(Pause.)

CHAIRMAN JONES: Thank you very much. I would like to now turn to the public comment section of our agenda, and we have a very great number of people who would like to speak to the board, and I also understand that there is a group of people that would like to speak to the board that are actually on their way, which will mean that we have even more than I think we have. As a result of that, although we always hate to do it, we are going to have to impose a time limitation upon our speakers.

And Delores, let's start out with, if we could, a time limitation of three minutes per speaker.

With that, the first person I have that would like to make public comment is Mr. Raul Gonzalez, a city
council member, Place 1, from the Austin City Council.

Excuse me, Mr. Alvarez, I'm sorry.

Mr. Alvarez, I apologize, I was thinking of the roll and called the roll instead of calling Mr. Alvarez.

It's very kind of you to be here, sir.

MR. ALVAREZ: It's closer than other folks have gotten, but thank you and good morning. Thank you for the opportunity to address the board. I'm an Austin City Council member, Place 2 here, and just wanted to come, certainly to speak in favor of all the good work we're doing here in terms of community development.

We have a very strong neighborhood housing and community development department, but specifically wanted to come and speak in favor of low income housing tax credits for the Villas on Sixth, which is item number 3, e and f. It would be that particular agenda item, and I believe the application is 03-160, and just here to request for the board to consider a forward commitment of the tax credits for that particular project.

It's just actually right here, on the opposite side of the freeway, on what's been some vacant land for a very, very long time, along the rail corridor, and the city has partnered with a private developer to make this happen, to provide, I think it's about, 250 units of
affordable housing and affordable to folks at 50 percent of median family income, which is an incredible feat, really, because there is a lot of development now beginning to happen in East Austin, but a lot of it is at market rate which doesn't necessarily serve the population that's there now.

And so, we see this as a very important project to continue to further revitalize East Austin, but also to make sure that we take a balanced approach in terms of the types of housing that we're providing, and the income levels that are being served, and really just here to make that plea, and certainly to ask you for your favorable consideration, but thank you so much for allowing me the opportunity, and I wish you the best today in your proceedings. Thank you.

CHAIRMAN JONES: Councilmember, thank you so much for being here.

MR. ALVAREZ: Sure.

CHAIRMAN JONES: We appreciate you taking the time.

MR. ALVAREZ: Thank you.

CHAIRMAN JONES: Mr. Mark Mayfield?

MR. MAYFIELD: I'd like to defer to agenda item 3(f) if possible.
CHAIRMAN JONES: Certainly.

Mr. Bowling?

MR. BOWLING: The same, Chairman Jones.

CHAIRMAN JONES: Mr. Rice?

MR. RICE: I'd like on the agenda item.

CHAIRMAN JONES: Must be two Mr. Rices. This is J. Rice?

MR. RICE: Yes, I'd like to defer to the agenda item.

CHAIRMAN JONES: Mr. Willie Carter?

MR. CARTER: Defer to agenda item, please.

CHAIRMAN JONES: Mr. Barry Palmer?

MR. PALMER: I'd like to defer to the agenda item.

CHAIRMAN JONES: Mr. Tom Richards?

(No response.)

CHAIRMAN JONES: Mr. Tres Davis?

MR. DAVIS: Good morning, members of the board and Ms. Carrington. How are you all today?

I'm just coming up here to thank you all and to thank staff, particularly the staff that reviewed and scored the HOME Program applications, for the job they did. I would have spoken at the last council meeting, but it was kind of a marathon.
So I thought it better to defer my comments to today, but I really just wanted to commend the staff for being very clear and up front about the scoring process and criteria this year, for providing that documentation in a written format, up front, before we started any of this process. That's something that had not been done the last couple of years. It was very helpful to the communities we represent and it was helpful to just everybody in general, I think, participating in the process.

So, really, I'm just here to say thank you, to commend staff, and I also want to commend staff for pulling the recommendations, for going out, realizing that there were mistakes made, correcting those mistakes, and waiting until they had everything correct before bringing it to the board, and I'm not telling you that because we gained any clients doing that. We actually lost a couple of contracts in you all doing that, but it was the right thing to do, and so I really think, you know, the department has had such a turnaround, under Ms. Carrington and under Eric, and it's just a really good thing, and we're looking forward to getting started on this next fiscal year.

So, thank you all.
CHAIRMAN JONES: Thank you, sir.

Ms. Joy Horak-Brown?

MS. HORAK-BROWN: I'd like to defer to the agenda item, please.

CHAIRMAN JONES: Yes, ma'am.

Nell Richardson?

MS. RICHARDSON: Also defer to the agenda item.

CHAIRMAN JONES: Frances Teran?

MS. TERAN: Good morning.

MR. CONINE: Good morning.

MS. TERAN: My name is Frances Teran, and I'm with the Mexican American Unity Council, and I'd like to thank you for allowing me to come up in support of our project. It is actually going to be considered under agenda item 3(f), and it is the Palacio del Sol, project number 03-207, and we talked about this project at the last board meeting, about the at-risk category, and, at that time, we requested consideration under the 2004 forward commitment. So I'm here to plead that case and to ask you to please provide the tax credits under the 2004 forward commitment.

As we mentioned before, Palacio is in downtown San Antonio, right across the street from a medical complex. The Bexar County Hospital District has a
hospital across the street. It is in the downtown area, providing our senior citizens with access to all of the downtown amenities, shopping, a grocery store, and all that they need, as well as giving them that ability to be in an area that they feel safe.

What we're talking about is reconstructing and tearing down the original 106 units and building 200 units, which would help us alleviate our waiting list, which at any given time is in excess of 300 seniors looking for affordable housing. And so, we ask for your support of this project. Thank you.

CHAIRMAN JONES: Thank you, ma'am.

Alfred Calloway?

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

CHAIRMAN JONES: Thank you, sir.

Neal Rackleff?

MR. RACKLEFF: I'll defer to the agenda item also.

CHAIRMAN JONES: Jerry Wright?

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

CHAIRMAN JONES: Cynthia Bast?

MS. BAST: Good morning.

CHAIRMAN JONES: Good morning.

MS. BAST: Just to be clear, Chairman Jones, I
have two witness affirmation firms. I'll speak on item 3(f) now and I'll speak on item 3(a) at the agenda time. Thank you.

CHAIRMAN JONES: And Mr. Conine gets to say your name next time.

MS. BAST: Good morning. I'm Cynthia Bast of Locke Liddell and Sapp. I'm here to support the request for a forward commitment of 2004 tax credits for the Villas on Sixth property.

We understand that the staff has concerns about granting forward commitments this year. The primary concern seems to be the ability of these 2003 applicants to comply with newly enacted legislation. While I'm not sure all of the newly enacted legislation that needs to be complied with for 2003 applications receiving forward commitments, I want to tell you that I have reviewed the legislation pertaining to Section 2306, your enabling statute, and I do believe that the Villas on Sixth property can meet those legislative mandates, if needed.

For instance, even though it is in a community that has twice the statewide average of tax credits per capita, as many cities are, it already has the approval of the governing body, which will be required in 2004. It can comply with the reserve requirements, the one-mile
rule. It has notified neighborhood associations and appropriate public officials.

The TDHCA board does have a history of making forward commitments, even in years of legislative change. So we hope this will not be an impediment to you helping to fund a deal that, as you heard from Councilmember Alvarez, is so important to the city of Austin. Thank you.

CHAIRMAN JONES: Thank you.

Ron Williams?

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

CHAIRMAN JONES: Jim Fieser.

MR. FIESER: Fieser.

CHAIRMAN JONES: Fieser.

MR. FIESER: The agenda item will be great.

CHAIRMAN JONES: Thank you.

Michael Rozell?

MR. ROZELL: Defer to item 3(a), please.

CHAIRMAN JONES: Sal Esparza?

MR. ESPARZA: Defer.

CHAIRMAN JONES: Barry Halla?

MR. HALLA: Chairman Jones, I'd like to defer to the agenda item, please.

CHAIRMAN JONES: Mr. R.J. Collins?
MR. COLLINS: I would like to defer also.

CHAIRMAN JONES: Tom Stacy?

VOICE: Tom said he'd defer to the agenda item.

CHAIRMAN JONES: Jim Bruner?

MR. BRUNER: I'd like to defer to the agenda item, please.

CHAIRMAN JONES: Paul Hilgers?

(Pause.)

CHAIRMAN JONES: Smart man. See, you need to get to these board members while they're fresh. Let me tell you, now is as good a time to talk to them as you'll ever see.

MR. HILGERS: Thank you very much. I appreciate the opportunity to be here. I'm Paul Hilgers. I'm the director of Neighborhood Housing and Community Development for the city of Austin and I'm here to speak to two issues before you today, two issues of great importance to the city of Austin. I want to thank Councilmember Alvarez for already speaking on item 3(e) and (f) and Cynthia, who's talked to you about the legal aspects of that.

We recognize the concerns and appreciate and respect the concerns of the staff, but it's rare that we have an opportunity that has been brought to us like
Villas on Sixth Street. It is an opportunity for us to create an opportunity for housing, with this site, very close to downtown, and we hope that you can give it your full consideration for forward commitment, or any other consideration you can give us that can keep this project moving forward.

The city is committed. The city of Austin has made major investments in the area of housing and we'd love the opportunity to partner with the state on any and all projects that we feel can serve the most in need and both this project and on item 4-3, which is the Caddes [phonetic] community project, which will come before you this afternoon -- on that one we're asking you to give the applicant an opportunity to go back to Underwriting and to ask for further consideration for some HOME dollars. We are exploring every avenue we possibly can to find the appropriate source of funding.

There is no question that the highest need in the city of Austin is for transitional housing for families. We have been working for many years on this project and we are committed to trying to find a way to make this work. So you have a lot more requests, as we do all the time, than we do funding. These are two projects that serve a very special need in Austin and I hope that
you can give them your full consideration.

Again, I appreciate the opportunity to be before you today. Thank you.

CHAIRMAN JONES: Thank you, sir.

Ann Lott?

MS. LOTT: Good morning.

ALL: Good morning.

MS. LOTT: Well, I was going to defer, but given your comment, I would rather get you while you're fresh.

I've come before you again -- I was here last month -- to consider our request for a forward commitment for 4.5 million, for the Frazier Courts project application, 03-097. It's a very worthwhile project that will leverage the 4.5 million from the state with 20 million from a HOPE 6 grant, local dollars, and private debt.

It's a strong application. It received 100 points. Just because of the way the QAP was written last year, the money in our region went to set-asides and some of them didn't have as many points as we had, but I'm not here to whine this morning. I just would like for you to consider our request. It's a critical program and this grant, or these tax credits, are critical to the success
of our grant.

The community is very supportive. We have the support of our residents, our mayor, Laura Miller, our councilman for the area, Leo Chaney, State Representative Terry Hodge, State Senator Royce West. It is the first time in my 18-year tenure with the Housing Authority that I can say with a straight face that, the community supports public housing. I urge you to consider our request.

CHAIRMAN JONES: In other words, you've said it before, but the face wasn't straight. Is that what you're saying?

MS. LOTT: Yes, you're absolutely right.

CHAIRMAN JONES: Okay.

MS. LOTT: Thank you for your consideration.

CHAIRMAN JONES: We'll have to start looking for straight faces. Thank you so much.

MR. PALMER: Mr. Chairman?

CHAIRMAN JONES: Yes.

MR. PALMER: I'm speaking about the same project. I originally had said I was going to defer, but if it's okay, I give --

CHAIRMAN JONES: Go ahead.

MR. PALMER: I'm also here to speak in favor of
a forward commitment for the Frazier Fellowship
Development, which would be a HOPE 6 mixed finance
development on a site that currently has 550 units of
public housing. It is the oldest, largest, un-redeveloped
site that the Dallas Housing Authority has. It is
physically obsolete. It's over 50 years old. It's not
capable of renovation. The units are too small. It would
cost more to renovate it than to tear it down and build
anew.

We have applied for and received a HOPE 6 grant
from HUD to demolish the entire site, to cut the density
in half, and to rebuild in a mixed income community. We
are asking for an allocation for the first phase of the
development. We have a $20 million HOPE 6 grant. We
can't spend any of that money until we get the tax credit
allocation that we need to leverage and complete the
funding of the project.

So we can come back and apply again next year,
but that $20 million will sit there. We have a four-year
time limit with HUD, within which we have to spend that
grant or it's subject to recapture. So I would urge you
to consider this allocation. While it's $4.5 million, as
Ms. Lott said, it's only a 450-something allocation, and
we would comply with all of the requirements in the 2004
QAP, and so we request a forward allocation. Thank you.

CHAIRMAN JONES: Thank you, sir.

All right. With that, I've called everyone who has turned in a witness affirmation form. Have I left anybody out?

(No response.)

CHAIRMAN JONES: I think I got everybody. All right -- and we will close the time for public comment with the exception, Delores, of the ones who have deferred, and also, I understand there are a group of veterans coming that wish to speak to an agenda item. When they get here, we'll allow them to speak.

We will then move from public comment to item 1 on the agenda, which is the presentation, discussion, and possible approval of the minutes of the board meeting of July 30, 2003.

MR. CONINE: So moved.

MR. GONZALEZ: Second.

CHAIRMAN JONES: The motion that they be approved has been made and seconded. Any questions, comments, discussions?

(No response.)

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

(A chorus of ayes.)

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

(No response.)

CHAIRMAN JONES: Motion carries.

We will turn to item 2 of the agenda. Mr. Conine?

MR. CONINE: Thank you, Mr. Chairman. We'll first start with the below market interest rate program and, Ms. Carrington, are you going to handle this one?

MS. CARRINGTON: Yes, sir, I am.

MR. CONINE: Okay.

MS. CARRINGTON: Thank you, Mr. Conine. The items on 2(a), the staff is asking for the board's consideration of approval of two loans that would be funded out of the below market interest rate program.

In 1988, the Texas Housing Agency entered into a participation agreement with the Arkansas Development Finance Authority, and several other states, to issue bonds at a discount, to buy a portfolio of multifamily properties. THA's investment at that point was about $55,000 and that was to cover costs of issuance for the bond transactions. To date, the department has
received -- our pro rata share has been a little over $2 million, that we have been able to use to rehabilitate other multifamily properties in the state.

We think 55,000 to 2 million is a pretty good return for us. We're looking for more transactions like this.

MR. CONINE: Were you around when that deal was cut?

MS. CARRINGTON: Yes, sir, I was.

MR. CONINE: Okay, just curious.

MS. CARRINGTON: I don't think I can take any credit for it, though.

CHAIRMAN JONES: Why not?

MS. CARRINGTON: Oh, okay, well then, I'll take credit for it. Staff has been working with the remainder of the developers that remain in Texas that are participating in this below market interest rate portfolio. We have identified two of these properties and owners who have an interest in rehabbing the property and keeping these two developments in the low income housing inventory.

On the next two pages of your agenda item, both of these properties are located in San Antonio. One of them is Park South Village in San Antonio and the loan
amount for that particular property would be $1,079,722.
The other property is also located in San Antonio. The loan amount of that one is $736,047. The terms on each of these loans is outlined for the board's attention and I would like to read into the record -- on the Park South Village Apartments, that the correct name of the borrower is Park South Village LULAC, Inc. So that is a correction from what is in your board book.

Staff is recommending that the board does approve both of these loans and we will have a little bit left after these two loans have approved. We'll have about $340,000 left and what we are proposing is that that money would then be transferred to our junior lien preservation program.

MR. CONINE: I'll ask a couple questions, if I might. Do you expect any more funds coming off this deal in the future or do you think this is it?

MS. CARRINGTON: I'll ask Brooke and Robert to come up and give you any particulars.

It was my understanding that this was about the end, but, Robert, is that correct?

MR. ONION: It is about the end. We did just receive a letter the other day where there's an overage of some $2,800 that they're going to fund to us. Wherever
the other states that participated, that shared, that is
not in their state, and we will share rateably with those
other states. Say, if it's out in California, and
California didn't participate in this program, then we all
share rateably.

So, to answer your question, I don't think
there's going to be very much money coming back --

MR. CONINE: Okay. All right.

MR. ONION: -- but we're always hopeful that it
can be more.

MR. CONINE: We haven't done anything with the
pool fund since '96? Is that what I'm seeing here? It
says we received some distributions prior to '96 and so my
assumption is that we haven't done anything since then.

MR. ONION: That is correct. In following the
participation agreement, we had to first offer it to all
the people remaining in the pool. There was originally
some ten or eleven owners out there, borrowers --

MR. CONINE: Right.

MR. ONION: -- out there, that we went through,
and these were the only two that were willing to consider
these funds.

MR. CONINE: Do you have any idea what we -- it
says, we, prior to '96, we used some of the money that we
had gotten back for various purposes, which is one of those nebulous terms. Do you have any idea how much and what we did with it?

MR. ONION: It was somewhere in the neighborhood of about 200,000 and it was used to fund another project. I'm not really sure. I'd have to go back and do some research as to exactly what it was.

MR. CONINE: Okay. But it might have been in the pool, but it might not have been in the pool, in the pool of properties that we were in?

MR. ONION: Correct.

MR. CONINE: Okay. I move for approval.

MAYOR SALINAS: Second.

CHAIRMAN JONES: We have a motion that's been made and seconded. Further discussion, questions, comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries.

MR. CONINE: The next item is on our single
family bond program. We have three items, one, the rate
reduction program for Program 56.

Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Conine. What
staff is asking for is authorization of a resolution to
reduce the interest rate for our residential mortgage
revenue bond program, our single family program, series
2000-b, 2000-c, 2000-d, 2000-e, which is Program 56. In
May of this year, the board did approve a resolution that
reduced the interest rate to 5.9 percent and that became
effective on August 19 of this year.

We are proposing to the board that an
additional amount, an additional 500,000, be put in to
reduce the interest rate even further, if necessary, on
this program, to be able to better originate the proceeds.

MAYOR SALINAS: How much more?

MS. CARRINGTON: I'm sorry?

MAYOR SALINAS: How much more?

MS. CARRINGTON: Byron, the question is, how
much more? How much more will this 500,000 buy us?

MR. JOHNSON: Good morning. Byron Johnson,
director of Bond Finance. We're asking up to $500,000.
We estimate that we'll need about 462,000 to buy down the
remaining 6.2 million left over.
MS. CARRINGTON: What do we think the interest rate is going to be, from 5.9 down to?

MR. JOHNSON: We will probably keep it at 5.9. What we're trying to do is we had -- we came to you in May -- March, May, we were estimating based on going to 620, and, as you know, the week we came to you, mortgage rates declined about 15 basis points, and they went down to historical lows in June to whatever it was, 521 or something. So we decided to take the rate from 620 down to 590. In order to complete the remainder of the buy-down for all the funds, we need about $462,000.

MR. CONINE: Are the buy-downs calculated with a preset formula that are in the bond instruments themselves or who calculates the buy-down?

MR. JOHNSON: It's based on whatever the source of funding is used. If you're using cash, then, yes, there is a set percentage. If you're using, I guess, refunding proceeds, there's a certain ratio of percentage. So, who determines that -- it depends on the cash flows and those are run by the investment bankers, and is approved by the bond counsel.

MR. CONINE: And so the current bondholders have provision of the bonds, where they know when the buy-down may be coming?
MR. JOHNSON: Yes. In the bond documents, we state that the interest rates will not go below a certain level. In order to go below that level, we have to deposit, or infuse, cash to keep the rates at that level that we guaranteed them they would receive.

MR. CONINE: All right. And where are we proposing to come up with the 500,000 that it needs to complete the buy-down?

MR. JOHNSON: Well, the funds are already in indenture. They are residual revenues that are in residential mortgage revenue bond indenture. Those funds can't be withdrawn for any other purpose because we have certain asset and parity tests that we have to meet. So rather than having the funds sit in indenture, not being used, we thought that transferring the funds from the residual account to Program 56's account and using them to effect the buy-downs would be economically good.

MR. CONINE: And our lenders in the program are obviously giving you feedback that 5.9, in today's world, or in the rest of this year's world, is an attractive rate?

MR. JOHNSON: I had a discussion with Sue Wash and -- that's her old name --

MS. CARRINGTON: Cavazos.
MR. JOHNSON: -- Cavazos, in single family lending production, and she said that, to quote, the lenders have been calling. Her phone has been ringing off the hook. We started the program -- we offered the new rate August 20 and since that time, we have done $2.5 million.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

CHAIRMAN JONES: We have a motion that's been made and seconded. Further discussion, questions, comments?

(No response.)

CHAIRMAN JONES: I assume we're ready to vote. All in favor of the motion, please say, Aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries.

MR. CONINE: Go ahead, Ms. Carrington, on the next one.

MS. CARRINGTON: Thank you. 2(b)(2) and (3) both relate to 57A and the first, 2(b)(2), the termination period for the certificate purchase period for 57A at this point is October 1, 2003. What we are requesting from the
board is that this certificate purchase date be extended from October 1 of this year to December 1, 2004, and we do have a chart for you that shows what we had originally in lendable proceeds on this transaction, how much has been reserved, how much has been spent, and what we still have left to originate in this program. So staff is recommending that the period for the certificate purchases be extended from October 1 of this year to December of next year.

MR. CONINE: Byron, what's the rate on 57A?

MR. JOHNSON: 57A has two rates currently, a 6.65 with assistance, 5.9 without assistance.

MR. CONINE: Okay. Move for approval.

Wait a minute. Hang on. On that last motion, I forgot to move for the resolution.

MS. CARRINGTON: On the resolution, yes.

MR. CONINE: I'll catch it on this one. The approval on this one will be Resolution 03-071.

CHAIRMAN JONES: We have a motion to approve. Is it seconded?

MR. GONZALEZ: Second.

CHAIRMAN JONES: It's been seconded by Mr. Gonzalez. Further questions, comments, discussions?

(No response.)
CHAIRMAN JONES: Hearing none, I assume we're ready to vote. All in favor of the motion, please say, Aye.

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries.

MR. CONINE: Can I amend my previous motion on item 1, with the rate reduction program on Program 56, to include Resolution 03-072?

CHAIRMAN JONES: And that amendment is accepted with consent of the full board.

MR. CONINE: Thank you.

MS. CARRINGTON: The final item on single family is a restructuring of Program 57A. You all remember that last summer, a year ago last summer, when we enacted this program, we did include a $10 million component in this program that would have included origination and purchase of loans that are in Fannie Mae's program called Expanded Approval Program, EA-I and II. We had $10 million that was created in this program that we were targeting for origination out of the expanded approval program.

I think it's safe to say that our origination
has been less than successful in this program. Staff has spent a lot of time, among ourselves, talking about why it has or has not been. We have worked with Fannie Mae to look to see how we could get greater origination out of the program, worked with lenders. You all did reduce the interest rate in that program in March of this year, and that chart is on the page in your book for you.

With all of those efforts, you can see that we have closed and funded $130,440 out of that program, and what we are requesting from the board today is to take the money that we were targeting for that expanded approval program, to put it in 57A as general proceeds and originate as eligible loans in that program.

MR. CONINE: So moved.

CHAIRMAN JONES: We have a motion on the floor. Is it seconded?

MAYOR SALINAS: I'll second.

CHAIRMAN JONES: Motion has been made and seconded and I think there might be some questions by Mr. Conine.

MR. CONINE: Yes, I'm going to have to swim upstream on staff on this one, because -- I know my friend Mr. Bogany would probably echo my sentiments -- we really haven't given this program enough time to be successful.
In the midst of the board dropping the rate on the program back in --

MS. CARRINGTON: March.

MR. CONINE: -- March, we were in a declining interest rate environment, which, as Mr. Johnson just stated, didn't turn around until July, so -- and this particular program deals with people who don't have stellar credit. This is the first one of its kind program that the state housing agency, or TDHCA, has done with Fannie Mae across the country, and to bail out on this thing, you know, a couple of months into it is just a little too quick.

With the previous motion, we just extended the bond program to December '04. So I'd prefer to see this have a little more time. I know you've talked to Fannie Mae about how, maybe, to make it more marketable. I think we can continue to press them to help us make it more marketable over the time and I think the citizens of Texas, those especially trying to get into first time home ownership without perfect credit, with the down payment assistance that comes with it, ought to have a chance to do it.

We can always shift the money sometime next year, if it looks like it's not going to get used up,
because, obviously, the perfect credit market is gobbling up, and would gobble up, this rate -- this program very quickly. So I'd speak against the motion and ask the board to reconsider.

MAYOR SALINAS: Why is the staff recommending it, if it's so simple?

MS. CARRINGTON: Staff recommended it because the 57A program has been out there for a little more than a year. We did issue those bonds, make those mortgages available last summer, and we adjusted the interest rate in March this year. So that's six months with the new interest rate and --

MAYOR SALINAS: What's the new interest rate?

MS. CARRINGTON: The new interest rate is 6.2 percent for level 1 -- and the levels are determined by the borrower's credit -- so 6.2 is the level is EA-I and 6.5 is EA-II. So borrowers with poorer credit get the higher interest rate. The level 1 gets 6.2. The interest rate on this program overall is 5.9. So you can see that there are ranges depending on the credit of the borrower.

I think staff feels that we have given the program a fair shot. We have worked to try to market it. We were very pleased with the fact that we were the first state housing finance agency in the country to incorporate
this in a bond program and the Expanded Approval Program has generally been very successful for Fannie Mae on a nationwide basis. Fannie Mae, their lenders have originated millions of loans under the Expanded Approval Program.

MAYOR SALINAS: So what they're saying is there's not enough people out there borrowing this money?

MS. CARRINGTON: Our lenders have not had much demand at all for this program.

MR. CONINE: Somebody's asleep in the system here somewhere --

MAYOR SALINAS: Yes, somebody has not woken up yet.

MR. CONINE: -- and my view is, before we cancel it out, I'm going to find out who's asleep at the switch --

MAYOR SALINAS: Yes.

MR. CONINE: -- and make them accountable because I don't have enough information from you or Mr. Johnson to know what our lenders are actually saying, because anybody that's going to offer me a 97 percent loan, I've got bad credit, with 4 percent down payment assistance, that's a no-brainer. So, something's wrong.

MS. CARRINGTON: We have been talking to
lenders and I'll let Byron respond to that.

MR. JOHNSON: And I'll ask Mr. Pike to respond, but we have been talking to lenders and we've demonstrated that we can get the program structured into a bond transaction. We're asking to step back for a moment and take a look and see why is it that we can create the interest with borrowers, but we can't transform that interest into loans with the lenders. And you're right, there is something missing. There is, at that level, something's going on that we don't understand and we would like to examine it further, but in the meantime, these funds that are just sitting in that account, they cost the trust indenture about $800 a day. So that's why we would like to move on, but --

Mr. Pike?

MR. PIKE: Good morning. Eric Pike, director of Single Family. Byron is correct. We have had quite a bit of correspondence with our lending community and there has been quite a bit of demand from the borrower's side. I know Ms. Carrington and I did a video that was released when this program first went out and our hotline received over 8,800 calls in one month's period of time, which is significant. Unfortunately, that didn't translate into any loans.
We have tried very hard to encourage our lenders to originate these funds. Some of the lenders that participate in our program are not Fannie-approved so that's obviously a reason that they don't originate. Some have more of a comfort level, if you will, with FHA loans than they do with the Expanded Approval. A lender has to have -- once they become Fannie-approved, there's a higher level of approval, if you will, to get the Extended Approval designation.

So I think there's a breakdown with our lenders. I don't feel that they're pushing this product. I don't know how to force them to push this product. I think what happens is when a borrower comes into their organization and asks for a loan, they're possibly putting them under another program, where they can make more money. These loans do require a little bit of an extra effort.

CHAIRMAN JONES: And we have no way we can deal with that?

MR. PIKE: I'm not aware of -- since the lenders do not pay a participation fee to participate in this program, there's not a sanction, if you will, that I'm aware of that we could put in place to force them --

CHAIRMAN JONES: Have I missed something? It's
worked in other places in the country. Right?

MS. CARRINGTON: It has worked. There hasn't been a state housing finance agency that has had an EA component in their bond program. Fannie Mae's Expanded Approval program has indeed worked around the country.

MR. PIKE: And I would like --

CHAIRMAN JONES: So basically what you all are saying is our lenders have just told us that they don't want to do it?

MR. PIKE: Well, they won't.

CHAIRMAN JONES: Or not told us that, but de facto, that's what they're doing.

MR. PIKE: Their actions have indicated that they don't want to do it.

CHAIRMAN JONES: And you're telling me that there's nothing we can do about it. Correct?

MR. PIKE: We can certainly do some additional marketing to try to encourage them to do so. My hope was to try to get at least one or two lenders on board that would be very aggressive with this.

CHAIRMAN JONES: And nobody you've talked to will do that?

MR. PIKE: And, you know, we've got -- not at this point in time.
MR. GONZALEZ: Mr. Chairman?

CHAIRMAN JONES: Yes, Mr. Gonzalez?

MR. GONZALEZ: I'd like to suggest that maybe contacting Texas Independent Bank in Dallas. It's a banker's bank. They can poll all of the banks in the state of Texas, and get some input, and discuss this Fannie-approved approval process, and possibly market it through them.

MR. PIKE: Okay.

MR. GONZALEZ: And I can get with you after the meeting and help you with that.

MR. PIKE: I would like to say, too, that I've gotten -- a lot of the information that I've heard is that, on a national level, a lot of the Expanded Approval loans are refinances, not new mortgages. So there's --

CHAIRMAN JONES: I mean, I think the solution is to figure out how to get these guys to get after it, as opposed to blowing it up.

MAYOR SALINAS: Well, it has to do a lot with the elected officials in your small communities. I mean, those people are not pushing it and I think we should get a memo out to every community. Fannie Mae has been around for a long time. They just need to understand that we want them to continue this.
MR. PIKE: Right. We have done several trainings across the state with Fannie Mae officials, where they would go in and invite a lender -- specifically, one was in Houston, where one of our participating lenders sponsored the event, and we brought in the realtor community, and I had high hopes that that would prompt some originations and --

CHAIRMAN JONES: Well, you know, I have no doubt that you all have worked real hard. I really don't. I don't say that facetiously. I really believe it, but it just seems to me like there's got to be an avenue, because this is certainly a program that we agree Texas needs. There are Texans out there that want it and there ought to be some lending institutions out there that want to, you know, pony up with us, and partner with us, and get it done.

MR. PIKE: Perhaps, we can set up some one-on-one meetings with some of the lenders and just, you know, go out and meet with them face-to-face, and try to market and encourage them to express an interest in this program.

MR. CONINE: I'd be glad to help you with that.

MR. PIKE: I'm sure you would.

MR. CONINE: If you want to cherry pick the list, I'd be happy to help you.
CHAIRMAN JONES: And Mr. Gonzalez would too, I think.

MR. GONZALEZ: Have you all done some of that before?

MR. PIKE: We have done some. Obviously, every time we release a bond deal, we go out across the state, anywhere from five to seven cities, and conduct lender trainings on our latest program, to educate the lenders about it, and we always market our older programs, and we've had representatives from Fannie Mae that have gone out with us as well. So they're all knowledgeable that we have the program. It's just that, unfortunately, it hasn't, you know, there haven't been many originations made.

MS. CARRINGTON: We certainly had high hopes for the program.

MR. GONZALEZ: I thought the Neighborhood Reinvestment group -- have they had any success with the Fannie Mae? I mean, some of those groups, like Neighborhood Reinvestment Corporation in Texas?

MR. PIKE: I'm not familiar with that organization.

MR. JOHNSON: We also have had special marketing events and discussions with two lenders and that
has failed to turn into loans also.

MS. CARRINGTON: We hear the board. We will withdraw our recommendation and we will go back and continue to look to where the gap is.

MAYOR SALINAS: I think some of these communities need to find their own lenders and get it together. It's as much responsibility to the elected officials in their own communities to try to help their people there and find lenders. I'm sure that if you all just communicate with certain elected officials and get the lenders and bankers. The thing is that you need to get up in the morning thinking about this program, and go to bed thinking about this program, and you can make it work.

MR. JOHNSON: Well, Eric will travel a whole lot to get this done.

CHAIRMAN JONES: As will Byron. No, seriously, I'm going to consider the motion withdrawn.

MR. CONINE: I was going to check with the mayor to rescind the motion.

CHAIRMAN JONES: Mayor?

MAYOR SALINAS: I will rescind the motion.

CHAIRMAN JONES: So by consent of the board, I'll consider the motion and the second withdrawn. I
would like to say this, you know, Ms. Carrington, and
Byron, and all the staff, you know, the good thing about
this is I just think you heard the board say they want to
work with you on this one. So let's give it one more
swing.

MS. CARRINGTON: And we'll be calling on you
all.

CHAIRMAN JONES: Right.

MR. CONINE: Item 2(c), responses for a request
for qualification for underwriters on the multifamily
finance production division.

MS. CARRINGTON: Thank you, Mr. Conine. In
April of this year, the board approved the issuance of a
request for qualifications for investment banking firms to
serve with developers who were proposing to do multifamily
bond transactions.

The selection of underwriters for multifamily
is really a very different process than single family,
since the single family team works for the agency. In the
case of multifamily, these underwriters work for the
developers and it had been about three years, I think,
since we had last done an RFP for multifamily
underwriters. We did the RFP.

We had twelve responses and we are recommending
all twelve of those firms be on the list either as a senior manager or as a co-manager, and you will notice from the list that some of them did move from a co-manager position to a senior manager position, and the distinction that we made between senior and co was that we were looking for firms that had a substantial amount of housing experience, multifamily housing experience, and experience in Texas.

So we do have three that are co-managers on this list that we felt like had limited experience, but the only way to get experience is to get on the list and be on some transactions. So staff is recommending that this list of twelve that you have in front of you, behind 2(c), be approved.

MR. CONINE: So moved.
MR. GONZALES: Second.
CHAIRMAN JONES: The motion's been made and seconded. Any further discussion, questions, comments?
MR. CONINE: There's some names that aren't on this list, I think, that -- is this in addition to the list we already have? Or is this the only twelve?
MS. CARRINGTON: This is the list that replaces the previous list.
MR. CONINE: Have we run this by our
development community to make sure that we're not inadvertently leaving somebody out?

MS. BOSTON: It's an open NOFA. So anyone can apply.

MR. CONINE: Right.

MS. BOSTON: And six of the entities were on the original list before. We had six new entities come on and some of the --

MR. CONINE: Which -- can you read off those six, just out of --

MS. BOSTON: The original?

MR. CONINE: Yes.


MR. CONINE: Okay. And so we're adding six more to this, too?

MS. BOSTON: Correct.

MR. CONINE: And upgrading three of them?

MS. BOSTON: Right. And we did, staff reviewed these and then consulted with our financial advisor, Dain Rauscher. So we have gotten some feedback to make sure that we're comfortable with --

MR. CONINE: What did he say?
CHAIRMAN JONES: Well, he's right back there, if you want to ask him.

MR. CONINE: Is he here?

CHAIRMAN JONES: Oh, yes, there he is. He's always here.

MS. CARRINGTON: He said, Thumbs up. Thumbs up, Gary?

MR. CONINE: Good to see you, Gary. Are you okay with this list?

CHAIRMAN JONES: He's all over this.

MR. MACHAK: I'm glad you asked, Mr. Conine. Gary Machak, RBC Dain Rauscher. We have reviewed the proposals and this list, and we have worked with a lot of these firms, too, and are familiar with them. So we stand by the recommendation.

MR. CONINE: Okay. We've got a motion on the floor?

CHAIRMAN JONES: We do. Questions, comments, further discussion?

(No response.)

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

(A chorus of ayes.)
CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries. We will then turn to item 3.

MR. GONZALEZ: I can justify this trip to the meeting now.

CHAIRMAN JONES: And on item 3(a), we have public comment.

Thank you, Delores. I know there's some people coming so keep me straight on that. Okay? Good deal.

Mr. Rozell?

MR. ROZELL: Thank you. Well, I want to be like Gary Machak when I grow up. That was quick. I did this when I was county judge, Gary, but it's been a while.

Thank you for having us this morning and I'm here on behalf of Harris County Judge, Robert Echols, Harris County, and speaking in support of a Northview Park project. We had the public hearing in Harris County and there were no objections to this. Staff is going to recommend approval. We are behind it 100 percent. We've dedicated 1.3 million to the project, as of a couple weeks ago, in Commissioner's Court.

It's going to serve a need in Harris County that has not been met. It's going to be the first of its
kind for affordable housing for seniors and we're very excited about that. The commissioners are excited. It's going to be in Precinct 4, the first one, hopefully, but each one would like to see one in their own precincts, and, as large as Harris County is, there will probably be more than four as the years go by. None of us are getting any younger, it doesn't seem like.

And also, it doesn't only meet the affordable housing for the seniors, it also -- the other needs that this particular project would meet such as pharmacy supplies, education, nutritional information, exercise rooms. We visited the projects like this in Dallas. I understand, just this morning, there's one like this in Austin. I would have come over and visited that one, if I had known at the time, but, you know, they're first rate, first class. It's unbelievable to us that the quality for this type of project would be there when you talk about affordable housing, but we'd ask that you'd approve this, and thank you for your time.

CHAIRMAN JONES: Thank you, sir.

I'll let Mr. Conine ask for the next speaker.

MR. CONINE: Ms. Cynthia Bast?

MS. BAST: I didn't know what to do. You pronounced my name correctly. I was ready to answer to
Bast and I didn't know what to do. I'm sorry.

MS. CARRINGTON: I told him it wasn't even Spanish.

CHAIRMAN JONES: Yes, I'll tell you what. I've caught more grief over that this morning. This is a hard group to work with, but do the best you can.

MS. BAST: I try. Good morning. I am here to speak on behalf of the Primrose Northview Park Apartments.

On August 12, TDHCA staff notified the developer of this project that the tax credit application be terminated for failure to meet the threshold requirement in Section 49.9(e)(7)(A) of the QAP.

This requirement calls for the publication of a specific notice in the local newspaper prior to the submission of the tax credit application. Due to an administrative oversight, the application published the notice, but it published the notice two days after the application was submitted. This two-day delay is what resulted in the termination of the tax credit application.

The applicant appealed the staff determination according to a procedure and the appeal was denied. The applicant freely admits that there was a mistake made. The applicant understands that TDHCA must impose rules and that your staff desires to interpret them strictly.
However, we hope that you board members will grant this appeal and reinstate the tax credit application so that this project may move forward.

Mr. Jones, we know you don't check your brains at the door and we hope that you can see the motivation to grant this appeal.

CHAIRMAN JONES: The question is -- do I have any, you know?

MS. BAST: I know you do. I know you do, because there are numerous good reasons to grant this appeal. First, the applicant did not fail to publish. The applicant simply published this particular notice two days late.

Second, the applicant published other public notices before the tax credit application was filed. This includes the TEFRA notices that were published more than a month before the tax credit application was submitted.

Finally, as highlighted by others that you've heard this morning, this project sought out and did achieve broad-based community support. This is, after all, the spirit behind Section 49.9(e)(7)(A) of the QAP. It is to ensure that the applicant notifies the relevant stakeholders and engages them in conversation about the fact that this housing will be built in their community.
The Primrose Northview Park team did that. They went above and beyond publishing the required notices and holding the required public meetings to reach out to public officials and neighborhood associations to ensure that they would be supportive.

While they did not meet the black letter rule of the QAP, they did certainly meet the spirit of the QAP in more ways than one. While the staff may not have the authority to help applicants correct mistakes like this, we believe you do. Is not one of your missions to sort out circumstances that do not necessarily fall neatly within the department's rules? TDHCA's mission of enabling the development of viable housing should be paramount to this technicality, particularly when this technicality has not negated the purpose behind the rule.

So for all of these good reasons, we request your assistance in reinstating this tax credit application for consideration. Thank you.

CHAIRMAN JONES: Thank you.

Mr. Ron Williams?

MR. WILLIAMS: Thank you, Mr. Chairman, members of the board, Ms. Carrington. My name is Ron Williams and I'm here today representing Southeast Texas Housing Partners. Our organizations is a small CHDO that is
trying to build capacity to provide affordable housing within the Houston area in Region 6 and the Primrose Northview Apartment transaction is critical to our effort.

Southeast Texas Housing Partners will control the general partnership of Primrose Houston 9 Housing, which is the ownership of the project. Long term ownership of the property will provide our organization with both experience and a revenue stream to help us initiate other affordable housing developments.

Because this is our first tax-exempt bond issue, we wanted to do everything right. We started early in the process to garner community support. Our team met with at least four different neighborhood associations within the area. We met with representatives of the county commissioners and the school district. We talked to veterans groups and other organizations that have an interest in the senior citizens who would reside in this project and the results of our efforts have been spectacular.

We have wide-ranging support and have heard no opposition to this project, which is something we don't often hear. Elected officials, nonprofit groups have provided letters of support. In addition, the Harris County Office of Housing and Economic Development have
committed 1.3 million in HOME funds to this project and
the Harris County Housing Finance Corporation has
committed $200,000, with an additional 300,000 possible,
to the funding of the project.

All in all, we think we have done exactly what
we think TDHCA would like developers to do in connection
with projects such as these. We have designed a quality
project. We have secured additional sources of local
funding to support the financial feasibility and we have
obtained the support of stakeholders in the community.

Unfortunately, in all of our efforts, we made
one mistake. We published one notice two days late. We
understand the need for your agency and the staff to
impose rules and regret this error occurred, but we
sincerely believe that this administrative mistake should
not cause the termination of the tax credit application.
This project has come so far and is so important to our
organization and the citizens that it will serve.

We hope that you will allow us to move forward
with the Primrose Northview Park Apartments because we
know it will be an asset to our community and to the
citizens that it will serve. Thank you.

CHAIRMAN JONES: Thank you, sir.

Yes, Mr. Conine?
MR. CONINE: Mr. Williams?

CHAIRMAN JONES: Mr. Williams?

MR. CONINE: You said that you had obviously gotten involved in the project early and wanted to do things right. Yet, in the underwriting comments we get from staff, it says that you are a recently proposed nonprofit partner, that obviously came on board after the submittal of this particular project as a for-profit entity. Can you explain the discrepancy there?

MR. WILLIAMS: Well, we were involved with them in the beginning of the development. Our chairman of the board went through some changes and we had one board member that resigned and so we didn't really -- we only had two of the three members there. So it wasn't until a later date that we were able to garner the resolution and officially become a part of the development team.

MR. CONINE: And when did that occur?

MR. WILLIAMS: Cynthia, do you have a date on that?

MS. BAST: Well, you were in the 35-day filing.

MR. WILLIAMS: Right. We were part of the 35-day filing for the bond review board, as part of the development team. I believe that it was sometime the first week of August, whenever we had to meet, the board
nominated a new member to the board and she came on.

MR. CONINE: I guess I'm curious as to the --
And maybe, Mr. Gouris, you can help clarify some of this.

But when the project went into the lottery, the ping-pong ball pool, as I call it, back a year ago, or almost a year ago, it probably did not have you as a partner. You came along afterwards sometime and it sounds like officially around August, which is pretty --

MR. WILLIAMS: We started talking with them in the beginning of June of this year.

MR. CONINE: All right. That's fine. Thank you.

CHAIRMAN JONES: Mr. Esparza?

MR. ESPARZA: Good morning. Thank you.

CHAIRMAN JONES: Good morning.

MR. ESPARZA: I'm going to eliminate all that you have heard. I'm here in favor of the Primrose Parkview senior citizen project. I've been a member of the Harris County Finance Board for over 20 years. As a member of the corporation, we believe in this project. We believe it.

I have seen all these projects. I have gone out to these locations. We've been working on this...
project at Houston over a year and we have met with a lot of the people in our community. We have met with the Spring Independent School District, which is going to be in that area. We have the approval of all the people in our community. It's going to be a very important senior citizen project.

Our organization has made over half a million dollars funds for this project, to make sure that this project is successful, and make sure that the rent level is there for our senior citizens. As we grow older -- I'm 67 years old -- we need to put something back to our community. I've been 20 years on the board, and this is a very unique item that has come before us, and we'd like to make it happen.

On 20 years of my experience at the board, we have seen a lot of builders, and investors, and constructions, and we have always made allowances, because we understand that our job is to provide affordable homes for our community. As a member of our community, that's my whole dream -- is to make sure we put something back to our community, to our senior citizens, to our --

I like what Mr. Salinas says, that, you know, $17 million, $10 million, and we can't find people that can go out there. I can find people that would use that
$10 million. There's a need out there for all of this. Down payment assistance, 5.5 percent, gosh, if you all guys can't find it, send it to Houston, we'll use it. I'm sorry. I don't want to take it away from units, but the bottom line that -- you know, we're here to provide a service to our community and we're asking you all to please review this project.

Please don't punish our community and our senior citizens because of a technical mishap. My years of experience, we have always made allowances for a project. We're not going to turn a project down because of this and that and so forth. We understand your rules and regulations, and we have rules and regulations, and we follow them, but as a board member for 20-some-odd years, we always have allowances. In allowance, these areas, if it's a benefit the community, it benefits the seniors, you know, we're going to do it. Somehow, we're going to be able to do it because the people who are going to sacrifice is our community and our senior citizens.

So I ask the board here to please fund this program, and approve the appeals, and approve the tax credits for this project.

CHAIRMAN JONES: Thank you, sir.

MR. ESPARZA: Thank you.
CHAIRMAN JONES: Mr. Perez?

MR. PEREZ: Thank you. My name is Richard Perez. I am a disabled American veteran at 100 percent disability from the Vietnam War. I am also the Commander for the Lucian Adams Chapter, CMH, American GI Forum, and I'm also a Commissioner for the city of Houston on the Commission for Disabilities.

I wanted to tell you guys that I support this project here and I've been following it as closely as I can because I also belong to the DAV, and I have some of my members here that are Korean veterans that were wounded, Mr. Lee Stroud and Mr. S.L. Chaver, from the Korean War, and I work with them also as a adjutant treasurer with the San Jacinto Chapter One of the Disabled American Veterans. We're a 2,000-member organizations and having to be the adjutant, I deal a lot with these seniors. Especially, what hurts the most is for us, as veterans, to go in there and see these veterans going in there and having to suffer, you know, without the housing. They can't take care of their housing.

With this affordable housing, it would really, really help them out because I'm tired of seeing our veterans living with some son-in-law or somebody that's taking their money away from them and all that, and
they're living down in substandards and all that, and these guys deserve something better. This affordable housing is the right project for these seniors and I strongly support that you guys help us, and continue to give support to these veterans, and all these seniors, because I'm tired of seeing them suffer, you know.

The thing is that it makes them like they're degraded and all that. With this housing program, the way it's set up and all that, it gives them something to look forward to in life, and all that, but, please, I'm in support of this thing here and I hope you guys will think the same thing. Thank you.

CHAIRMAN JONES: Thank you, sir.

Felicitas Flores?

MS. FLORES: Greetings.

CHAIRMAN JONES: Greetings. Good morning.

MS. FLORES: As a World War II veteran, I have reached an age to where I need special attention. I see by this that it's in a handy place, where we can reach it and be served. I am from that area. I lived there 20 years so I know the area and I say that affordable is the right place.

It looks like they have in their mind service, because what they offer is what I need at my age, and not
only I, but your parents, your neighbors, your kin, they
have the same needs that I have. So I'd go for it and you
all have a nice day, and thank you, and God bless you, and
I love you. Thank you.

CHAIRMAN JONES: Thank you and God bless you.

Domingo Marquez?

MR. MARQUEZ: Good morning, gentlemen and
ladies. My name is Domingo Marquez. I'm a native Texan.
I have been a veterans' advocate for over 40 years. If
it has to do with veterans, I'm there.

We'd have had a lot more veterans this morning,
but as you know, today is 9/11 and they had other
functions to attend, but we belong to an organization
called The Gathering of Eagles. We meet every other
Wednesday at IHOP. We have over 25 veteran's
organizations and I have spoken to these organizations
about affordable housing and I have their full support.

This Northview project is ideal for several
reasons. Number one, it's centrally located between 45
and Hardy Toll Road. Number two, it's going to be very
close to the proposed VA facility that's going to be
constructed at Tomball.

And some of you, if you've been to the
veterans' hospitals lately, they are on overload. I mean,
they are on overload. So what these outreach clinics will
do is relieve some of the pressure of these VA hospitals.

Number two, it's also close to the Houston
Intercontinental Airport. It's close to all the shopping
centers. Last, but not least -- and we don't want to
think about it -- but it's close to Houston National
Cemetery.

So I would urge you to pass and vote for this
project because it's the right thing to do. I'm out in
the trenches and I see how some of these veterans live.
They live in squalor, some of them. I've seen veterans
that, World War II veterans as a matter of fact, that bear
the scars of battle, and live in squalor, and there's no
need for that. If they can live in affordable housing --
and I've been to the project here in Austin. It's a
beautiful project and you can't tell that from regular
housing. So I would urge you to vote on this project.

It affords the veterans and seniors, not just
the senior veterans, the prescription care. They have
facilities where transportation, which is a big need -- I
take veterans to the VA hospital because they have no way
to get there. If they have a courtesy van to take them to
the Tomball facility, that would alleviate a lot of those
problems. Take them to the grocery store. Take them to
get their prescription drugs. That would really give them peace of mind.

So I hope that you all would consider this project favorably and vote for it. Thank you very much.

CHAIRMAN JONES: Thank you, sir. I believe that's all the public comment forms we have for item 3(a). Is that right? Anybody else want to speak on item 3(a)?

(No response.)

CHAIRMAN JONES: Seeing none, we will then take up 3(a) and I'll turn it to staff. Now, it's my understanding, right now, all we're dealing with is the appeal. Correct?

MS. CARRINGTON: That is correct, Mr. Chairman.

CHAIRMAN JONES: Okay. Thank you.

MS. CARRINGTON: Item 3(a) is the appeal for Primrose Northview Park tax credit application. This is a tax-exempt bond and 4 percent tax credit application. The Harris County Housing Finance Corporation would be the issuer on this transaction. The TEFRA notice was run on time.

The reason that staff did deny the appeal that was filed with our agency -- and it was a timely filed appeal -- there is a requirement in the tax credit portion of a tax-exempt bond and tax credit development that
requires that a public notice be filed for purposes of the
tax credits. This tax credit notice was filed two days
late, as is evidenced by the material that is provided in
your board book. Staff does not believe that the late
filing of any kind of a notice is a technicality.

It's in our rules. We ask all developers to
abide by our rules and that is what we have done in this
case. In this case, they violated the requirement that
they file the notice for the tax credits in a timely
manner. So staff did deny their appeal and then, they are
following their due course, which is to appeal staff's
denial to the board.

CHAIRMAN JONES: Can I ask a couple of
questions and infer from these questions no criticisms of
staff. It shouldn't be taken that way. They're not meant
that way. Would staff have a position one way or the
other -- and it's totally appropriate to take no
position -- of whether, as a practical matter, the two
days late affected this development and its review at all?

MS. CARRINGTON: (No response.)

CHAIRMAN JONES: In other words, was any harm
done? And I know I'm putting you on the spot, but you can
say you have no position if you want to.

MS. CARRINGTON: Mr. Jones, I will say that we
ask all developers to abide by all components of our rules.

CHAIRMAN JONES: I understand. My question would be -- do you have a position on whether any harm was done by the delay?

MS. CARRINGTON: I don't know that we have a position.

CHAIRMAN JONES: This is a --

MS. CARRINGTON: May I ask Brooke Boston to come up?

CHAIRMAN JONES: You certainly may.

MS. BOSTON: I think for this specific development, there probably wouldn't be harm. However, for all of the other applicants who have followed the rules -- and the other bond applicants even, not just looking at the competitive side -- you know, there are other people that will get a reservation if this doesn't move forward. And so, I mean, you could look at, there's harm in that sense.

CHAIRMAN JONES: Sure. I got you.

MAYOR SALINAS: Let me ask her. Harris County, Houston is here, I think. How much money has Harris County committed to this project?

VOICE: 1.3 million.
MAYOR SALINAS: 1.3 million. You know, we have a lot of problem with the people in Houston. You know, we always have people complaining about us so -- and you know, no really, you know, we've had always people complaining about, or objecting to, projects in Houston, and we deny some, or we approve some, but we always have problems with the zoning over there. This is about the first project that we got a lot of positive reaction from the community.

I don't see anything wrong -- and, sometimes, we have to use common sense -- and two days, and it's for a nonprofit, and I know it's a CHDO, and they have a HOME program. Right? So at one time, we have a meeting in Houston, and some of the elected officials over there, they don't like CHDOs and they don't want to have any more CHDOs. Apparently, Harris County has supported this project, County Commissioners' Court?

VOICE: Yes.

MAYOR SALINAS: I guess, the state legislator there, whoever's district it's on, no objections. So if we have an appeal here, and if it's to our discretion, I would move that we go ahead and grant the appeal, with no problem as far as bringing any disrespect to our staff, because they do an excellent job, you know, for the last
twelve months, or 18 months, we've brought this agency
from one point to another. And right now, I can see that
I don't think we would do any harm in approving this
appeal for the sake of getting this project done in
Houston. That's how I feel. I don't know how you all
feel.

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

MR. CONINE: I'll second it for the sake of
discussion.

CHAIRMAN JONES: Okay. A motion's been made
and seconded for the sake of discussion. One other
question I would have, Ms. Carrington, and it kind of
follows something the mayor said. The mayor said that if
it's within our discretion. Does the staff agree that
this appeal is properly before us and that we do have the
discretion to grant the appeal?

MS. CARRINGTON: Staff agrees that the appeal
is properly before you.

CHAIRMAN JONES: Do we have the discretion to
grant it? Would we be violating statute should we grant
this appeal?

MS. CARRINGTON: May I ask my general counsel
to respond to that question?
CHAIRMAN JONES: Whether it be state, federal, rules, regulations, you name it.

MR. WITTMAYER: The short answer is I believe that the board has limited discretion to go beyond the strict language of the QAP to reach a reasonable result. To put a broader view on that, the precise requirement in the QAP is that the notice must be published prior to the submission of the application to the department and cannot be older than three months from the first day of the application acceptance period. So the applicant had a period in excess of three months during which this notice could have been timely published.

All the staff has a great respect for Ms. Boston, and the work that she does in her department, and I have tried to support her in her effort to require timely submissions, and following the rules, and I encourage her to continue with that effort. Of course, we leave it to the board in circumstances where developers miss a deadline by a day or two, but that is a general concern that we have that developers meet the deadlines that are required in the rules.

CHAIRMAN JONES: Well, here's my concern and it, you know, I don't know about heavy brains, but I've got an imagination, and we've been sued before, as you
well know.

MR. WITTMAYER: Uh-huh.

CHAIRMAN JONES: If we grant the appeal -- and one of the things that we've been sued a lot about is QAP's --

MR. WITTMAYER: Right.

CHAIRMAN JONES: -- and whether we follow them or not.

MR. WITTMAYER: Right.

CHAIRMAN JONES: Obviously, let's say we grant this appeal and they make it on and somebody else doesn't. Can they say, Look, we followed your rules and we didn't make it on, and they didn't follow your rules and they did. And suddenly, we're in front of the court here in Austin, and they're going to say that the board abused its discretion in so doing it, and I kind of remember lawsuits similar to that, as you may well, too.

My question is -- what do you think about that, as our legal counsel? Are we out on a limb?

MR. WITTMAYER: The rule states that a notice must be published prior to the submission of the application.

CHAIRMAN JONES: So, is that a yes?

MR. CONINE: What does it say about the board
granting an authority for appeals? I'm more interested in
what it says about the board granting it.

    MR. WITTMAYER: Right.

    MR. CONINE: Back to his question, do we have
the authority?

    MR. WITTMAYER: In the 2003 QAP, we do not have
a general provision for a waiver, but we have put that in
the '04 QAP to give the board greater discretion.

    MAYOR SALINAS: Do we have it on the agenda?

    MR. WITTMAYER: (No response.)

    MAYOR SALINAS: That means that we have the
authority? If we don't have the authority, don't get it
on the agenda, because then you are just playing with us.

    I tell you one thing. I've been an elected
official 45 years. We are the ultimate authority here.
We are appointed by the governor. The only one that can
tell me that I don't have that authority is the governor's
office, by replacing me.

    Now, I'm telling you. You have it on the
agenda here. Apparently, there's some authority here. If
not, you just don't put it on the agenda. Very simple --
don't put us between them and our staff, because if you --
simply, they have some right to appeal to the board.

    And simply, that's our authority to go ahead
and look at it again, but if we feel that there is some justice there, and there are some people there. You have Harris County coming in with $1.3 million, Austin Finance Corporation with half a million dollars, and so many other things that are going to happen over there, then we do have the authority. If we don't have the authority, don't get it on the agenda and you don't need us here on this board.

That's the way that I feel. Now, I might be wrong, but I don't think so.

MR. WITTMAYER: Mr. Mayor, I completely agree --

MAYOR SALINAS: You're the counsel. You tell me.

MR. WITTMAYER: Mayor, I completely agree with the --

MAYOR SALINAS: Don't put us between like you just did. You just need to get it off the agenda right now and don't let me vote on it if I don't have the authority, but don't put it on the agenda if you're going to tell me that I don't have the authority and that I'm going to have to do exactly what the executive director of this agency wants me to do. If she has that authority, she should not have put it on the agenda. I think that's
how it works.

Now, Mr. Jones, you're a lawyer?

CHAIRMAN JONES: Yes, and I asked the question.

So I kind of think I need to say that this is my fault, not theirs.

MAYOR SALINAS: Okay.

CHAIRMAN JONES: And, certainly, if an appeal was made, I think they have to put it on the agenda.

MAYOR SALINAS: Yes.

CHAIRMAN JONES: So I think they did and I understand your position, Mayor.

MAYOR SALINAS: If it's on the agenda, then we have some kind of discretion on saying yes or no.

MR. CONINE: Maybe, I ask my follow-up question a little later on --

CHAIRMAN JONES: Mr. Conine?

MR. CONINE: -- because I asked about the QAP. I'll rephrase it. Does the appeals policy, passed by this board, give the board authority to modify this particular transaction, because the appeals policy passed by the board is different from what's written in the QAP?

MAYOR SALINAS: Uh-huh.

MR. WITTMAYER: Let me take a quick look at it, if I might. It will only take a few seconds.
CHAIRMAN JONES: Thank you.

MR. CONINE: Can I ask a question of Ms. Carrington, while he's doing that?

CHAIRMAN JONES: You certainly may, Mr. Conine.

MR. CONINE: Ms. Carrington, is this particular item, based on the appeals policy that the board has, was it within your discretion to grant the appeal and you chose not to, or is it totally not within your discretion to grant the appeal and you passed it onto us?

MS. CARRINGTON: The way staff reads the qualified allocation plan, I did not have the ability to grant this appeal.

MR. CONINE: So it was a no-motion deal. I can't do it anyway. I'll pass it on.

MS. CARRINGTON: Our appeals policy says --

MR. CONINE: That's different from the QAP. Your previous sentence, you said the QAP.

MS. CARRINGTON: Yes, sir, because the rule of the QAP says the notice must be timely filed. It must be filed prior to the filing of the tax credit application. So we read that as very plain.

MR. CONINE: Okay. These are Mike Jones kind of questions. You know, I'm not very good at it.

CHAIRMAN JONES: You're doing a great job.
Brooke, you have something you'd like to say?

MS. BOSTON: Well, I just wanted to clarify that you made reference to the fact that the appeals policy isn't in the QAP and that you'd passed a separate appeals policy.

MR. CONINE: Right.

MS. BOSTON: And for clarification, the tax credit program has an appeals policy within the QAP and is not subject to the other appeals policy that was set for all the other programs.

MR. CONINE: Ah, so what does that policy tell us?

MS. BOSTON: It actually doesn't grant specific discretion in the clauses.

MR. CONINE: Maybe the mayor's right, it shouldn't be on the agenda? Is that where you're heading?

MS. CARRINGTON: However, the appeals policy says that if the appellant is not satisfied with the decision of the executive director, then that appellant has the ability to go to the board of directors.

MAYOR SALINAS: Okay. And we have to eat this question?

MR. CONINE: Or we may not.

MAYOR SALINAS: Well, if you do or not, then
why make these people drive all the way from Houston
today, and spend all their money, and all their time, and
all their efforts, to come here today --

MR. CONINE: I'm with you. I'm just --

CHAIRMAN JONES: Well, I will say this. You
know, it's kind of like being a judge. Judges have some
discretions and then some of the things they have to obey
the law, and I'm just trying to make sure I obey the law.
That's all I want to do.

MR. WITTMAYER: Chairman Jones, excuse me. I
was thinking of the '02 QAP --

CHAIRMAN JONES: Okay.

MR. WITTMAYER: -- which was very limited in
the discretion it gave the board. Brooke has drawn to my
attention the fact that in the '03 QAP, we have broadened
the language somewhat, and it states that the board, in
its discretion, may waive any one or more of the QAP
rules, in cases in which the board finds that compelling
circumstances exist outside of the control of the
applicant or the development owner.

CHAIRMAN JONES: I'm sorry. Mr. Mayor, the
question is obviously, yes, we have the discretion.

MAYOR SALINAS: I think we do.

CHAIRMAN JONES: Okay.
MAYOR SALINAS: I mean, look at all the people here. And, you know, with all due respect, you know, if we don't, then don't make these people come here from Houston, or from anywhere else in Texas, to waste their time, to tell them, well, these people don't have the authority.

MR. CONINE: When was the TEFRA notice posted?

MR. WITTMAYER: Brooke, the timing of the TEFRA notice?

MS. BOSTON: The TEFRA notice was posted on June 24 and 26 and it was ran in The Houston Chronicle.

MR. CONINE: So, the bond side of this transaction met the qualification?

MS. BOSTON: Correct.

MR. CONINE: Most dudes that read these kind of notices, whether they be bond or tax credit -- it's the same dude that reads those kind of notices would have picked up the bond notice, but not the tax credit notice within the deadline. Correct?

MS. BOSTON: I would imagine so.

MR. CONINE: So our ultimately overriding concern about notifying the community that some sort of federal transaction's going to go on in a piece of dirt was met from a common sense standpoint, especially with
respect to the debt side of it?

    MS. BOSTON: Correct.

    MR. WITTMAYER: To complete the pact --

    MR. CONINE: I don't think there's guys that
wake up every morning just reading the tax credits and not
the debt memo.

    MAYOR SALINAS: They should.

    MR. CONINE: That would be a boring life for
somebody.

    CHAIRMAN JONES: Sounds like mine. Mr.
Gonzalez, you had a question?

    MR. GONZALEZ: I'd just like to ask to repeat
quickly what you had stated because I had a question on
that.

    MR. WITTMAYER: Yes. In Section 49.23, of the
2003 QAP, it states that the board in its discretion may
waive any one or more of these rules in cases in which the
board finds that compelling circumstances exist outside
the control of the applicant or development owner.

    MR. GONZALEZ: That outside the control of the
applicant or the owner, can you kind of --

    MR. WITTMAYER: Correct. Clearly, this
discretion exists to waive the rule to give the public
notice in cases in which the board finds there are
compelling circumstances which exist which are outside of the control of the applicant and development owner. It's up to the board to decide, in their discretion, whether or not this compelling circumstance, whether that exists, and whether that's outside the control of the applicant or development owner.

CHAIRMAN JONES: Thank you for the clarification on that.

MR. WITTMAYER: Just to complete the facts, somewhat, before the board, there's a requirement that there be two notices published and the two notices published in this case were two and three days after the deadline.

CHAIRMAN JONES: Thank you. We have a motion on the floor. Was it seconded? I forgot. I apologize. The motion was made by the mayor.

MR. CONINE: One more question?

CHAIRMAN JONES: Yes?

MR. CONINE: The posting of the notices is in the control of the owner, or the applicant. Right?

CHAIRMAN JONES: That's for you to decide, Mr. Conine.

MR. CONINE: When is the 120-day time ticker on these bonds?
MS. BOSTON: October 3.

MR. CONINE: So, we have to decide it today?

CHAIRMAN JONES: We do.

MR. WITTMAYER: If the board would like, this --

MR. CONINE: We need to go into executive session. I'm not comfortable.

MR. WITTMAYER: -- there are other issues associated with this application and you could hold off on deciding on the appeal, and also consider the application on its merits, and, perhaps, then that would just decide the issues together.

CHAIRMAN JONES: Let's do this. I've had one board member that would like to seek legal advice on this. Pursuant to the authority of our executive session, we may discuss any item listed on this agenda in executive session. When we obtain legal advice concerning potential litigation, and I think that's the matter in question.

Delores, could I get the deal for executive session so we can go into executive session.

MS. GRONECK: It's here.

CHAIRMAN JONES: Thank you. And at this time, we'll just go ahead and take our executive session out of order.
On this date, September 11, 2003, at a regular board meeting of the Texas Department of Housing and Community Affairs, held in Austin, Texas, the board of directors adjourned into a closed executive session, as evidenced by the following. The board of directors will begin its executive session today, September 11, 2003, at 10:15 a.m. The subject matter of this executive session is consulting with an attorney pursuant to Section 551.071, Texas Government Code, matters concerning Section 572.054, Texas Government Code, permitting any discussion of any item listed on the board meeting agenda of even date.

With that, we will go into executive session. Are we going to leave?

MS. CARRINGTON: The audience can stay here and we will go.

CHAIRMAN JONES: We will be right back. It should not take long.

(Whereupon, a short recess was taken.)

CHAIRMAN JONES: We will call back to order the meeting of the board of directors for September 11, 2003. on this day, at a regular board meeting, the board of directors adjourned into a closed executive session. The subject matter of the executive session was consultation.
with an attorney pursuant to 551.071, Texas Government Code, matters concerning Section 572.054, Texas Government Code. The action taken was none.

And it permitted by law discussion of any item listed on the board meeting agenda of the even date and the action taken was none. The board records that it has completed its executive session of Texas Department of Housing and Community Affairs on September 11, 2003, at approximately 10:35 a.m.

I hereby certify that this agenda of the executive session of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.103 of the Texas Government Code, posted at the Secretary of State's office seven days prior to the meeting, pursuant to 551.044 of the Texas Government Code, that all members of the board of directors were present with the exception of Mrs. Anderson and Mr. Bogany, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended, and signed by myself, Michael E. Jones as chair.

We will then go back into open session and we go back to item 3(a), the appeal concerning Northview Park. We have a motion on the floor that that appeal be
approved. I do not know that the motion has ever been seconded. Did I miss it if it was?

MR. CONINE: Yes.

CHAIRMAN JONES: Oh, it was seconded by Mr. Conine.

MR. CONINE: Yes.

CHAIRMAN JONES: So we had a motion that has been made and seconded. It is on the floor. Is there further discussion?

(No response.)

CHAIRMAN JONES: Hearing none, I assume we're ready to vote on the motion. Is that correct?

(No response.)

CHAIRMAN JONES: I assume we are. All in favor of the motion, please say, Aye.

MAYOR SALINAS: Aye.

CHAIRMAN JONES: All opposed, say, Nay.

MR. CONINE: Nay.

MR. GONZALEZ: Nay.

CHAIRMAN JONES: The motion dies. We will then turn to item 3(b) on the agenda. Before doing that, I do want to thank everybody that spoke to us on the matter. It is a very serious matter. We've given it every consideration and, hopefully, we have done what we needed
to do in order to obey the laws and rules of the state of Texas.

With that, Ms. Carrington, item 3(b)?

MS. CARRINGTON: Thank you, Mr. Chairman. Item 3(b) is a request from two developments for an additional amount of tax credits to be allocated. These two transactions are tax-exempt bond and 4 percent credit transactions.

The first one, Palomino Place, is an '01 allocation of tax credits and they are requesting an increase in the credits of $88,144. Red Hills Villa, in Round Rock, is a 2000 application for credits and they are requesting an additional $2,913 in credits.

Staff has underwritten both of these transactions and have determined that both of these requests for credits are justified and I do have the amounts. On Palomino Place, that would make the total credit allocation amount $422,813. Red Hills Villas would be a total credit allocation of $435,964.

CHAIRMAN JONES: Is there a motion?

MR. CONINE: Move to approve.

CHAIRMAN JONES: Motion has been made to approve. Is there a second?

MR. GONZALEZ: Second.
CHAIRMAN JONES: Discussion, questions, comments?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed to the motion, say, Nay.

(No response.)

CHAIRMAN JONES: Motion carries. We will then move to item 3(c).

Ms. Carrington?

MS. CARRINGTON: Item 3(c) has been withdrawn from the agenda, Mr. Chairman.

CHAIRMAN JONES: We will then move to item 3(d).

Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman.

VOICE: There's public comment on 3(d).

CHAIRMAN JONES: Excuse me. There's public comment on 3(d). I apologize.

Mr. Jerry Wright?

MR. CONINE: Is it Jerry Wright or Rice? He's
a wide receiver, you know.

    MR. WRIGHT: Unfortunately, Wright. I don't quite make the money that the Jerry Rice does.
    VOICE: Doesn't have the hands either.
    CHAIRMAN JONES: He answers to anything.
That's great.

    MR. WRIGHT: Exactly. I figured it may have been me. I'm Jerry Wright with Newman and Associates.
We're the Affordable Housing Division for GMAC Commercial Mortgage and I'm here to speak in favor of the Empire Village transaction.

    The development team has been working with the underwriting department over the past few weeks. I know that you have a recommendation from the underwriting department to not grant tax credits on the transaction and we just wanted to throw our support behind the transaction. We will be the construction lender, the permanent lender, and, after tomorrow morning, if this board votes the way we'd like it, we'd also be the end equity provider on the deal. We'll be infusing approximately $10 million into the transaction.

    In addition to what you've seen in front of you from the board package, I believe the developer, Mr. Fieser, will be up in a minute to also detail an extra
half a million dollar deduction from the purchase price of
the current owner to this transaction, which, hopefully,
the underwriting department and staff would say would make
this deal a little more feasible than what it currently
is.

Our role in the transaction, after underwriting
this for the past couple of months, has been very
significant. We believe that the underwriting that we
have performed, which is slightly more aggressive than
what staff has performed, is on point and that we're
willing to take the risk, both the equity and the
construction of the long term debt risk on the deal, and
we would ask for your support in approving the
transaction. Thank you.

CHAIRMAN JONES: Thank you, sir.

MR. CONINE: Hang on just a second.

MR. WRIGHT: All right.

MR. CONINE: You said something about a $0.5
million land price reduction. Is that what I heard you
say?

MR. WRIGHT: Yes, and Mr. Fieser can speak
about that in just a minute. That just occurred last
night.

MR. CONINE: Late-breaking news?
MR. WRIGHT: Yes, it is. As I said, the development team has been working with your underwriting staff quite extensively over the past month on this issue.

MR. CONINE: That was going to be my general question, Jerry. You've been around the block a time or two --

MR. WRIGHT: Yes.

MR. CONINE: -- and it's curious to me that our staff and your underwriting can be so far apart, and, you know, my experience is that syndicators and lenders typically keep the guys honest to a certain extent; not that this one is dishonest, but I'm just -- it's generally not that far apart --

MR. WRIGHT: Right.

MR. CONINE: -- and I would ask you to explain the circumstance here. So I can better understand how a guy with your track record can be so supportive of a project like this where our staff is not.

MR. WRIGHT: Well, we're generally not that far apart. I think that this transaction is a little bit different than most of the other deals. It is an existing property that has a significant amount of Section 8 residents, but more importantly the owners of the property are a trust that really don't have the same incentive to
run the property the way that a typical owner -- I'd say, a for-profit owner, would.

The trust doesn't have the same kind of cash needs, nor do they have the same kind of income needs, nor the attention to the property that we would have, say, if Mr. Fieser and the development team owned it, but more importantly, they've been expensing almost all the capital improvements that they've made in the transaction over the past couple of years. For them, to expense the items gave them greater cash flow, rather than to capitalize the improvements that they've been making.

MR. CONINE: Gave them less cash flow?

MR. WRIGHT: Gave them more cash flow because its after tax benefit is better.

MR. CONINE: Okay. But then, if they're expensing them above the line, though, they're getting in trouble with their NOI?

MR. WRIGHT: They're expensing them, but at the end of the day, they've got better after tax benefits, because they got to expense the money, and rather than depreciate it they've been expensing it.

MR. CONINE: So what you're saying is our staff, by using those historical standards, overwrote the expense?
MR. WRIGHT: I think that there are certain things in here that they overwrote. We also were a little bit more aggressive on the income of the property. The things that we looked at and the staff looked at, we weren't incredibly far apart on a lot of the items. I think we needed probably just another week or so to sit down and we would have had a meeting of the minds.

MR. CONINE: "Contractor profit exceeds the minimum or maximum. The developer fee exceeds the maximum." Those kinds of things, I'm surprised that --

MR. WRIGHT: That wasn't part of our underwriting, as far as the NOI on the transaction.

MR. CONINE: Okay. Thank you.

CHAIRMAN JONES: Thank you, sir.

MR. WRIGHT: Thank you.

CHAIRMAN JONES: Mr. Fieser?

MR. FIESER: Yes?

CHAIRMAN JONES: Maybe you can address it?

MR. FIESER: Sure. Jim Fieser, the developer.

Really what we have is a matter of timing. I was coming out of the Harris County Finance Board's meeting of approval of the project and got a phone call from underwriting staff that the deal didn't underwrite, which, actually, I was literally shocked. I said, Okay. That
occurred on September 3 and today is the 10.

So I immediately scrambled, and put together a presentation, and met with staff, and we spent about an hour and a half together visiting an audit. We really couldn't get to where we needed to get, as it related to where we were at on the operating costs and to where the agency was on the operating cost.

With that in mind, I immediately went back to the owners and told them that we have a very serious issue. The property is probably not going to go forward. The agency is not willing to allow us, you know, to put in our numbers at the lower operating cost. So they have reduced the price by $500,000, which, in effect, makes the deal work.

In addition, we present an underwriting interest percentage of about 7 percent and it's actually 6.75. So I think if need be, I think Tom can probably address that point, but the deal does work at this point in time, and I would ask that you please let us go forward and get the deal done. Thank you.

MR. CONINE: Can I ask about the lead contaminant in the water?

MR. FIESER: Actually, we're going to have to look at that. We'll send the HBC, which is the
environmental firm, back out to look at that.

The property is an FHA 221(b)(4) property and
it's like 25 years old, I think. So I don't perceive
there to be an issue there, but it might be.

MR. CONINE: Okay. Thank you.

MR. FIESER: Thank you.

CHAIRMAN JONES: Mr. Jim Bruner?

MR. BRUNER: I'd like to waive my time.

CHAIRMAN JONES: Thank you, sir.

Mr. Neal Rackleff?

MR. RACKLEFF: I'd like to waive my time.

CHAIRMAN JONES: Mr. Alfred Calloway?

MR. CALLOWAY: I waive my time.

CHAIRMAN JONES: Thank you. I believe that's
all the public comment we have on this item. Is that
correct?

(No response.)

CHAIRMAN JONES: I will then turn to Ms.

Carrington.

MS. CARRINGTON: Thank you, Mr. Chairman.

Behind tab 3(d), you did have four transactions for your
consideration this morning, two of them not being
recommended, Northview Park, Empire Village Apartments;
two of them being recommended, Willow Park, Longboat Key
Apartments. These are all tax-exempt bond transactions, 4 percent tax credits with other issues.

The board previously did not approve the appeal for Northview Park so that will not be considered. The second one for your consideration is Empire Village Apartments in Pasadena, with the Harris County Housing Finance Corporation as the issuer. This is an acquisition-rehab and, at this point, staff is not recommending a credit allocation for this particular development. If you would so desire, Mr. Chairman, we may want to go directly to some questions for Tom Gouris.

CHAIRMAN JONES: That would be great.

MS. CARRINGTON: Okay.

CHAIRMAN JONES: Let's do it.

MR. GOURIS: Good morning.

MR. CONINE: Tell us your opinion now that you have this late-breaking news.

MR. GOURIS: $0.5 million helps a lot.

MR. CONINE: Does it change your recommendation?

MR. GOURIS: That by itself, we would be about $50,000 -- still $50,000 short from what we need, but the additional information with regard to the interest rate on the loans, being not 7 percent, but 6.35, I think, or
VOICE: 6.75.

MR. GOURIS: Excuse me?

VOICE: 6.75.

MR. GOURIS: -- 6.75, that would certainly improve the situation sufficiently.

MR. CONINE: Do you need a little time to analyze that?

MR. GOURIS: I don't believe I need any more time. I would prefer that any recommendations, or any approvals, that you all make be conditioned on us getting that documentation to verify that that's the case.

MAYOR SALINAS: I don't know if we have any authority. Check with our legal counsel. You know, it's amazing how things change all of a sudden. I just think we just need to go with the recommendation of the staff on the four items. So I move that as a motion on the recommendation of the staff.

CHAIRMAN JONES: Which as I understand it would be approval of two of the four. Correct?

MR. CONINE: No, just to deny this one.

CHAIRMAN JONES: Just to deny this?

VOICE: Yes, sir.

MAYOR SALINAS: No, just to deny this one,
CHAIRMAN JONES: Okay. So we have a motion to deny 03-421. Is there a second?

MR. CONINE: I'd like some more discussion.

CHAIRMAN JONES: I hear no second so the motion dies. We're still on, then, item 03-421. Mr. Conine wishes to discuss.

Mr. Conine?

MR. CONINE: Are you saying that if you're within $50,000 of making the deal right, then do you want to go huddle with the developer and see if you can find 50,000? Or are you saying that, no matter if you came up with the 50,000, that your staff recommendation would remain the same?

MR. GOURIS: Well, I don't know that our written recommendation can change. The fact is that they provided --

MR. CONINE: There's a good question.

MR. GOURIS: Well --

CHAIRMAN JONES: Let's just ask for your opinion, your personal opinion.

MR. GOURIS: My opinion is that with the reduction in the sales price in the property and with the reduction in the interest rate that they are now
proposing, or that they are now indicating is the appropriate interest rate, we would be within the tolerances that we need to be in to make an affirmative recommendation.

MR. CONINE: I'm going to move approval of the project, subject to staff getting confirmation of the $0.5 million price reduction, and the confirmation of the interest rate, and any other conditions that happen to be in there that would make staff uncomfortable, of the Empire -- what's the name of it?

MAYOR SALINAS: Empire Village.

MS. CARRINGTON: Empire Village Apartments.

MR. CONINE: Empire Village.

CHAIRMAN JONES: Okay. We have a motion. Is there a second?

MR. GONZALEZ: Second.

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

(No response.)

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

MR. CONINE: Aye.

MR. GONZALEZ: Aye.
CHAIRMAN JONES: All opposed, Nay.

MAYOR SALINAS: Aye.

CHAIRMAN JONES: The motion carries. We then will turn to, or still on item 3(d), but it is with regard to 03-422 and 03-426. Is there a motion?

MAYOR SALINAS: This is for the recommendation for approval?

CHAIRMAN JONES: Okay.

MR. CONINE: Yes.

MAYOR SALINAS: So moved.

MR. CONINE: Second.

CHAIRMAN JONES: We have a motion that they be approved. That's in accordance with staff's recommendation. It has been seconded. Further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries.

We then turn our attention to 3(e).
Ms. Carrington?

MR. BOWLING: Mr. Jones, I meant to sign up for public comment on this issue, not 3(f).

MR. CONINE: There's one more, Mike. You missed one.

CHAIRMAN JONES: Excuse me?

MR. CONINE: You missed one.

CHAIRMAN JONES: I missed one?

MR. CONINE: Longboat Key?

CHAIRMAN JONES: I thought we took those two together in the motion.

VOICE: Yes.

CHAIRMAN JONES: We took both of those together and approved them.

MR. CONINE: Excuse me.

CHAIRMAN JONES: Okay?

(No response.)

CHAIRMAN JONES: Excuse me? Somebody wanted to speak on something?

MR. BOWLING: Yes, Mr. Chairman, I'd like to speak on 3(e) as opposed to 3(f).

CHAIRMAN JONES: 3(e)? Okay.

MR. BOWLING: I'm Bobby Bowling.

VOICE: You didn't mark 3(e)?
MR. BOWLING: No, I just put 3. I'm sorry.

CHAIRMAN JONES: Okay. Excuse me. Mr. Bowling, please speak.

MR. BOWLING: I am Bobby Bowling and I'm coming to you representing my project, Diana Palms. For the third board meeting in a row, I'm bringing to your attention that I have the highest scoring project in the state. I'm the only project that scored 107 points in the 9 percent tax round. You got money back, under this agenda item, from the national pool in the amount of $600,000.

In your board book, staff, while they didn't go so far as to recommend forward commitments, they laid out two projects that they would recommend if you went that route. They didn't really assume that the money would come back, but I would assume that staff's recommendation would have been the same on re-pooled money. The $600,000 that you have would more than fund my project and partially fund the other project that's on the list.

With staff's recommendation, as I understand it right now, you're recommending that a partial funding of the project and Reserve at Las Brisas be funded. I would appeal to fully fund a tax credit project that's on the board in front of you. If you follow the staff's
recommendation for this re-pooled money, that would leave Region 13 as the only region in the state underfunded with tax credit projects still ready to go and qualifying.

If, I would like my comments to carry over to the next agenda item, if I can only speak on one of the two. If I am not in consideration for this re-pooled money, I would again appeal to your sense of fairness on the forward commitment allocation. You have no recommendations from staff on forward commitments, but I, in previous comments made by the board and by staff, you're use of forward commitments, I think the intent was to address special exceptions and special circumstances.

I think you have that, this year, in Region 13 with my project in El Paso. In Region 13, every project that got awarded was in a set-aside. It's the only region in the state that was treated that way. It was just a numbers thing, and I understand, but I think this is what forward commitments are for. I think, when you have a developer such as myself, that bends over backwards to meet the criterion in the QAP, and puts all the amenities, and forgoes all the additional profits by putting those amenities in, that in the spirit of the QAP and the awarding of the 107 points, should be not be overlooked.

My project will meet all the requirements of
Senate Bill 264, if that is a concern. I have broad community-based support for my projects. It's located in a section of the city that would be considered infill development. The high school down the street is under -- if you can believe this in Texas -- they don't have enough students to fill up the high school. They recently went from 5-A to 4-A because they didn't have enough students. So I think I meet all the criterion and the intent of Senate Bill 264.

Another concern that staff states in the board book is that they shy away from forward commitments because they don't want to create a situation like what happened in Austin this year, in Region 7, where all the money is forward-committed. My project asks for less than 9 percent of money that's set aside for Region 13 in El Paso. So if you funded mine in forward commitment, that would still leave over 91 percent, assuming all the numbers stay the same, for Region 13 in El Paso next year.

My project site has backup offers on it so I will not be able to resubmit this under the 2004 tax credit cycle. I can go firm on my contract. I can take down the lot. I have the ability to do so, overnight, as we control the interest that also owns the land, but without the forward commitment, this project will not be
resubmitted again next year.

And then, finally, well -- one other aside, at $59,000 a unit over the life of the tax credits, I think it's a very efficient use of your tax credit dollars, which I think is one of the goals of TDHCA, to try to get your subsidies into as many units on the ground as possible for affordable housing.

And finally, I agree with the recommendation of staff in the board book, that if you are going to award forward commitments, this is the project that really makes sense to award forward commitment on, and I think if you're going to go that route, Diana Palms is the fairest and makes sense to award. So, thank you.

CHAIRMAN JONES: Thank you, sir.

MR. BOWLING: Unless there's any questions?

CHAIRMAN JONES: Thank you.

Mr. Collins?

MR. COLLINS: Mr. Chairman, ladies and gentlemen of the audience and the board, my name is R.J. Collins. I reside here in Austin at 8455 Linden Lane. I'm here to speak to you today on Stonehurst in Beaumont, Texas, TDHCA 03-064. I'm here today to speak about the possibility of a forward commitment, and I spoke at the August board meeting, and we had members of the Beaumont
city had passed a resolution, and we also had the housing
economic development individual here to speak. In
addition, we had a representative speak on our behalf.

This project has been ongoing for three years.
This is the third time we submitted it as a 9 percent.
We have had strong city of Beaumont and the community
support all three years. As a matter of fact, we also
submitted it as a bond and received an allocation. We
didn't close. We had a TEFRA hearing. There is a sign on
the property, which has been up for two years, and we only
have people calling us wanting to know when we're going to
get started construction so they can move in.

I would like to point out a couple things. It
is in a redevelopment area. It's an entitlement area.
It's a QCT area. It's on the north side of the city.
There's one tax credit project that, as the crow flies, is
about nine-tenths of a mile away, that's occupied. It's
not the latest one. It's about four years old.

And the last thing I'd like to point out is the
capture rate in the city of Beaumont at this time is about
7 percent for this project. So we would appreciate your
consideration for it. Thank you very much.

CHAIRMAN JONES: Mr. Rice?

MR. RICE: (No response.)
CHAIRMAN JONES: Mr. J. Rice?

MR. RICE: This is on forward commitments?

CHAIRMAN JONES: No.

MS. CARRINGTON: That would be item 3(f).

CHAIRMAN JONES: Okay. We're still on 3(e).

We're getting a little ahead of ourselves here. Let's go back to 3(e) then.

Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. Item 3(e) is the discussion of the issuances of commitment notices for national pool credits for 2003 tax credits. In item 3(f), you will be considering forward commitments. So item 3(e), the state of Texas is eligible this year to participate in the national pool, and you become eligible for doing that if you allocate all of your credits, and there were 27 states that were eligible for the national pool. There was a little over $6 million and we have the second largest amount. California has the largest amount, which they received over a million, but we received $687,641, and I would like to commend staff and the board for allocating all of our credits and making us eligible for this national pool amount. This is really one of the largest amounts in a very large time. We've been getting like $30,000 or $40,000 back from the
national pool.

So what we have done is combined that with the balance of what was left after the '03 credits, which was about $39,000, and staff then looked at that, basically, newfound money, and looked at the applications on the waiting list that you all approved at the July meeting, and looked also at the regions around the state that were the most undersubscribed that still had eligible applications, and there were two of those regions that were undersubscribed and had eligible applications, and those were Region 3 and Region 13.

Staff listed for you -- our rationale was by listing Region 3 first, The Reserve II at Las Brisas in Irving, the rationale for listing that and then Diana Palms second, which is in Region 13, was that Region 3 was the most undersubscribed region, with Region 13 being the second most undersubscribed region, but, again, both of these developments also being the next developments on the waiting list in those two regions.

CHAIRMAN JONES: What's the pleasure of the board?

MAYOR SALINAS: The recommendation from the staff, I move.

CHAIRMAN JONES: There's a movement for the
approval of the recommendation of the staff. Is there a second?

MR. GONZALEZ: Second.

CHAIRMAN JONES: Motion has been made and seconded. Further questions, comments, discussion?

MR. CONINE: We understand exactly what we're doing here, because we don't know have enough monies to cover the credits required?

MS. CARRINGTON: That's correct. It will be $173,746 short if the credits are allocated to The Reserve II at Las Brisas.

MR. CONINE: Right.

MS. BOSTON: And if I may, actually that was a mathematical error on my part. I had subtracted from the national pool amount, not the total amount, which included the credits leftover from July. So the actual shortfall would be 34,421 --

MAYOR SALINAS: Not 173-?

MS. BOSTON: -- and I apologize.

MR. CONINE: So what happens in that scenario?

MS. BOSTON: What we're recommending is that -- generally, we'll get credits back before the end of the year, and we're recommending that whatever credits are the first ones back, regardless of region, would be given to
kind of fill up the rest of this deal, up to the 134,421 figure. However, we're also saying that if by December 15, if we don't have any more credits back, they will need to scale their development back enough to work with the credit amount that they have at that date and they'll need to carry over.

MR. CONINE: That's kind of tough, isn't it?

MAYOR SALINAS: Yes.

MS. BOSTON: It is. The alternative is something that would probably be tougher, which is to have a split allocation, because, I mean, the credits out there, obviously, we can't give them. The only other option would be, at that time, potentially, for the board, in December maybe, to go back and grant the difference out of '04 as a forward, but then that means that the applicant's under two QAP's, has two sets of deadlines. I just think that would be administratively messy as well.

MAYOR SALINAS: So you're saying it's not 173-?

It's 134-?

MS. BOSTON: Correct.

MS. CARRINGTON: Which is how much we would be short.

MAYOR SALINAS: How much that we would be short?
MS. CARRINGTON: We would be short, and the board did, last year, do this kind of scenario where we envisioned a split allocation and did receive enough credits back to actually be able to --

MAYOR SALINAS: Would it harm our way as far as the forward commitments be given to all the regions before? Are the commitments we made in July, or other commitments that we did, to catch the forward commitments on projects? Is this going to jeopardize the commitments we made before?

MS. CARRINGTON: No, sir. This is new money.

MAYOR SALINAS: This is new monies. Okay.

MR. CONINE: What if we would take a look at this thing, instead of on a regional basis, also with a set-aside basis? You know, we've had, historically, this argument with the rural, for instance, which we obviously know, or feel, that bond transactions don't occur in.

If you have extra money laying around, I would think that maybe the rural set-aside would take precedent over some small shortfall in regional allocation, albeit my own home region, but it would seem like we could do the state of Texas a little more good by taking the $600,000, or whatever it is, and spreading it around to several projects in areas where we know we have to have the full
advantage of the 9 percent credit, as opposed to what
you're proposing here. Can you comment on that?

MS. BOSTON: Sure. Our waiting list was
structured to have a waiting list for the rural set-aside.
Because we're fully committed within all of our set-
asides -- and we're actually over all of them, from the
board's action in July -- because of that, we didn't
necessarily feel that we needed to go to a set-aside.
The waiting list was structured around money
coming back from a particular development. So,
unfortunately, it wasn't really created in a way that
easily you could just plug in a national pool credit. For
instance, if a rural credit were returned, it most
definitely would go to the next rural deal.

MR. CONINE: Right.

MS. BOSTON: I mean, you know, whatever -- I
mean, it's fine either way. The next development on the
rural would be Victoria Place, which is for 362,988, which
would have been the next highest scoring on the waiting
list.

MAYOR SALINAS: So what you're saying, for us
to share it?

MR. CONINE: Well, rather than having a project
that's too big, you know, that splits, and we don't
have -- it's a huge gamble because they're taking the risk of more credits being returned back to be able to fill up their allocation, or possibly could scale the project back. I guess, could we hear from the developer to see if that could possibly happen before we have to make a decision?

MR. BOSTON: Yes, sir.

MR. CONINE: There's all kinds of extenuating circumstances, I think.

MR. BRUNER: My name is Jim Bruner and I represent the developer for this project, 03-094, which is The Reserve at Las Brisas, and this has all come really fast, as far as coming back and saying that this money is now available. We have gone through underwriting and have met the qualifications as far as underwriting is concerned.

Since we've been notified that there are these monies available, we have gone back to our mortgage division, which is the loan mortgage, and they have rerun the numbers with these credits available, and have upped the amount from our other financing through HUD to make the numbers work.

Now, we haven't had the opportunity to run that through, to make sure that we qualify in all the areas,
but from what I've seen scaling back and deferring our
developer fee to make those numbers work, tentatively,
looks like we can do that and scale back, but it's
tentative. I don't have -- I can't say for sure that it's
going to work, at this time, because I haven't had the
opportunity, or time, since it's just come on my plate
within the last week or so, but we are working in that
area, and I believe we can make it work --

MR. CONINE: Okay.

MR. BRUNER: -- with the numbers allotted.

Thank you.

MR. CONINE: Is staff proposing to fully fund
the El Paso project and then short-sheet the other one for
the difference?

MS. CARRINGTON: Staff listed their
recommendation by The Reserve II at Las Brisas first which
is Region 3, and then Diana Palms, El Paso, Region 13, and
our rationale for doing that was that Region 3 was the
most undersubscribed and then Region 13 was the next most
undersubscribed. So that was our rationale for putting
these as one and two.

MR. CONINE: Did you make a motion?

MAYOR SALINAS: Yes.

MR. CONINE: Is there a motion on the floor?
CHAIRMAN JONES: There is.

MAYOR SALINAS: I can go ahead and withdraw my motion if you could --

MR. CONINE: Well, I just want to fully understand your motion. Is it --

MAYOR SALINAS: Well, the recommendation from the staff --

CHAIRMAN JONES: We have a motion that's been made and seconded to approve staff's recommendation.

MAYOR SALINAS: Yes.

MR. CONINE: And is that to fully fund the El Paso project and to have a shortage in the credits for Las Brisas or not?

MR. CARRINGTON: No, sir.

MS. BOSTON: No, it is only to fund Reserve II at Las Brisas.

MR. CONINE: Okay.

MS. CARRINGTON: And there would be a shortage.

MR. CONINE: Okay. That way, El Paso doesn't get anything?

CHAIRMAN JONES: Does everybody understand the motion?

MR. CONINE: I understand the motion now.

CHAIRMAN JONES: Okay. Further questions,
comments, discussion?

(No response.)

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

MAYOR SALINAS: Aye.

MR. GONZALEZ: Aye.

CHAIRMAN JONES: All opposed, Nay.

MR. CONINE: Nay.

CHAIRMAN JONES: Motion carries.

Item 3(f)?

MS. CARRINGTON: You have some more testimony.

CHAIRMAN JONES: Oh, yes, I'm sorry.

Mr. J. Rice?

MR. RICE: Chairman Jones, board members, I'm J. Rice of Public Management. I have been called Jerry Rice before, never been accused of his football talent, though.

I am here speaking on behalf of the city of Willis. I'm the president of Public Management. We're planning consultants for the city of Willis and we have worked with them for 23 years. I have watched the city of Willis go from a town of 1,700 to 4,200 since 1980.

In that time, they have had no new multifamily
affordable housing in that community. The last new
multifamily affordable housing was done by USDA Rural
Development 515 program in the late 1970s.

The last three years, the Cricket Hollow
Apartments have applied for LIHTC credits to be placed in
the city of Willis. The city of Willis is a growing
community. It's around Lake Conroe, north of Conroe, and
as you know, Montgomery County is a fast-growing county in
the state of Texas.

This affordable housing is sorely needed. The
city of Willis is seeing a lot of deterioration,
dilapidation, in its housing, which was built mostly after
World War II. There is not a lot of new housing going in
and these people continue to flock into the community.

You have received letters from Senator Staples
and from Representative Rubin Hope supporting this
project, as well as from the mayor and several other
officials. There is a lot of community support for this
and we need this housing. I believe that Mr. Brian
Cogburn is going to speak on this, as far as the details
are concerned in a few minutes.

We would like your consideration in considering
this project in your forward commitments for 2004 because
we're getting a little frustrated, to be quite frank with
you. We do not have any indication that there's going to be any more 515 work done in Willis. It just has not happened. We think this is the only avenue for multifamily affordable housing in our community and we're hoping that we can get this funded in the 2004 commitment.

MR. CONINE: Can you refresh my memory as to the size of the project?

MR. RICE: No, sir. I don't know all the details. Mr. Cogburn may could tell.

MR. CONINE: Okay. Somebody else is coming?

MR. RICE: Yes, sir, he is coming.

CHAIRMAN JONES: Mr. Cogburn, do you want to take a shot at it now?

MR. COGBURN: Brian Cogburn, Cricket Hollow Partners, L.P. To answer your question, the project is 176 units, of which 150 units are low income housing tax credit units and 26 units are market units.

MR. CONINE: Okay. Thank you.

CHAIRMAN JONES: Okay. Sir, do you want to speak?

MR. COGBURN: Sure. That'd be great. Just very briefly, I think the board's very aware of the history on this property, the overwhelming community support. The project has been underwritten by staff and
is very feasible.

In 2001 and 2002, the project probably would have gotten staff recommendation if it hadn't been for some point reductions. In 2002, we lost eight points based on one 30 percent unit, that how staff interpreted and I interpreted the QAP with regard to the Montgomery County Housing Authority, and I would just appeal to you to say, it's the right time and it's the right thing to do to grant this application for 2004. Thank you.

CHAIRMAN JONES: Thank you, sir.

Mr. Mark Mayfield?

MR. MAYFIELD: Good morning. I appreciate the opportunity to come before you again on behalf of application 03-168 that was submitted in Region 7, Kingsland Trails Apartments out in Llano County. It's, again, a part of Region 7. Region 7 was zeroed out this year, due to forward commitments in the amount of just shy of $2 million.

Our applications, which happened -- it was the highest scoring rural application this year that has not received recommendation. We scored a 95 on our application and one of the things I would strongly urge the board to consider is this. Region 7 is the only region, again, that was zeroed out due to forward...
commitments.

I humbly ask that if the board would recommend a forward commitment for this project. It's less than $400,000. The two forward commitments granted to the Austin area this year were just, again, shy of the $2 million mark, and for our application to not be able to be counted worthy to receive a forward commitment due to forward commitments that were given. We thought, by principle, we would go ahead, knowing that the region was zeroed out. By principle, we would go ahead and submit our application because we have a good application. It scored well.

To not be able to receive a forward commitment because of forward commitments, it's almost like getting hit twice before you ever get in the ring. I would strongly urge your consideration for this forward commitment to that property.

I'm very involved with that property myself, as the director of the Housing Authority in Marble Falls, and can promise you that the work that is being done there is credible work, and I appreciate your support to that. Thank you.

CHAIRMAN JONES: Thank you, sir.

That brings us, then, I think, to Ms.
Carrington, 3(f).

MS. CARRINGTON: Thank you, Mr. Chairman.

MR. BOWLING: Chairman Jones?

CHAIRMAN JONES: Yes?

MR. BOWLING: Could I speak one more time with new information on 3(f), on Diana Palms?

CHAIRMAN JONES: Please, be very brief.

MR. BOWLING: Just 30 seconds.

CHAIRMAN JONES: Thank you.

MR. BOWLING: I just want to point out -- and I'm sure Ms. Carrington would have -- now Region 13 is the only underfunded region for 2003 tax credit cycle, and you've awarded with testimony from a developer who is not even sure if he can make it on the other commitment. I just wanted to reiterate my project's ready to go. I have control of the land. I have my financing in place. I'm ready to go on Diana Palms --

CHAIRMAN JONES: Thanks.

MR. BOWLING: -- for forward commitment.

CHAIRMAN JONES: Thank you. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. Item 3(f), issuance of 2004 commitment notices for housing tax credits for forward commitments -- what you see behind this tab is staff's recommendation, and the rationale for
our recommendations, and that is due to the substantial
number of changes in the qualified allocation plan as a
result of Senate Bill 264.

Dividing these regions, these 13 regions now
basically into 26, because of the rural-urban, exurban
definition, and because of the situation -- as it has
already been mentioned, it happened in the Austin region
last year, where, with the two forward commitments, it
zeroed out any additional money this year for Austin --
staff is not recommending forward commitments.

However, the board may do as they wish --

MAYOR SALINAS: Do you think so?

MS. CARRINGTON: -- as it relates to forward
commitments.

MAYOR SALINAS: Do you think so?

MS. CARRINGTON: Mayor, I just had to give you
that opportunity.

MAYOR SALINAS: Let me ask the counsel over
there if we can go ahead and do that.

MS. CARRINGTON: No, I can answer that for you.

Our qualified allocation plan says --

MAYOR SALINAS: Well --

MS. CARRINGTON: -- that the board may, in
their discretion, issue forward commitments.
MAYOR SALINAS: Okay.

MS. CARRINGTON: So, we wouldn't trick you on this one. I promise.

MR. CONINE: Could I get a clarification of some of the public speakers we've had today on the size of those deals, because I know you're saying it's in front of me, but it is sure small?

MAYOR SALINAS: Yes, I can't read them.

MS. CARRINGTON: Okay.

MR. CONINE: And so, what are the credits on the Willis deal, Brooke, or Ms. Carrington, either one?

MS. CARRINGTON: I think we'll both just look and whoever gets there first.

MS. BOSTON: The credits on the Willis deal would be $871,110.

MR. CONINE: And the Hope 6 project, Frazier Courts?

MS. BOSTON: So, with the -- it's not in here --

MR. CONINE: Okay.

MS. BOSTON: So the requested amount is 452,374.

MR. CONINE: Okay.

MS. BOSTON: And obviously, we would want it
conditioned on acceptable underwriting.

MR. CONINE: And those on Sixth Street, what's that?

MAYOR SALINAS: Sixth Street are how much? I mean, I didn't bring my glasses and they are so small.

MS. BOSTON: I'm sorry. The Villas on Sixth Street is for $1,072,039.

MR. CONINE: Do you know what the situation is on the land transaction on the Villas of Sixth Street? I mean, can they hang on to next year, or do you know?

MS. BOSTON: I don't know.

MAYOR SALINAS: I thought we had given them a forward commitment?

MR. CONINE: No, I don't think so.

MAYOR SALINAS: No? But we had talked about it?

MS. CARRINGTON: No, the board has not made any forwards.

CHAIRMAN JONES: Did somebody wanted to answer Mr. Conine's questions?

MS. CARRINGTON: Yes.

CHAIRMAN JONES: Certainly, please come.

MS. CARRINGTON: The developer is in the audience.
MR. CAMPBELL: Mr. Chairman and board members, Terry Campbell, Campbell-Hogue and Associates. Unfortunately, East Austin has, shall we say, kind of caught fire in the past year or so and, frankly, I know that the owner would just as soon do something of a maybe for sale nature, or something else, on that particular property. So to answer your question, we'd have a very difficult time in maintaining the control of that land, of that site, to go through the next year's credit round.

CHAIRMAN JONES: Thank you, sir.

MAYOR SALINAS: What they're saying is what?

MR. CONINE: They're saying it will go away.

MAYOR SALINAS: It's got to be done?

MR. CONINE: Yes, it will go away, which I would expect him to say.

MS. CARRINGTON: It's got to be done.

MR. CAMPBELL: With a straight face on, I try.

VOICE: Could I say something, Mr. Jones?

CHAIRMAN JONES: Have you signed a witness affirmation form?

VOICE: No, but --

VOICE: No, you mentioned something about forward commitments, and in the previous board meeting for the Palacio del Sol, there was a motion by the board.
MAYOR SALINAS: Yes, on Palacio del Sol, we made a forward commitment.

VOICE: That's the only thing I wanted to say.

MS. BOSTON: And I can actually --

CHAIRMAN JONES: Thank you.

MS. BOSTON: In the July board transcript, they had had an appeal, and the motion that Mr. Salinas made was that the board deny the appeal, but that they would be considered for a forward commitment at the September board meeting.

CHAIRMAN JONES: Yes, I understand, and that was noted at our board meeting.

MR. CONINE: What size was that project? The reason I'm focusing on size, I don't want history to repeat itself.

MS. CARRINGTON: Palacio del Sol is $1,096,828.

MR. CONINE: Geez.

CHAIRMAN JONES: Thank you.

MR. MAYFIELD: Mr. Chairman?

CHAIRMAN JONES: Yes, sir?

MR. MAYFIELD: Our rural application is now 444,000 and 3168 [phonetic] of the comment that I just had --

CHAIRMAN JONES: Thank you. What's the
pleasure of the board?

MS. CARRINGTON: As the board is deliberating, I'll give you a chance to think another couple of minutes. Should you all decide to do forward commitment notices today, before those commitment notices are issued, all of these developments will undergo a review based on the 2004 qualified allocation plan. So you have heard several of the speakers say that they believe they're going to qualify in 2004, and indeed they may, but staff will be reviewing each of them to make sure that they are eligible.

MAYOR SALINAS: Well, one thing that I have seen is that Austin has made a lot of efforts on Sixth Street. So I would like to recommend Sixth Street here in Austin.

Palacio del Sol -- and I don't know how El Paso would come in right now, but I think El Paso would be another one that I would recommend.

CHAIRMAN JONES: So --

MR. CONINE: What are the scores on both of those, Brooke?

MS. BOSTON: On the Sixth Street, excuse me, it scored an 84. The deal above it was the Kingsland deal that was spoken about and it had a 95.
MR. CONINE: Okay.

MS. BOSTON: The other one you asked for was?

MAYOR SALINAS: Palacio del Sol.

MS. BOSTON: That was the next highest scoring development in the region, with 96.

MAYOR SALINAS: Ninety-six?

MS. BOSTON: So it was next on the waiting list.

CHAIRMAN JONES: So let me make sure I get the motion correctly. The motion made by the mayor is that we approve the forward commitment, Palacio del Sol first and then, secondly -- what's the name of the El Paso?

MS. BOSTON: Diana Palms.

MR. CONINE: Diana Palms.

MAYOR SALINAS: Diana Palms.

CHAIRMAN JONES: Diana Palms. So we have a motion on the floor that Palacio del Sol and Diana Palms --

MAYOR SALINAS: And Sixth Street.

CHAIRMAN JONES: -- and Sixth Street --

MS. BOSTON: And Sixth Street.

CHAIRMAN JONES: -- the Villas on Sixth Street --

MAYOR SALINAS: The Villas on Sixth Street.
CHAIRMAN JONES: -- okay -- be approved for 2004 forward commitments. So those three be approved for 2004 forward commitments. Is there a second to that motion?

MR. GONZALEZ: Second.

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

Mr. Conine?

MR. CONINE: What did Willis score?

MAYOR SALINES: Willis -- would we have room for Willis because I know we kind of talked about that the last time?

MS. BOSTON: Willis scored 98 and just for comparison purposes, there are other developments that scored above it in that region that were not funded.

MR. CONINE: I'd ask the mayor if he would amend his motion to include the Kingsland project and the Willis project.

MAYOR SALINAS: I'll amend it.

CHAIRMAN JONES: Motion has been amended and second has been made to the motion. Does everybody understand the motion?

(No response.)

CHAIRMAN JONES: I think so.
MS. BOSTON: If I may just comment. With the approval of Kingsland and Villas, we are probably leaving Region 7 with no funds for '04. I'm just putting that out.

MAYOR SALINAS: Well, but Sixth Street would be included on this motion.

MS. BOSTON: I'm just commenting.

MAYOR SALINAS: Yes.

MS. CARRINGTON: That both of those are in the same region. And so, what you're going to have next year is the same situation, and that when the allocation amounts come out, that this region will have zero dollars available for new applications for next year.

MAYOR SALINAS: Well, you said that we have that authority and we made the motion.

MS. CARRINGTON: Yes, sir, you do.

MAYOR SALINAS: So now, you're trying to tell me something else that I don't want to hear.

MR. CONINE: The difference this time would be that the project wouldn't go to Austin. It would go to other areas in the region. Whereas last year, or whichever year you want to talk about, the projects went in the city of Austin and --

CHAIRMAN JONES: I think --
MR. CONINE: I guess Sixth Street's in Austin.

MAYOR SALINAS: Yes, it is.

MS. BOSTON: You're doing roughly two-thirds of next year's allocation would be to Austin, and then the remaining would be going to the Kingsland, which obviously would probably fall into the rural split of next year's allocation.

MR. CONINE: Right.

MS. BOSTON: So you'd pretty much be covering it all.

MS. CARRINGTON: Use it up.

CHAIRMAN JONES: We have a motion on the floor and it has been seconded. Further questions, comments, discussions?

MR. PALMER: [inaudible]

CHAIRMAN JONES: I'm sorry, sir. We've begun to debate the motion and the time for public comment -- unless for some reason, you turned in a slip, and I didn't see you, on this agenda item, and Delores and I have made a mistake, then I'll let you speak.

MAYOR SALINAS: I'll call for the question on the motion.

MR. PALMER: I had already spoken.

CHAIRMAN JONES: Okay. Thank you, sir. Once
we start debating a subject, our rule is that we take no further public comment.

Okay. Yes?

MS. BOSTON: I guess I just wanted to mention, there may be a few people in the crowd who know that our interpretation of the 1.6 rule was by application round and one of these would have violated that. However, because it's after September 1, and they are all under that 2004 QAP, the new limit is 2 million and none of them violate the 2 million. So I just want to kind of set that straight for the record.

CHAIRMAN JONES: Thank you. We have a motion on the floor, it's been seconded, and the Mayor has called the question.

Ms. Carrington, you appear you want to speak.

MS. CARRINGTON: I would like to ask that the names of the developments be read --

MAYOR SALINAS: Yes.

CHAIRMAN JONES: Sure.

MS. CARRINGTON: -- and included in this motion for forward commitments.

CHAIRMAN JONES: Okay. My understanding is it's the Villas on Sixth Street, it's Palacio del Sol, it's Willis, it's the --
MAYOR SALINAS: El Paso.

CHAIRMAN JONES: -- El Paso, which is the Palms --

MAYOR SALINAS: Diana Palms.

MS. CARRINGTON: Diana Palms.

CHAIRMAN JONES: -- Diana Palms. Those are the four.

MS. CARRINGTON: And Kingsland Trails.

CHAIRMAN JONES: And Kingsland Trails. So we're now up to five?

MS. CARRINGTON: Five transactions.

MAYOR SALINAS: Six.

MR. WITTMAYER: Mr. Chairman, I want to share with you that you ought to consider --

CHAIRMAN JONES: Five.

MR. WITTMAYER: -- the Frazier Projects. I don't know if that's been overlooked purposely or not.

CHAIRMAN JONES: I think it's been purposely. We have five.

Edwina, would you read them again because I'm not writing this down as I'm speaking.

MS. CARRINGTON: Yes, sir. The Villas -- Mayor says, Villas --

MAYOR SALINAS: The Villas.
Ms. Carrington: -- the Villas on Sixth, Palacio del Sol, Cricket Hollow, which is the Willis transaction, Kingsland Trails, Diana Palms --

Mayor Salinas: Yes.

Ms. Carrington: -- those are the five I got.

Chairman Jones: And the mayor's motion is that those five items be approved as forward commitments for the 2004 round. It has been seconded by Mr. Gonzalez. We have five before us. Are there further questions, comments, discussions on the motion which the mayor has called for a vote on?

(No response.)

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

(A chorus of ayes.)

Chairman Jones: All opposed to the motion, please say, Nay.

(No response.)

Chairman Jones: The motion passes.

We will then turn to item 4 on the agenda and we have a number of speakers on item 4. The first one is Ms. Nell Richardson.

Ms. Richardson: Could we wait until three
under that item, the multifamily?

    CHAIRMAN JONES:  Barry Halla?

    MR. HALLA:  Chairman Jones, members of the
    board, Ms. Carrington, actually my comments are also on
    number 3 of item 4, under a, but I'll go ahead and give
    those comments now.

    CHAIRMAN JONES:  Thank you, sir, appreciate it.

    MR. HALLA:  We were disappointed to find out
    that we were not on this recommended list.  We believe
    that we have answered the questions of staff now.  We were
    the highest scoring HOME application.  This is a bond 4
    percent transaction that needs the HOME funds to make it
    work, and as you know, on a bond 4 percent transaction,
    time is very much of the essence.

    We would respectfully request that you could
    approve 2003-0354, with staff having the authority to
    approve all of our -- that they've had their questions
    answered.  I know we're not an agenda item -- we're not
    listed -- but time is really tough on these bonded 4
    percent transactions.

    CHAIRMAN JONES:  Thank you.

    MR. HALLA:  Thank you.

    CHAIRMAN JONES:  Joy Horak-Brown?

    MS. HORAK-BROWN:  Would you mind if I waited
until item 3. I'll go ahead if you want.

CHAIRMAN JONES: No, that's fine.

MS. HORAK-BROWN: Thank you.

CHAIRMAN JONES: Mr. Willie Carter?

MR. CARTER: Good morning, Mr. Chairman, board members. I'd like to bring Mr. J. Rice forward with me, please.

CHAIRMAN JONES: Mr. Rice?

MR. CARTER: Yes.

MR. RICE: Mr. Chairman, we'd like to make this as a joint presentation. We are both signed up if that's okay.

MR. CARTER: Is that okay?

CHAIRMAN JONES: That will be fine.

MR. CARTER: Thank you. We'll let J. go first.

MR. RICE: The city of Cleveland applied for the owner-occupied -- for the record, I'm J. Rice with Public Management and we're a planning consultant for the city of Cleveland also. The city of Cleveland applied under the owner-occupied housing program, through the HOME program, and I want to try to make this as simple as I can, but in your packet, you've seen that there's a general set-aside and a special needs set-aside for owner-occupied. They applied under the general set-aside.
When the scoring was done, there were several communities, such as the city of Bay City, that applied for both special needs and owner-occupied. Staff decided that $500,000 was the limit that any community could have. For example, the city of Bay City applied for $500,000 in each category. So they applied for $1 million. Well, in the scoring the staff had to decide how to allocate that $500,000. So they decided to take the general set-aside and fund the city of Bay City and the city of Palacios. These communities scored higher than the city of Cleveland.

What that effectively did was it knocked the city of Cleveland out of the funding. We had thought that we had got funded, but some mistakes were made on the first round, and I believe you understand that, and they had to re-score some applications, and so, coming back the second time, it was knocked out of the funding, and this new allocation formula completely knocked them out because of the communities such as Bay City and Palacios were funded under the general set-aside.

Well, what transpired there was that, because of that, special needs programs that were under the same scoring system that scored lower than the city of Cleveland leapfrogged Cleveland and were funded. Well, we
inherently think that that's unfair, but we're accepting
the staff's position on this because they had done an
incredible amount of work and they have -- it's a
difficult system. We think that the scoring system is
flawed somewhat and that they do need to revisit it, and
we had these discussions with them, and I think that they
probably understand that now. And so, we are accepting
their scores.

We're going to propose a solution, though, that
we think would be fair to the city of Cleveland and some
other communities that this happened to in the state of
Texas, and Mr. Carter's going to explain that.

CHAIRMAN JONES: Thank you, sir.

MR. CARTER: Thank you. My name is Willie
Carter, and I'm the mayor pro-tem for the city of
Cleveland, and I'm learning this process as we go, and
I've learned a great lesson this morning, but what the
city of Cleveland and the council realize is that --

CHAIRMAN JONES: Oh, I'd hate to ask what you
learned. Anybody brave enough to ask that?

MR. CONINE: No.

MR. CARTER: I've learned a great lesson from
the mayor sitting there, I'll tell you, but when I grow
up, I'm going to be just like you, Mayor.
CHAIRMAN JONES: There are a lot of us to say that.

MR. CARTER: That's a great honor, but because of the method that the staff has devised, we feel that the needs, and the special needs, that the city of Cleveland has should be granted. What we did, through our investigation, we found that there were five other applicants that were passed over with lower scores in the same application process in Region 4. The applicants, as well as the city of Cleveland, had their expectation raised and lowered. In other words, we realize that we were once told that we had the monies and the funds to do what we needed to, then we found later that we didn't have them.

And, as an elected official, you can imagine the number of phone calls that I'm getting on a daily and a nightly basis, more nightly than daily because that's the only time they can catch us home, explaining to our elderly, which is the ones that have the greatest need, as to why we do not have the funds.

The city of Cleveland -- we're not asking the board to change the funding distribution, but we realize that the staff tried to be consistent, and that they have been consistent with the work that they've done. However,
we're asking you to be fair. The six applicants made
great efforts to put together these applications and to
score as high as possible, only to be passed over by
people with lower applications and lower scores.

The board has made it a policy to first use
derobligated funds to fund appeal applications. So the
city of Cleveland is requesting that you make good on your
policies and use the deobligated money now and in the
future to fund the first six applications. We have
observed this morning that you have done some forward
commitments and we're going to thank you in advance for
forward commitment to the city of Cleveland for this
project that we so greatly need.

MR. RICE: Mr. Chairman, I'd like to point out
that those other communities were in Region 4 --
CHAIRMAN JONES: Right.
MR. RICE: -- the city of Avery and Lamar
County and then, in Region 8, the cities of Blum,
Coolidge, and Temple.

CHAIRMAN JONES: And Temple.

MR. RICE: There were five other communities
besides Cleveland that had this leapfrog happen to them.
We feel like you can take this deobligated money and fund
these applications, and we think that would be the fairest
thing that you could do with these HOME program funds under the owner-occupied program. Thank you.

CHAIRMAN JONES: Thank you. Thank you, Mr. Carter.

MR. CARTER: Thank you.

MAYOR SALINAS: This is for first time homebuyers?

MS. CARRINGTON: This was for owner-occupied.

MAYOR SALINAS: Owner-occupied, I'm sorry.

CHAIRMAN JONES: This is item -- we'll then turn to item 4(a)(1). Is that right?

Ms. Carrington, I'll turn it over to you.

MS. CARRINGTON: Yes, sir. That's correct.

What we have in front of the board this morning is a duly filed, timely appeal from the city of Cleveland. They had applied for HOME funds and their activity under the HOME program was owner-occupied housing, and that is a rehabilitation program that we do under the HOME program.

The board made the awards for this program, for this activity, on July 30 of this year. These are the awards that, as you all heard earlier, had originally been on the June board meeting, scheduled for the June board meeting, and the awards were postponed until July.

The city of Cleveland was one of the cities
that was harmed by the analysis that staff had done and as we went back and reworked our scoring, then the applications in the special needs set-asides were funded and there was no money left for the city of Cleveland.

I did hear a couple of things that I feel like need to go on the record. Staff did not decide that the amount would be $500,000 per activity. That is in the rules. The city of Cleveland was recommended in June on the board agenda, but the board did not take action on the activities of the city of Cleveland. The city of Cleveland was the only community, of all of the ones that were harmed, that did file an appeal with the agency, and the staff is recommending that this appeal be denied.

MAYOR SALINAS: I'm not going to say anything.

CHAIRMAN JONES: Ms. Carrington, do you want to comment on his suggestion about deobligated funds going there first and his proposed list?

MS. CARRINGTON: Yes, sir. I think that's two parts. They're absolutely correct in that there is a policy of the board that deobligated funds will go first to satisfy any appeals that the board does grant.

MAYOR SALINAS: Do we do that?

MS. CARRINGTON: The second part of it is it would be, I would think, highly unusual for the board
to -- in the other five, or the other six, did not appeal. However, they were all communities that were harmed by having lower scoring transactions and we met the set-asides first. So even though they didn't appeal, it might be the equitable thing for the board to do.

MR. CONINE: What's your sense of the timing of the deobligated funds? Do you have any sense there?

MS. CARRINGTON: We actually have some funds left in one of the regions and I'll ask Eric Pike to come up. We have some funds left in one of the regions that I believe I've asked Eric to look at this, anticipating this question, to see how much -- if all of these cities were included and benefitted by the city of Cleveland's appeal, how much that would be for.

MR. PIKE: Okay. Eric Pike, director of single family. There is an agenda item after this one, an appeal which we are recommending. Should you take action to approve it, we are asking that the monies to fund that project be taken out of Region 11. Region 11 is a region that we funded every project in that we could possibly fund and we still had monies remaining.

That being said, if the item after this topic is taken up and approved, we would have $509,507 remaining in Region 11. Should Cleveland be fully funded -- they
had originally requested $500,000 -- typically, an applicant is given 4 percent on top of that for administrative funds, so that would be 420,000. So there wouldn't be quite enough to take out of Region 11 to fund that.

I would like to point out Cleveland was originally recommended for 234,166. The reason in that reduction from the 500,000 was primarily due to the fact that I believe they tied with either another entity or that's all the funds that we had remaining at that time.

In regards to the other communities who did not appeal, Lamar County, city of Avery, city of Plum, city of Coolidge, and city of Temple, those projects, just for the record, including the city of Cleveland, total $2,367,000. With a 4 percent administrative fee tacked onto that of $94,680, we would be looking at a total amount 2,376,468.

MAYOR SALINAS: But if they didn't appeal, do you still want to --

MR. CONINE: They didn't appeal.

CHAIRMAN JONES: Do we have the funds to do that?

MR. CONINE: What we've got is a little over 500,000 is what I'm hearing.

MS. CARRINGTON: We have a little over 500,000
right now --

MAYOR SALINAS: Yes.

CHAIRMAN JONES: So we can't do it?

MS. CARRINGTON: -- but we do have some
deobligated funds.

CHAIRMAN JONES: But would it be enough to do
that? I mean, it doesn't sound like it.

MAYOR SALINAS: Could we just help Cleveland?

MR. CONINE: Work me through the 234 number
again. Did they just --

CHAIRMAN JONES: Well, I mean, I have two
questions --

MS. CARRINGTON: Yes, sir?

CHAIRMAN JONES: -- because I think we can jump
through this a little quicker. Number one, we can't do
what they suggest because it's not on the agenda. Right?

MAYOR SALINAS: But the appeal is on the
agenda.

MS. CARRINGTON: The appeal, yes, is on the
agenda.

CHAIRMAN JONES: Yes, but the appeal is limited
to Cleveland, right?

MS. CARRINGTON: The city of Cleveland,
correct.
MR. CONINE: Right.

MS. CARRINGTON: They are the only one that filed an appeal.

CHAIRMAN JONES: So we can't do what they've suggested, even though it might be equitable, because it's not on the agenda. Right?

MAYOR SALINAS: How much can we help them on the appeal, if we have the authority?

MR. CONINE: Up to the money we have.

MAYOR SALINAS: Can we do that?

MS. CARRINGTON: Yes, sir.

MAYOR SALINAS: I mean, if you have somebody coming over to appeal it, that means they care for their little community. I mean, the other people didn't appeal it. Apparently, they don't care.

I think that we should go ahead and, if we do have that discretion, you know, we go ahead and help them with some money on the appeal, whatever you can recommend us to approve.

CHAIRMAN JONES: Can I take that, then, Mayor -- I would take that as a motion that the appeal of the city of Cleveland, number 2003-0140, be granted, that we approve that appeal. That's your motion. Is that correct?
MAYOR SALINAS: Well, I don't know if we have --

MR. CONINE: We need an amended amount.

MAYOR SALINAS: I don't know if we have the authority to do that, but if we do --

MS. CARRINGTON: Yes, sir, you have the authority.

MAYOR SALINAS: Okay. Then I move that we go ahead and approve the appeal.

MR. CONINE: What would be the amended amount, though, to match, so we don't run out of money?

MR. PIKE: I would suggest that we use the remaining funds in Region 11, which would mean that the total award, that would include project costs and administrative costs -- and I don't know what that breakdown would be here --

MR. CONINE: Right.

MR. PIKE: -- but it would not exceed 509,507 --

MAYOR SALINAS: Yes.

MR. PIKE: -- because that's how much you would have available.

MR. CONINE: Would you accept that?

MAYOR SALINAS: Yes, I would accept that.
MR. CONINE: Great.

CHAIRMAN JONES: So we have a motion.

MR. CONINE: I second.

CHAIRMAN JONES: Okay. We have a motion on the floor and it's been seconded. I would just say this, I think that --

Penny, did I do something wrong?

COURT REPORTER: Did Kent second?

CHAIRMAN JONES: Yes, it was Conine. He'll second anything. If you ever need one, just write Conine's name down. It's no big deal. That was just a joke.

The only comment I'd make is I appreciate them coming up with an equitable recommendation, but, as the chair, I don't think that can be acted on, because it's not on the agenda. So anyway, moving on, that's the motion, any questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)
CHAIRMAN JONES: Motion carries. We will then move to item (a)(2) on the agenda.

MS. CARRINGTON: Thank you, Mr. Chairman. And Eric, you can just stay up here. This is an appeal from the same round of funding that the staff is recommending that the board approve. They have requested 112,500 and then 4 percent for admin.

This application was one where the staff was not clear as to whether their match requirement was actually eligible or not and once we got additional information, the applicant clarified how the match was going to be met, and so staff has determined that this application for a total of 117,000 from Housing Plus be recommended for funding.

MR. CONINE: Move for approval.

MAYOR SALINAS: Second.

CHAIRMAN JONES: We have a motion for approval that staff's recommendation that's been made and seconded. Any further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)
CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries.

We will turn to item 4(3) and we do have some public comment on that. Mr. Seawell?

MR. SEAWELL: It's me.

CHAIRMAN JONES: Great. Good morning.

MR. SEAWALL: Good morning, Chair, members of the board. I'm Jesse Seawall. Seawell is how you spell it --

CHAIRMAN JONES: Oh, excuse me. I'm sorry.

MR. SEAWALL: -- but I've been hearing that all my life. That's okay. I come to you all with a straight face.

CHAIRMAN JONES: Is it S-E-A?

MR. SEAWALL: It's like Seawall, but you pronounce it Seawall.

CHAIRMAN JONES: Okay.

MR. SEAWALL: My parents told me that anyway.

CHAIRMAN JONES: Okay. Thank you.

MR. SEAWALL: So anyway, I'm the executive director of Multi-Resource, Inc., CHDOs [indiscernible] in Fort Worth and we got a housing trust fund program, or development, done about seven years ago, did a TDRA three
or four years ago, then we had the high score on the CHDO application this time, on our first time with you all. For that, we're very appreciative.

Staff's been really willing to work with us on getting any problems worked out or whatever. And so, the problem with our project, which is very -- it's an integrated project. It's the first integrated project with HUD 811 [phonetic] money in the entire United States. So it's a very badly needed project, but my construction costs were $300,000 higher than you all's. I had an estimator do one take off, like the application required, plus I had a contractor do another here about a month ago. I've given both of those to staff and they were within $30,000 of each other.

So I'd just like to have -- you know, they've got the funding amount here, but I'd like to have some kind of leeway so we can get the job bid and everything, and then, if I need more money, to come back and renegotiate the amount we're given.

And then, the financing terms, our revenue's not going to be as much as they said it was in underwriting. I've given the staff more information this morning. So they hadn't really had time to review it yet, but the terms of financing aren't really going to work
either. So I just want a little more time to review it or
do whatever I need to do to get the project done. I just
want to do the project is all I really want to do.

CHAIRMAN JONES: Thank you, sir.

MR. SEAWALL: Thank you all.

CHAIRMAN JONES: Mr. Tom Stacy?

MR. STACY: Mr. Chairman, board members, Ms. Carrington, thank you for letting me address you again
this month. I'm the volunteer president of CODGE Community Inc., with a project that's in underwriting for
HOME monies, that we've asked for, and we really are very appreciative with the staff's cooperation and help in
helping us get it through this process.

We, too, are trying to learn this process and
do all the things in the right way. Underwriting -- we
did not meet underwriting requirements because we needed some beefing up of our financial letters, letters of financing, and some additions to our plans.

I think you heard this morning, in public comment, from Paul Hilgers, the executive director of the Austin Housing Finance Corporation, and he expressed the city of Austin's commitment to help this project, and we have a letter from him stating that as well, that we expect to get the $500,000 from then, and then we've also
kind of rushed around and got a letter from Compass Bank that we're in their underwriting process and they can have that turned around before you meet again.

Our plans are in process and they can be in such order that I believe underwriting can approve them as well. So our request is that you consider sending this back to underwriting to give us a few more weeks to get some additional information to staff and see if we can meet those requirements, rather than falling out of the system, just that we go back to underwriting and have a chance to get some more information to them so you can act on it next month.

CHAIRMAN JONES: Thank you, sir.

MR. STACY: Thank you.

CHAIRMAN JONES: Mr. Walter Moreau?

MR. MOREAU: Can Joy go first?

CHAIRMAN JONES: Sure.

MS. HORAK-BROWN: If I could speak first, I have with me also --

CHAIRMAN JONES: You're Horak-Brown?

MS. HORAK-BROWN: Yes. Nell Richardson and Walter Moreau. Thank you very much.

CHAIRMAN JONES: You're welcome.

MS. HORAK-BROWN: I was here in July and spoke
with you along with board chair Mac Fowler, and I'm back again today to remind you who we are. My name is Joy Horak-Brown. I'm the executive director of New Hope Housing and NHH Canal. We were incorporated New Hope Housing ten years ago.

In the last nine years, we have raised almost $9 million in private and public grants. Our properties carry no debt. We've been operating property for eight and a half years. We have operated in the black every year and we will do so again this year. We are an experienced nonprofit developer. We are solid. We have a CHDO board and enormous support in the Hispanic east end, where we wish to build now.

We build supportive housing for individuals with very low incomes who live singly. They may be married, but for whatever reason, at the moment, they are living alone. The need is dire. The last property of our type that opened in Houston, Texas, all 100 units rented in eight hours. Our concern is that there will need to be a lottery when our property opens.

I bring to you today a challenge. I'm ready to dig in the dirt now. We're challenged in underwriting because your underwriting for 2003, as you may realize, is not really conducive to supportive housing that carries no
debt. Our underwriting report, which will be before you next month on appeal, does provide for conditions that we may meet so that you can address, and I hope favorably at that time. I believe if the underwriter stood now, he would tell you we have met those conditions.

So I'm here to remind you who we are, because I'll be back, and also to ask you one other matter.

Would it be possible for you either to make a motion, or at least to informally instruct staff, to run us through the 2004 hoops and see what that result might be. I believe that result would inform your ability to decide about us next month.

CHAIRMAN JONES: Thank you, ma'am.

Ms. Nell Richardson?

MS. RICHARDSON: Thank you. I'm Nell Richardson. I'm vice president and chair of the development committee for New Hope Housing and NHH Canal. I'm an attorney who retired recently so I'd have more time to do this kind of fun thing.

CHAIRMAN JONES: I wouldn't say that today.

MS. RICHARDSON: I have been a member of the New Hope board since it was founded in 1993. New Hope was founded by Christ Church Cathedral, which is the oldest congregation in downtown Houston. We're very committed to
the social outreach projects and have many others that have grown out of Christ Church.

My main purpose -- I want to call your attention to the fact that you have some materials that we put together for you and if you would look at them more closely at your leisure. The first thing is a picture which will show you that we are a CHDO project; community support in downtown Houston and we're ready to shovel dirt as soon as we can get the money. We do have big support there.

Also in this material it shows you the documentation of the almost $9 million we have raised in the last nine years. It shows you the documentation of the 4.5 million we've already raised for this project and if we can get your approval, we will be able to start the project.

We also have in this material a resolution of the board of directors which addresses the concern of the staff about a possible operating shortfall. This board of directors is prepared. We have an experience in raising the funds and, to the extent there may be an operating shortfall, the board of directors has passed a resolution committing itself during the 30-year operating period to address this in our fundraising record. It makes that
entirely as sure as you can get that we will be able to do that.

There's also documentation that these funds have been raised, not just capital funds but also for supportive services in these buildings. And so, we believe that these materials and our record would show that we should be able to receive this funding. It says, we're ready to go and if we can get this money next month, we will be having a groundbreaking very shortly thereafter. Thank you.

CHAIRMAN JONES: Mr. Walter Moreau?

MR. MOREAU: I'm Walter Moreau, the director of Foundation Communities. This is two meetings in a row where I have spoken to you. I'm here to support Joy and New Hope Housing.

CHAIRMAN JONES: Well, can I ask a question about this? This is not on our agenda, is it?

MS. CARRINGTON: No, sir. It's not, not as an action item today, but I will do an explanation in just a moment, as soon as we go to the agenda item.

CHAIRMAN JONES: Okay. Thank you. I'm sorry.

MR. MOREAU: The underwriting report is in the board book and I met Joy a couple years ago, because we're developing Garden Terrace SRO. We just took applications
and, like Joy said, we had 90 applications for 85 rooms in the first day. It's the type of housing, like a dormitory, that has supportive services onsite. It truly serves individuals that are homeless or extremely low income. The best way to develop this type of project is not to put debt on it, if you really want to make sure it's feasible over the long run.

The department often has a hard time spending HOME-CHDO funds because there aren't a lot of good, qualified, strong sponsors and projects. I feel compelled, feel very deeply to speak to you today, because here you've got a project with a solid track record. The last two years, Joy has given us all kinds of advice on design, management policies, fundraising guidance. They've already raised, I think, over $4 million for this project. So you've got a chance to spend and invest some HOME-CHDO funds in a really solid project.

Unfortunately, the 2003 underwriting guidelines are set up for tax credit deals. You run income at 3 percent, expenses at 4 percent, and you've got a good, solid, constant debt amount. So you don't run negative, but if you don't have any debt, mathematically, there's inevitably that you're going to run negative.

What's critical is to really underwrite the
organization. Can it handle the possibility of negative cash flow? Here, you've got an organization with strong support from the Houston Endowment, the Browning Foundation, many other groups. The 2004 guidelines work. They address those types of concerns and give the staff the ability to underwrite the corporation.

Our urgency to come to you today was that you would at least instruct staff to take a look at this project, or any of the others that are denied because of long term feasibility, and look at how the 2004 guidelines would apply, so that it could be put on the agenda for approval next month. If we wait for an emergency cycle to get the HOME-CHDO money spent, and go through that process, that could be another six months.

It would be a shame to see a project of this quality, that serves this population, to fall apart because all the other funding's lined up. So that's the urgency and I hope you'll be able to give that instruction to staff and we can come back next month. Thanks.

CHAIRMAN JONES: Thank you. Yes, ma'am. I believe that's the end of the public comment.

MS. CARRINGTON: Thank you, Mr. Chairman. Item 4(a)(3), this is four applications that staff is recommending for funding from the HOME program for
multifamily for community housing development corporations. Throughout the summer, you all have seen a series of requests from the agency for funding of HOME funds in various programs.

This is new. You all haven't seen this before.

In July, when we made the other HOME recommendations for multifamily, we said that we would be back later with the CHDO recommendations. So what you have heard today is comments from developers, from sponsors, who are not on this list of being recommended.

The department did a notice for funding availability for this multifamily CHDO money and we received 27 applications. Ten of those were determined to be eligible for funding and, as Walter did mention, we have all ten of those underwriting reports in the board book. However, staff is recommending four of those applications today for funding and those applications total $2,124,662. That leaves a balance of a little over $11 million for CHDO multifamily activities.

What is eligible to all of those that you heard today that are not on this list for being recommended, we have an appeals process and they may file an appeal, and some of these groups have already filed a formal appeal with the department. The date of that filing is five
o'clock this afternoon. So they will file an appeal with the department, with the executive director.

EARAC will look at that. We will make a determination and then all of those appeals will be on the board agenda for October. So that will be you all's opportunity to take action on what you just heard, on applications that are other than Willow Bend Creek, Grand Montgomery Court, Estates at Bridgeport 11, Arcadia Village.

As has been also mentioned, one of the things that staff is considering, and we are looking at, and we think we're probably about there, and that is doing an open cycle for the HOME-CHDO funds. It has been difficult in the past for the department to get applications that are good quality applications with good, solid sponsors and we think, maybe, the best way to approach that is with an open cycle between now and when we would offer our HOME funds for next year.

So, with that, staff is recommending today these four applications, with the understanding that there is an appeals process for those not funded, and they will, most likely, if appeals are timely filed, and they are not satisfied with the executive director's response, then they will be on the agenda at the October board meeting.
There is a footnote to this, because I see Brooke looking at me. There are operating funds available to entities who are community housing development organizations and those operating funds equal $50,000, or 50 percent of their operating budget, whichever is greater. So even though staff's awards today total, at this point, $2,124,662, that number will potentially be a greater number based on getting operating budgets from these four developments and then calculating how much an additional they get for CHDO operating funds, which is HUD-allowable.

CHAIRMAN JONES: We have staff's recommendation. Is there a motion?

MR. CONINE: Question.

CHAIRMAN JONES: Certainly.

MR. CONINE: You had $11 million set aside for multifamily CHDO and yet you're only recommending $2 million in funding. Is that what I heard you say?

MS. CARRINGTON: Yes, sir.

MS. BOSTON: And actually, just for clarification, it wasn't 11 million for multifamily CHDO. The way the notices went out, we had 15 million available for HOME-CHDO set-aside, and it had said at the time that they needed to be a person between and single family and
multifamily, based kind of the pro rata number of applications in each category.

   We brought before the board, in June I think, the single family CHDO recommendations, which I believe were around 1.9 million, and then, because that pretty much took up every eligible single family, we're really just looking at it as we gave the rest to the eligible multifamily applications.

   Our thought is as any eligible applications may be reinstated through the appeals process or as we go out with an open cycle NOFA, that we are not going to specify that it has to be single or multi. We just want to try and get the CHDO dollars out.

   MS. CARRINGTON: Yes, it would be any activity that was eligible under the HOME program. We do four activities in single family and then we do one activity in multifamily with home funds.

   CHAIRMAN JONES: Mr. Halla had some kind of time problem. Do you -- and I, quite frankly, I didn't hear all of what he said.

   Can you refresh my memory on what you said?

   MR. HALLA: We have a bond allocation and it comes with 4 percent tax credits, hopefully, that we'll receive in November, if the transaction underwrites much
better with the HOME funds. We believe that we've got the questions resolved, or answered. We don't know to the satisfaction, but we think we've resolved staff's questions.

It puts a tremendous time crunch on us to have to wait another 30 days. That gives us, then, 60 days to close the transaction. If there's a way that we could get that -- we didn't know about this until we pulled down the underwriting off the web page.

MR. CONINE: Right, seven days ago.

MR. HALLA: That was the first notification we had that there were still some questions.

MR. CONINE: Okay. Thank you.

MR. HALLA: Thank you.

MR. CONINE: And all these were underwritten, yet didn't pass the smell test. Is that correct, Mr. Gouris?

MS. CARRINGTON: Correct. We underwrote ten. We are recommending four today, with the others having an opportunity to appeal.

CHAIRMAN JONES: Okay. What's the pleasure of the board?

MR. CONINE: The concept of looking at this under the 2004 rules, you probably don't want to hear
that, do you, because we can't do that for one or the other, but on the appeal, I guess -- the problem I'm having for making these folks jump through the appeals hoop without just -- when we have funds available, but I can understand from a procedural standpoint why you're doing that.

So I'll make a motion to approve staff recommendation.

MAYOR SALINAS: Second.

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

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed to the motion, say, Nay.

(No response.)

CHAIRMAN JONES: Motion carries.

MR. CONINE: Give me plenty of footnotes on those appeals, please.

CHAIRMAN JONES: Item 4(b), Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. What
we're asking the board to do today is to approve our
integrated housing policy, basically the conversion of our
integrated housing policy into an integrated housing rule,
so that the department can better enforce this particular
policy, now rule.

Integrated housing was defined in Senate Bill
367, in the 77th Legislature. It's housing in which a
person with a disability resides, or may reside, that is
found in a community that is not exclusively occupied by
persons with disabilities. In December of last year, you
all approved an integrated housing policy.

We worked with the Disability Advisory
Community to develop this housing policy and what it says
is, depending on the size of the development, if it is a
small development, that is, a development that has no more
than 50 -- a small development is less than 50 units; a
large development is more than 50 units -- then there's a
certain percentage of those units that will be set aside
exclusively for persons with disabilities. The goal is to
integrate persons with disabilities with persons who do
not have disabilities.

So, again, it's the policy that the board
passed in December '02. We're asking for it to become a
rule.
MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

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

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries. (B)(2), Ms. Carrington?

MS. CARRINGTON: 4(b)(2), another rule of the department. You all remember that last year we took our underwriting market study appraisal and environmental guidelines out of the qualified allocation plan and they became a rule. The idea is that we're using those rules for all of our programs, not just for the Low Income Housing Tax Credit program.

Today, we are proposing the same type of structure for our portfolio management, out of our portfolio management compliance division. So we are taking our compliance monitoring and asset management
rules out of the QAP and making them a separate set of rules. So they would be 10 Texas Administrative Code 60 and the major, the substantial differences between what has been in the QAP and what you see in front of you is the inclusion of the reserve deposit section of the rules, which is required as a result of Senate Bill 264. That is a substantive change.

Other substantive changes are the points that we are allocating for material noncompliance, and those are listed for you on the summary page behind tab 4(b)(2), and staff is recommending that the board do approve these rules that would go out for draft comment.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

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

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries. Item (b)(3).
MS. CARRINGTON: If (b)(3) sounds like a little bit of deja vu, yes, indeed, in August, you all did approve some housing trust fund rules.

CHAIRMAN JONES: But we'd love to look at everything more than once.

MS. CARRINGTON: As we went back, before we got ready to publish them in the Texas Register, what we found was that the rules that you all were looking at, or the draft rules that you looked at, we did not work from the very last set of housing trust fund rules. So they were not totally consistent with the draft rules that were in place.

There really were not any substantive changes, but what we want to do is make sure as we black-line, as we go out with draft rules, that those draft rules are reflective of the changes from the current rules that are in place.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

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

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, Nay.

(No response.)

CHAIRMAN JONES: Motion carries. Item 5, Ms. Carrington?

MS. CARRINGTON: Item 5, bond counsel on item a and bond/securities disclosure counsel on item b. The attorney general requires that if you have outside contracts, or outside counsel, and they're over $20,000, that you issue a request for proposals for bond counsel services and also for bond/securities disclosure services. The attorney general's office does determine and prescribe the content and form of that RFP.

The agency did issue an RFP. We had three requests for a copy of the RFP for bond counsel. Vinson and Elkins and Delgado, Acosta, Braden, Jones, and Hayes provided timely responses for proposal for bond counsel. Simmons Mahone did provide a response for co-bond counsel and the department is recommending, based on experience levels of firms that responded, the department is recommending Vinson and Elkins for a two-year contract to be continued as bond counsel for the agency.

I might note that there fees have gone up a
little bit and that is provided to you. Although when our
general counsel talk with Vinson and Elkins on this, they
do indicated that they are giving us the same rates as the
Comptroller gets, the Veterans' Land Board, and the
University of Texas system.

CHAIRMAN JONES: What are they doing better
than I do?

MS. CARRINGTON: Mr. Jones, I think you're
conflicted out of that. I don't think your firm can be
bond counsel.

CHAIRMAN JONES: We have the recommendation of
staff.

MR. CONINE: He's conflicted all right.

CHAIRMAN JONES: Is there a motion?

MR. GONZALEZ: So moved.

MAYOR SALINAS: Second.

CHAIRMAN JONES: Okay. We have a motion that
staff's recommendation be approved. It was made by Mr.
Gonzalez. It was seconded by the mayor. All in favor of
the motion, please say, Aye.

(A chorus of ayes.)

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

(No response.)
CHAIRMAN JONES: I just want everybody to note that when I'm voting to pay lawyers, I enjoy it.

MR. CONINE: That was just for bond counsel, right?

MS. CARRINGTON: Yes, sir. That's correct.

The second RFP went out for our bond/securities disclosure counsel. The agency provided four of those RFP's from four inquiries. We actually had responses from McCall, Parkhurst, and Horton and Delgado, Acosta, Braden, Jones, and Hayes, and, based on experience, the department is recommending McCall, Parkhurst, and Horton for a two-year contract for our bond/securities disclosure counsel.

CHAIRMAN JONES: Is there a motion?

MR. GONZALEZ: So moved.

MR. CONINE: Second.

CHAIRMAN JONES: Motion to approve staff's recommendation made by Mr. Gonzalez, seconded by Mr. Conine.

MR. CONINE: Mr. Chairman, for the record, I want you to know that we set a record today.

CHAIRMAN JONES: What's that?

MR. CONINE: This is the first time I've ever known Alan Raynor to stay for the whole meeting.

CHAIRMAN JONES: Really?
MR. CONINE: The absolute last thing on the agenda.

CHAIRMAN JONES: Well, the reason was, I'm sure, he wants to go play golf with you this afternoon. We have a motion on the floor that's been made and seconded. Any further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN JONES: All opposed, say, Nay.

(No response.)

CHAIRMAN JONES: Motion carries. It is lunch time, Ms. Carrington, and I see it's time for your executive director's report. Now, exactly what would that mean?

MS. CARRINGTON: So, Mr. Conine, it was not the last item on the agenda.

MR. CONINE: Well, last action item.

MS. CARRINGTON: Yes.

CHAIRMAN JONES: There was a comment implicit in Mr. Conine's comment, but we won't get into that.

MS. CARRINGTON: Yes, sir.
CHAIRMAN JONES: Go right ahead.

MS. CARRINGTON: You'll be at lunch in five minutes.

CHAIRMAN JONES: Feel free to take all the time in the world. I enjoy being here so much --

MS. CARRINGTON: Two items --

CHAIRMAN JONES: -- because Alan wants to stay.

MS. CARRINGTON: Two items for your information.

CHAIRMAN JONES: Hey, Machak is still here, too. This is a record.

MS. CARRINGTON: The department has executed a memorandum of understanding between the Office of Rural Community Affairs, ORCA, and TDHCA and this is for the funding for the administration and operation of our Colonia field offices and our self-help centers.

One of the agreements with the legislature, when the Office of Rural Community Affairs was created, and the CDBG program was moved over to ORCA, was that the department would continue to get funding from Community Development Block Grant funds to continue the operations of the field offices and the self-help centers and we do get 2.5 percent of the annual allocation from the CDBG program, and that would be, Ruth, about how much?
MS. CEDILLO: 2.1 million.

MS. CARRINGTON: 2.1 million. And we have executed our agreement with ORCA to outline the department's performances under receiving that money and ORCA's performance requirements also.

CHAIRMAN JONES: Is that your report?

MS. CARRINGTON: No, sir.

CHAIRMAN JONES: Okay.

MS. CARRINGTON: The second item was the Bond Review Board's new rules. This is good news for this department.

CHAIRMAN JONES: Good.

MS. CARRINGTON: At the last board meeting, I reported to you all that the Bond Review Board had in their proposed rules that tax-exempt bonds and 4 percent credit transactions that come through this department, that under certain circumstances they would be excepted from review by the Bond Review Board. That provision is now in the Bond Review Board rules for next year.

So if we have a transaction that is not requesting a tax exemption, and does not have at least one Bond Review Board member say, I would like to consider this transaction, then this board will be the last vote for those transactions before bonds are issued and it
moves forward.

So I consider this a huge vote of support from the governor's office and from the Bond Review Board on the work that this board is doing in you all's careful deliberation on these particular developments.

We did receive 46 applications by September 2, which is under the new -- we'll score and rank and under our portion of the set-aside for multifamily, staff went anywhere from saying, we're going to receive five, the sky is falling, to it's not going to impact us at all. Last year, you will remember, we had about 110 applications. So this year, we have 46. Staff is in the process, doing a very good job, of following the requirements of Senate Bill 264, in the notifications that must be given out to local elected officials, and beginning to score and rank those transactions, and the Bond Review Board's lottery will be on October 30.

So, with that, Mr. Chairman, I am through.

CHAIRMAN JONES: And I want to make sure that I note that on our agenda for our next meeting, we want to make part of the QAP the fact that Elizabeth, and Alan, and Gary all have to be here if the board's here. The quorum's here. We get them.

MR. CONINE: That ain't going to happen.
CHAIRMAN JONES: Yes, that's what we want.

MS. CARRINGTON: Maybe they'll take you to lunch.

CHAIRMAN JONES: Yes, maybe. One other matter -- oh, yes, we've had some guests with us. Beau Rothschild and Liza Gonzalez have been with us and I think they've left us, but we were glad they were here.

And with that, is there a motion to adjourn.

MR. CONINE: So moved.

MAYOR SALINAS: Second.

CHAIRMAN JONES: All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN JONES: Adjourned.

MS. CARRINGTON: Thank you all.

(Whereupon, at 12:20 p.m., the meeting was adjourned.)
CERTIFICATE

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

LOCATION:    Austin, Texas

DATE:    September 11, 2003

I do hereby certify that the foregoing pages, numbers 1 through 172, 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.

09/20/03
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731