TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

10:40 a.m.
Thursday,
October 9, 2003

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

MICHAEL JONES, Chairman
KENT CONINE
BETH ANDERSON
NORBERTO SALINAS
VIDAL GONZALEZ
SHADRICK BOGANY

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
ERIC PIKE
BROOKE BOSTON
TOM GOURIS
DAVID GAINES
BILL DALLY
EDDIE FARISS
SUE CAVAZOS
## AGENDA

<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>CALL TO ORDER, ROLL CALL</td>
<td>4</td>
</tr>
<tr>
<td>CERTIFICATION OF QUORUM</td>
<td>4</td>
</tr>
<tr>
<td>PUBLIC COMMENT</td>
<td>4</td>
</tr>
</tbody>
</table>

### ACTION ITEMS

Item 1 - Presentation, discussion, and possible approval of Minutes of Board Meetings of August 14, 2003 and September 11, 2003 8

Item 2 - Presentation and discussion of Proposed 2004 Affordable Housing Needs Score 9

Item 3 - Presentation, discussion, and possible approval of Financial Items:
- a) Multifamily Bonds 12
- b) Transfer of Funds
- c) Bond Inducements 33
- d) Fourth Quarter Investment Report 34

Item 4 - Presentation, discussion, and possible approval of Housing Tax Credit Items
- a) Request for Extensions 37
- b) Issuance of Determination Notices 41
- c) Amendments 42

Item 5 - Presentation, discussion, and possible approval of:
- a) HOME Program 45

Item 6 - Presentation, discussion, and possible approval of Report from Audit Committee
- a) Fiscal Year 2004 Annual Audit Plan 81
- b) Report Items 82

Item 7 - Status of Central Database 83
REPORT ITEMS

Executive Directors Report  88

EXECUTIVE SESSION

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

ADJOURN  98
MR. JONES: I would call to order the meeting of the board of the Texas Department of Housing and Community Affairs for October 9, 2003. Our first order of business is to call roll. And I would specifically instruct all the board members to not mention one word, and that would be football. Because if we do mention it, Mr. Conine will be incorrigible.

Mr. Conine?

MR. CONINE: Texas Tech.

MR. JONES: The chair can assess fines. Mr. Conine is present.

Ms. Anderson?

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany is on his way.

Mr. Gonzalez?

MR. GONZALEZ: Gig 'em.

MR. JONES: I admire your spirit. Keep trying.

Mayor Salinas?

MR. SALINAS: Here.

MR. JONES: And I am here. We do have a quorum. The next business order of business is public comment. And I have several people that would like to speak to the board as is our custom and rules, you have an opportunity to speak now, or at the agenda item. Get to
the board when you can. They're better when they're
fresh. The first person is Mr. Gilbert.

Mike Gilbert?

VOICE: He's on the way.

MR. JONES: Okay. It's amazing how he could
fill that out. The phantom Mr. Gilbert. Okay.

Ms. Barksdale?

MS. BARKSDALE: I was going to speak at the
item.

MR. JONES: Okay. Ms. Truesdell?

MS. TRUESDELL: I was going to speak at the
agenda item.

MR. JONES: Ms. Horak-Brown?

MS. HORAK-BROWN: The agenda item, please.

MR. JONES: Mr. Hanes?

MR. HANES: The agenda item.

MR. JONES: Ms. Chatham?

MS. CHATHAM: Agenda item, please.

MR. JONES: Mr. Barksdale?

MR. BARKSDALE: Agenda item.

MR. JONES: Ms. Moss?

MS. MOSS: Agenda item, please.

MR. JONES: Mr. Maldonado? Maldonado. Excuse
me. I apologize.

MR. MALDONADO: My name is Ernesto Maldonado.
And I am the principal of Glassman Shoemake Maldonado Architects in Houston, Texas. And I'm talking about to you about local opposition and our experience in Houston in dealing with local opposition.

And I appreciate the board's interest in this issue and trying to work toward making affordable housing something that's acceptable and really encouraged by the neighborhoods. And our experience in Houston has been that we've undertaken this as one of our real tasks to get the neighborhood to understand how important affordable housing is, in their neighborhoods, to themselves as a neighborhood.

And on a project that I was working on, it was an 18 month process to get not only the neighborhoods, the residents of the community that we were building some housing in on board with us, but also the commercial community that's adjacent to us also on board. And also the representatives of the city, the state and the federal representatives that -- whose district this was going to impact.

And we found that it was a very positive thing to spend 18 months working together building community consensus that building this housing was actually going to be very beneficial to this neighborhood. And I'd like to share that experience with anyone else that might need
that.

In kind of putting together a program for building support for their own projects in Texas. So I'd like to say that I'm available for that, and I would be happy to discuss our experiences with any future applicants who might come up before you.

We know that from our technical standpoint -- I'm an architect -- that housing is really the first place where people really stabilize themselves.

And what affordable housing does is try to be that place that moves people from not having housing, or from a rental situation, but a kind of homeless situation, moving them from that to some kind of housing where they feel secure and know that when they leave to go to work and come back, that they actually have their possessions still intact.

That's the part of the housing continuum that we really wanted to deal with and this is an important part of the housing continuum. And it's an important part to get neighborhoods to understand that this piece of the housing continuum needs to be dispersed throughout the city and not concentrated in any one place. Thank you very much for your efforts on this, and for your attention.

MR. JONES: Thank you sir. Mr. David Kelly?
MR. KELLY: At the item, if you please.

MR. JONES: Mr. Kehoe?

MR. KEHOE: At the item, sir.

MR. JONES: Ms. Tabi?

MS. TABI: Agenda item, please.

MR. JONES: Thank you. We will then close public comment with the exception of those that wish speak to the agenda item.

I would like to recognize a few guests. We have here with us today Lisa Gonzales from the Governor's Office. Lisa, it's awful kind of you to be here with us. We also have Jeremy Mazur, from Representative Callegari's office. We appreciate you being with us, Jeremy. Thanks so much.

I believe we should then turn to item one on the agenda which is the presentation, discussion and possible approval of minutes of the board meetings of August 14 and September 11.

MR. CONINE: Move for approval.

MR. GONZALEZ: I second.

MR. JONES: We have a motion made and seconded.

Any comments? I would like to comment that in those minutes, Mr. Garvin refers to me as a typical lawyer. Your day will come. But with that, all in favor of the motion, please say aye.
(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. We will then turn to item 2 on the agenda which is presentation and discussion of the proposed 2004 affordable housing needs score. Ms. Carrington?

MS. CARRINGTON: Thank you, Mr. Chairman. This is an item which is for the board's information only. If it's a little deja vu to you, you all will remember that in September, as in last month's board meeting, you all did approve the affordable housing needs score.

It is a component that we use to help us determine where the needs are within our state service region. So it allows us to drive needs down and to give communities within those regions an opportunity to have a score.

And those scores are looked at as developers are identifying sites to do applications for the HOME program, the housing trust fund, and the low income housing tax credit program. In talking to one of our board members just a few minutes ago, we were talking about whether we are getting some substantive comment in our public hearings around the state.

And I think the answer would be yes, indeed.
We are. And what we heard very early on, in our first few series of public hearings was that inadvertently the affordable housing needs score that the board approved in September and as a component of our state low income housing plan does not achieve what we had intended it to achieve.

That it serves as a disincentive. The points are lower in smaller, more rural communities. The points are higher in more urban areas and indeed that is the opposite of what we were looking to achieve.

So what we are doing is informing the board today that we will be going back to the affordable housing needs score that we used in the 2003 state plan and in our various funding sources. And this will come out.

Public comment is available through October 24. But what we will do is immediately change those scores on our website so that we do have accurate and appropriate information for what this department is looking to achieve through the utilization of this affordable housing needs score.

MR. JONES: Any questions? Thank you, Ms. Carrington. I appreciate that. I do need to inform everybody that the newest world wide star of WTBS has joined us. And when can we watch?

MR. BOGANY: Friday.
MR. JONES: Friday. What time?

MR. BOGANY: 7:00 Central Time.

MR. JONES: 7:00 Central Time. Congratulations and autographs will be dispensed after the meeting. He's going to be on TV. Mr. Bogany, please tell us.

MR. BOGANY: We have been filming a new show called House Rules. And it's a reality TV show about real estate and people. Home improvement. It premiers Friday, and it will run through the 19th of December. Twelve weeks and we hope everybody listens and it renews the next year. But it's going to be a great show. It's a home improvement show and it's going to be about three couples who remodel houses and I was one of the three judges to determine what they should do, how well they did.

But the caveat of the whole show is that you, the audience, will vote, whom -- who wins the house. So they're going to be given the house that they remodeled. And so these are upper end houses.

MR. JONES: How do I sign up for that?

MR. BOGANY: And Lowes. Lowes is the sponsor.

MS. ANDERSON: And when is it?

MR. BOGANY: Friday, Central Time, 7:00.

MS. ANDERSON: And what network?

MR. BOGANY: The TBS Superstation.

MR. JONES: Our own superstar. That's good.
Glad to have you here. And Mr. Conine?

MR. CONINE: Thank you Mr. Chairman. Item 3(a). The proposed issuance of multifamily mortgage revenue bonds for the Arlington Villas in Arlington, Texas. Ms. Carrington.

MS. CARRINGTON: Thank you Mr. Chairman, Vice Chairman.

MR. JONES: Everybody knows he's the real chairman, so just call him that. That's the way it is.

MR. CONINE: Oh no.

MR. JONES: It doesn't bother me. I just had a twitch.

MS. CARRINGTON: My mike wasn't on anyway. Arlington Villas, new construction, tax exempt bond, 4 percent tax credit transaction to be located in Arlington, Texas. TDHCA is the issuer on the bonds.

It's 280 units. Looking at the first series of bonds being about 15 million in tax-exempt and 2.1 million in taxable. This is kind of interesting financing structure, in that the bonds are going to be issued under two indentures for the first 24 months, bonds are actually going to be rated.

But then when it converts, it's going to be a private placement and will not be rated. Our real estate analysis division used a blended rate of 6.87, 6.81 as
they underwrote the transaction on page, on tab 3 of your material.

The annual credit amount that the department is recommending is $752,224 and that is the amount that is reflective of the applicant request. On the tax credit allocation, your conditions are listed on page 2 of 2, this underwrite -- of the tax credit report.

This particular development will have a pilot agreement with the City of Arlington, and with Tarrant County. And I think that is 25 percent -- for I think it's 50 percent for the City of Arlington and Tarrant County, 25.

And we are looking for an executable pilot prior to the issuance of the bonds. The summary, the underwriting report, there's a color map, Mr. Conine.

MR. CONINE: Good.

MS. CARRINGTON: Behind Tab 7.

MR. CONINE: I like those.

MS. CARRINGTON: And the underwriting report is included under Tab 5, real estate analysis division's report. There is also a summary of the public comment that we heard at the public hearing.

A number of people attended. There was eleven, number of people opposed four, supported three, undecided four, and total number that spoke five. And staff is
recommending both the issuance of the tax exempt bonds in
amounts of 15 million and 2.1 million and allocation of
the tax credits in the amount of $752,224.

MR. CONINE: A couple of questions? And you
said that they were going to pilot with a local municipal
taxing authorities. Under Tab 5, it says that this is a
for-profit entity. Can you help explain that?

MS. CARRINGTON: Yes sir, I can. The entity
that's the general partner in the partnership is Tarrant
County Housing Partnerships. And they are 100 percent
owner of the managing general partner. And Tarrant County
Housing Partnerships is a 501 (c)(3) organization.

MR. CONINE: So it should say non profit
instead of for profit.

MS. CARRINGTON: The Texas Hampton Villas L.P.
is a limited partnership, and that is by virtue of being a
limited partnership, a taxable entity.

MR. CONINE: Okay.

MS. CARRINGTON: But the general partner in
that entity is the non-profit.

MR. CONINE: And tell me a little bit why we're
splitting this into non-taxable and taxable a little bit.
I'm curious from our financial underwriting standpoint,
why we're blending the rate, instead of just doing $17
million worth of non-taxable.
MS. CARRINGTON: Well, I will ask the Director of our Real Estate Analysis division to come up and answer that question.

MR. CONINE: Drum roll, please.

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. There's a $15 million cap on tax-exempt bonds, private activity.

MR. CONINE: So the sheer size of the -- so what you're saying is the 2.1 doesn't go against our private activity cap?

MR. GOURIS: Correct.

MR. CONINE: It's just again, because it's a 501(c)(3)?

MR. GOURIS: That would be -- well.

MR. CONINE: They're eligible for us to issue those because they're a 501(c)(3).

MR. GOURIS: Because we have the ability to issue bonds, I think is the answer. Those are taxable bonds.

MR. CONINE: But they're taxable and there's no cap on those.

MR. GOURIS: Correct.


MS. CARRINGTON: And the cap, as Tom alluded to, the cap at the bond review board, by state statute is
15 million per any transaction. So they are capped out in tax-exempt bonds at 15 million.

MR. CONINE: Next year, the problem will correct itself.

MS. CARRINGTON: It will?

MR. CONINE: Because we're shrinking the number of units. This is 280 units, and I imagine most everything else will come down.

Okay. That's it. Thanks. Mr. Chairman, let me move for approval of the Arlington Villas Apartments, and let me give you a resolution number right quick.

03-77.

MS. ANDERSON: Second.

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

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. I do have one question with regard to public comment with regard to item 2.

Mr. Chatham? I'm sorry, I didn't catch your agenda item. I apologize.
MS. CHATHAM: It's my fault. I didn't write it down, so. Good morning. My name is Donna Chatham. I am the Executive Director of the Association of Rural Communities in Texas.

I came to you last year about this time, to tell you about the formation of ARCIT, an association of rural cities under 50,000, counties under 200,000 and utility districts and economic development corporations that are qualifying in both cities and counties.

Our mission statement that we shared with you last year is by being a strong voice, and a resource to government, we promote the policy of best practices and a delivery of public service to enhance the quality of life for all rural Texans. Last year, we began this journey with our original 69 charter members.

As shown in the membership directory that I just passed out to you, I'm glad to report that we've grown to over 270 members. One more time, showing that rural Texas wants to be involved in the policy making process for rural communities.

In that regard, we have been working a lot with the Office of Rural Communities Affairs board, since this was their first year, last year, as a state agency. And since it's going to be our second year, we had now ability to expand a little bit more.
And we definitely want to work close to TDHCA and Ms. Carrington and staff to help form more rural policy. Under the leadership of Ms. Carrington, and of course, you, TDHCA continues to be very sensitive as always to public comments, of which we are very grateful.

For example, as shown in your agenda items today that you've already discussed, well, that was put on your website last week of the area housing needs score. It was soon discovered that the new methodologies seemed to have a bias toward the larger communities and like Ms. Carrington already stated, that for instance, Merkel had a population of 2,600 and had a score of 11.

And in the 2004 application, the way the methodology, it had a five. Hughes Springs population of 1,800 had a score of 14 in 2003. With the new methodology, it had a 5. Marfa had a population of 2,700, had a score of 18. In 2004 it had a seven.

So this was biasing it towards the larger communities. From the time of the first phone call, I used to brag about TDHCA, the staff was obviously very responsive. We understand on the posting that the staff has put on the website now, that the new methodology is going to be developed using new census data, and the figures are going to be released come Monday.

We are anxiously awaiting the release of those
numbers to see the impact. And I will be, I'm sure, working with Ms. Carrington's staff in letting them know of our opinions to this as we go through public comment.

Once again, we extend our appreciation to Ms. Carrington and her staff for being sensitive and responsive to public comments, as they always are.

Second, ARCIT has been working with Ms. Carrington and Brooke Boston regarding new wording for the qualified application plan in order to suggest new wording that will help to build rural capacity.

ARCIT has given Ms. Boston several suggestions in order to build rural capacity of 76 units or less. We would like to request upon your review that this wording be placed in this year's QAP, and that's attached to your packet I just sent out through Dolores.

In order to expand rural capacity immediately, the new wording of urban, exurban and rural that was placed in the sunset bill this last session resulted in an increase of tax credits for the rural areas. We need your help in order to encourage new developers in rural Texas.

And we defer to Ms. Brooke's guidance as to the specific word and which one she thinks will be the most effective. And we've been working with Ms. Carrington also.

Last, ARCIT would like to invite TDHCA to join
in a new coalition that is forming. It's going to be called the Alliance for Rural Texas. ARCIT's current emphasis is in rural community development. And as you are well aware, rural Texas is vast and the needs are varied.

ART will be our coalition of other state wide association as shown on your handout, and rural stakeholders, in order to network and brainstorm to effectively affect positive policy change for rural Texas, at both the state and the local level. The steering committee will be formed in December 2003 and ART's first coalition meeting will be in the spring of 2004.

After being involved in the Texas Housing forum and watching its effectiveness, ARCIT was inspired to create a similar coalition for rural Texas. I have had the privilege now of working with TDHCA for over the last four and a half years, and thank you one more time for being responsive to public comment, and desiring to truly want the best affordable public housing policies for rural Texas. Your work doesn't go unnoticed. We appreciate your commitment and your dedication. We thank you again for letting me make public comment.

MR. CONINE: Ms. Chatham?

MS. CHATHAM: Yes sir?

MR. CONINE: Looking at this list of groups
that you're trying to put in the Alliance for Rural Texas, isn't that kind of like herding cats, with that group?

MS. CHATHAM: Yes it is. You bet it is.

MR. CONINE: Good luck to you.

MS. CHATHAM: Thank you. Thank you. We're excited because the membership grew so vast this year, from 69 to now, over 270. It tells you about rural Texas wanting to be involved. So we're excited about putting a new coalition together to bring everybody to the table.

MR. JONES: Thank you so much. We appreciate your time. Mr. Conine, 3(d)?

MR. CONINE: Review of the transfer of funds from single family bond production to the 19 -- from the 83 multifamily transaction in the amount of $308,884.50, Ms. Carrington.

MS. CARRINGTON: Thank you, Mr. Vice Chair. This is found money for the department. Bank One has served as trustee for the department for several years and Bank One was bought.

The trust department was bought by J.P. Morgan Chase. And so in looking at our various indentures and making that transfer, what we found was some money, staff found some money that was still in the 1983 indenture. And so that's the $308,884.50.

What we're doing, or what we're recommending
that the Board approve we do is that we add this money to
the preservation program that we have within the
department, to our multifamily housing incentives program.
And this is the pot of money that we have programmed
junior lien funds and other funds into preservation
activities where we take those applications on a first
come/first served basis and it would increase that pool of
money in the fund.

It would be available for the department to
continue preservation activities and we are requesting
this approval. We would then be preparing a NOFA and the
total amount we would have in that NOFA would be
$929,459.50.

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

MS. ANDERSON: Second.

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

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. 3(c).

MR. CONINE: Our third item is the bond
inducements for the private activity bonds with the Texas
Bond Review Board, for the program year 2004. Ms.
Carrington?

MS. CARRINGTON: Thank you, Mr. Conine. On
September the 2nd of this year, the department accepted
applications and that was the close of applications for
those developers who were interested in accessing the
private activity bond volume cap for 2004, using TDHCA as
the issuer.

We received 46 applications for inducement for
the approximately $73 million that the department will
have available. We have provided for you behind Tab 1, a
summary of the changes in the legislation that relate to
the department's administration of the private activity
bond program.

The 46 applications we received totaled
$649,000,000. If you will remember, Senate Bill 1664
requires us to score and rank the applications in our
multifamily bond program.

Last year, to give you an example, I think we
had about 110 or 111 applications for a private activity
bond cap, volume cap, so you will see that this year, that
amount is down to 46. One of the considerations, I'm
sure, on the part of developers is that there is an
additional fee that is required of them.

There's a $5,000 fee when they apply to the
bond review board now. $1,000 will go to the bond review
board and that $4,000 remaining amount of that fee will
come to the department for us contracting in a series of
market studies, some research data related to the benefits
and the siting of affordable housing.

And so as staff has looked at this, we actually
had doomsday scenarios all from oh we're not going to get
any applications at all to maybe it won't impact us much.
And actually what has happened is that we've come down to
about in the middle of what staff was anticipating.

The multifamily cap with the bond review board,
is actually divided up with 20 percent of the total amount
available coming to TDHCA. 70 percent of it goes to local
issuers. And then the other 10 percent of that cap is
available to the Texas State Affordable Housing
Incorporation.

Legislation did change the priorities this year
and that's on page 2 of your memorandum. We used to have
priority one, priority two and priority three. Well, we
still have that.

But priority one now is divided into three
different options that developers can choose from. And
priority two is one option. Priority three is a third
option.

With that, I am prepared to ask the board if
they have any questions. I am prepared to read into the record all of the requests we received. How would the board like us to proceed on this item?

   MR. JONES: You know, I don't see any need for you to read it into the records, since it's already before us, unless some board member requests that that be done.

   MR. CONINE: I have a couple of questions.

   MR. JONES: I do think that Mr. Conine should ask questions.

   MR. CONINE: Are these bond applications, Mr. Carrington, under the emergency rules that we put in place, was it last month, I guess?

   MS. CARRINGTON: Yes, sir. They are.

   MR. CONINE: They are. And do all the applications here comply with the emergency rules or have we looked through those applications to see whether they have or haven't.

   MS. CARRINGTON: Yes, sir. We have looked through the applications. And each applicant was required to score their application and then we also scored the application. So behind Tab -- you've got a chart that shows the self score and also the department's score.

   Tab 2. Robbie tells me it's Tab 2. And this is basically a chart. It's a spreadsheet that goes across several pages. That gives you -- page 204. Correct. And
it's behind Tab 2.

On page two of four it shows what priority each of the applications are in, and then within that priority, are they selecting priority A, B or C? The self score.

The TDHCA score, and how much was requested on the bonds. Then we've also included borrower contact information. And on the last page of this, the state senator and the state rep.

MR. CONINE: Okay, well, I'm probably confused and just need a little help in getting straightened out. But I recall in either the emergency bond rules to be passed or the proposed QAP which these projects would also fall within that, of course, if they want to get the 4 percent tax credit, we also -- we had a huge discussion about one bedrooms, two bedrooms, and three bedrooms being adequately spread throughout the projects and we put caps on them and that sort of thing.

And as I was flipping through here, I happened to notice that some of these projects had no one bedroom. Some of these projects had no one or two bedrooms. I was just kind of curious as to how they could get on the list if there's a potential that they could win one of the ping pong ball lotteries and yet get kicked out on the 4 percent QAP.

MS. CARRINGTON: Mr. Conine, I'll ask Brooke
Boston, who is the director of multifamily.

MS. BOSTON: Because the QAP is in draft form only, I think that it's understandable that they would not have structured the whole deal around what they don't know that well, going forward. We have gotten quite a lot of public comments in opposition to that section, so I, you know, I don't know what will happen with that.

But they'll all be, whatever ends up being in the 2004 QAP, everyone of the bond applicants, whether they're with us as an issuer or a local, they'll have to meet the 2004 QAP requirements. So it may involve at that time, them needing to restructure their numbers of ones, twos, and threes if that makes it into the final QAP.

MR. CONINE: Well, in my review, I noticed that obviously, we have some repeat offenders here, repeat developers shall we say. And some structure their projects to match the proposed QAP, where they have added one bedrooms, two bedrooms, nice mix. Looked like a wonderful thing. And of course, there's one in Frisco, in my home town that has nothing but 3 bedrooms in it. Which you know, I can't ever understand why anyone would turn one in that would look like that. So my question is, based on the dollar volume that we have, that is being submitted, which is the 650 million or so, and the allocation we're going to get, which is 300 and something
million, it's going to be a two for one deal. Or one for two. Half of them are going to be winners, and half of them are going to be losers in the ping pong ball process.

MS. CARRINGTON: Our allocation right now is 73 million.

MR. CONINE: I must of misread that.

MS. CARRINGTON: We have applications that total about 650 million. But our 20 percent is equal to about 73 million.

MR. CONINE: Okay. Sorry, I must have misread that then. So it's one out of five. Or one out of four.

Ms. Carrington referred to the $5,000 fee that's been added on this year, which you know, increases the cost of doing business with the state.

And I recognize that we passed the emergency rules the other day that are currently in effect. Now, let me ask this question, In the emergency rules, are the one, two and three bedrooms in those? They're not. Just in the QAP.

MS. BOSTON: So, I mean, if your thought would be -- I'm anticipating. If you were thinking of trying to cut any of that out, it wouldn't be based on any rule that's in effect.

MR. CONINE: Because they all meet the emergency rule test.
MS. BOSTON: Correct. And with the QAP not in effect.

MR. JONES: But then his point still stands, and it's a good one that the best guess of what the QAP should be next year is the current draft. Correct?

MS. BOSTON: Yes.

MR. JONES: Okay.

MR. CONINE: There's going to be a lot of gnashing of teeth because the bond lottery will occur before the November board meeting which we approve the QAP.

So we're going to have a million people standing in front of us saying I want a ping pong ball. Now, change the QAP so my project conforms. And I don't like that position.

And I'd rather be a bad guy today, if I need to be a bad guy today, and I'm really, I guess, disappointed at the number of projects that we have that are still just two and three bedrooms. At least we got rid of the four bedrooms.

I looked through there and didn't find any 4 bedrooms. That's a wonderful thing. But I'm still concerned. In a very weak apartment market all across the state of Texas, no matter if you're rural, exurban or urban.
Designing product that conforms to the rules of the game versus the needs of our citizen of Texas. You can't tell me that in any community in this state that there isn't somebody out there who needs an one bedroom for about 4 or 500 dollars a month versus a two or three bedroom unit that's 6 or $700 dollars a month. That's not rational with me. So I don't know what to do about the dilemma I'm in, Ms. Carrington, because these guys all conformed.

I guess the only thing I can do is say once again, which I have publicly several times, as one board member, that I am desirous of making sure our developers out there develop product that is consistent with the needs of the citizens of Texas. And I don't think we're getting that, coming through the mill, at this point in time.

And the only thing I can say is that if you win a ping pong ball, don't get too excited, because there are no guarantees here this year. And maybe some of them want to rethink their position today before it goes in.

Or can they do that? Do they have the ability to withdraw after the board approves this list?


MR. CONINE: Okay. All right. Some folks may want to reconsider, based on -- or maybe they don't. They
don't care what I think. But that's what I think.

MR. SALINAS: But you're saying one bedrooms
should be part of the --

MR. CONINE: Yes, we in our QAP, we try to put
a nice mix in most of these project now. Creating caps on
how many you can do, so that you don't get a concentration
of twos, threes, or whatever the case may be.

I think the QAP addresses that, which this
board has passed and for public comment, and will
ultimately pass in November. But this lottery is going to
occur at end of the month and they're going to have bond
allocations and won't be able to get the four percent
credit. And it's going to put people in a very upset
position, and I don't like for this board to be put in
that position.

MS. BOSTON: Just for clarification, to you
all, as well as to the public listening, the deadline for
comments on the QAP, on that section or any other is
October 10. Tomorrow, at 5:00.

MR. SALINAS: But you say we should have some
one bedrooms.

MR. CONINE: Yes.

MR. SALINAS: In the QAP.

MR. CONINE: And we do, under the current
draft. See you got bond -- this is going just for bond
proceeds. Then we'll have to come back here for the 4 percent credit.

And it will be matching -- it will be okay for all our bond rules, but it won't meet our 4 percent tax credit rules. And then people get upset. I'm trying to avoid the conflict.

MR. JONES: And I join the mayor and Mr. Conine on the same issues. Because you have to go in, I would think, I mean, if I were submitting one as a developer. You go in and you look at the draft QAP and you have to be prepared to meet it. Now, my assumption is that if the QAP stays the same, what their plan would be is to redo their development in accordance with the QAP.

MS. BOSTON: Correct.

MR. JONES: But if they're not willing to do that, it's a shame. I mean, that they're even on the list.

MS. BOSTON: Right. And that would be their option at that point in time.

MR. JONES: What are you saying, Ms. Carrington?

MS. CARRINGTON: If they do not comply with the '04 QAP, then they will not be eligible. They'll just fall out.

MR. JONES: Right. But hopefully, I don't know
what more we can do, but hopefully they would understand at least what three board members have said.

MR. CONINE: Can I ask the one question about project in Frisco, since I happen to live there. Am I correct? It's all three bedrooms?

VOICE: Yes, sir, you are.

MR. CONINE: Okay. I'm going to make a motion that we amend this list to remove the -- where is that thing, Primrose at Stonybrook, and the number is 2004-017 from this list.

MS. SALINAS: Second.

MR. JONES: We have a motion that's been made by Mr. Conine, and seconded by the Mayor. Further discussion? Hearing that, I assume we're ready to vote?

All in favor of the motion, please say aye.

(Chorus of ayes.)

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

(No response.)

MR. JONES: The motion carries. And then we continue our discussion on Item 3(c).

MR. CONINE: I make a motion to approve the amended list. We probably need a resolution here. Hang on just a second.

MR. JONES: Sure.
MR. CONINE: 03-078. Is that right, Ms. Carrington? Does that resolution accompany this list?

MS. CARRINGTON: Yes, it does. 03-078.

MR. CONINE: Okay. Motion to approve the amended list.

MR. JONES: We have a motion to approve the amended list. Is it seconded?

MR. GONZALEZ: Second.

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

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. Item 3(d).

MR. CONINE: Fourth quarter investment report. You going to do this, or call on Bill Dally.

MS. CARRINGTON: I'm going to call on Bill Dally.

MR. CONINE: Okay, good. Do we have any money in the bank, Bill?

MR. DALLY: Yes, we do.

MR. CONINE: Good. Good.

MR. DALLY: Good morning Mr. Chairman, board
members. Ms. Carrington. Under Tab 3(d) is the quarterly investment report for the fourth quarter, so this will wrap up this fiscal year.

It contains all the elements required by the Public Funds Investment Act, which is to show all the detail of all the investments by type, maturity and market value. It also shows the investments by funds.

The report then shows the transactions of purchases, sales and maturities that occurred during the year. And finally, it shows a comparison of the par value and the market value from the beginning of the quarter to the end of the quarter.

What's significant about this particular report, we see the trend of refinancings on this. We had over 48 million in principal paydowns this last quarter, versus 12 million in purchases or new originations. So what that will mean is that we will need to rebalance the charity of these bonds.

In other words, we'll take these principal paydowns, look at that surplus, and make calls on our bonds. And that will bring the assets and bonds back into balance. We also had four new multifamily projects get issued this quarter, in the sum of about $56 million.

Overall, the market value of our portfolio decreased by $18 million this quarter, and that's a result
of the interest rate spike that hit about mid-August. It went from about 5 percent -- the whole trend had been down throughout the year, and it went for a spike in the last -- in August. So it went up to about 6 percent. But overall, the portfolio of value is still $18 million over the par value.

Here's the point. What's significant is not so much this fluctuation of how the market has done in mortgage deals in what our portfolio will show, which is what this report is showing, but the fact that the appropriate cash flow comes in to pay debt service on our bonds.

And that, I can report, is occurring as it should. Now, the other thing that I wanted to add, and there's been some news about certain housing agencies and bond ratings and those sorts of things.

Our portfolio, this portfolio, the significance of it is, that is, is the assets, the cash flow, the revenue that are going to pay out that huge amount of debt that we issue. In our bond ratings, we will submit reports to the rating agencies every quarter to show what the health of that indenture is.

And on our single family issues, those are all rated not as a department bond rating but indenture by indenture. So they're looking at the strength of each one
of those. And all of those are in A or double A status.

Multifamily issues are looked at differently. They're more on the property in that particular instance.

So not all of those are in that high of a standing.

Questions with this particular report?

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

MR. CONINE: Mr. Chairman, that concludes my report.

MR. JONES: Thank you, Mr. Conine. We will then turn to item number 4(a). And we have public comment. Mr. David Kelly?

MR. KELLY: Actually, I'm only here to answer questions.

MR. JONES: Thank you. Thank you, Mr. Kelly.

Thank you, Delores. Mr. Mike Gilbert?

MR. GILBERT: Mr. Chairman. Ms. Carrington. I'm here to request an extension for the Meadows of Oakhaven. I appeared before you on July 30.

And you granted us an extension then to close by September 11 on our construction loan. We were able to close that construction loan yesterday, which was the extension date that we requested of the Board.

And so we have accomplished what we have set out to do but a little later than we wanted to, than we initially requested to. We have, as a result of closing
on the construction loan, invested more money in the project again and we pray to find your approval for this request.

MR. SALINAS: I move for the extension.

MS. ANDERSON: Second.

MR. JONES: We have a motion that's been made for the extension with regard to 02-131.

MR. CONINE: Can we hear staff comments, please?

MR. JONES: Staff. Ms. Carrington, are you staff? Yes.

MS. CARRINGTON: Yes, sir. I certainly am.

MR. JONES: Good.

MS. CARRINGTON: Today and every day.

MR. JONES: Every day. At least you know who you are every day.

MS. CARRINGTON: Yes, I do. And I know who I work for. Staff's recommendation was to deny the extension because the QAP does not allow for more than one 30 day extension.

MR. JONES: Okay. We have a motion on the floor to approve it. We have staff recommendation that it not be approved.

MR. BOGANY: I have a question.

MR. JONES: Yes. Go right ahead.
MR. BOGANY: Do we have the ability to still approve?

MR. JONES: Discretion. It's called a discretion.

MR. BOGANY: Discretion. I'm sorry. Do we have the discretion?

MS. CARRINGTON: The QAP, the reading of the QAP allows for one 30-day extension.

MR. JONES: So if I interpret your statement, Ms. Carrington --

MS. ANDERSON: Don't. Don't interpret her statement.

MR. JONES: Yes, ma'am.

MS. CARRINGTON: The board did grant an extension last month on this particular transaction and as Mr. Gilbert has said, they have been successful in closing their construction loan. Congratulations.

MR. SALINAS: These things have -- sometimes you have to have some common sense, and you know, sometimes it takes longer than what it takes. There's nothing wrong with us doing this. And I'm sure if it's already closed, that there's nothing wrong with that.

MR. JONES: Well, we have a motion on the floor, it's been made and seconded. And I don't hear anyone dying to talk any further so I assume we're ready
to vote? Is that right? All in favor of the motion, please say aye.

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries.

MR. GILBERT: Thank you very much.

MS. CARRINGTON: Thank you, Mike.

MR. JONES: Mr. Kurt Kehoe.

MR. KEHOE: I'd like to speak to item 4(b). I'm just here to answer any questions that may come up.

MR. JONES: Thank you sir.

MR. CONINE: Now, wait a minute. We've got us one more on 4(a).

MS. CARRINGTON: This is an extension request.

MR. JONES: Excuse me. I'm getting ahead of myself. Y'all are right. I thought that was 4(a), but it's not, it's 4(b).

MS. CARRINGTON: This is an extension request for the commencement of substantial construction on the Raferio Street Apartments, which was an '02 tax credit development. It's located in San Antonio.

It's the redevelopment of a Hope Six transaction. The deadline that was requested by the developer is January 31 of '04. The deadline being
recommended by staff is January 31 of '04 and we are recommending this extension be granted.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MR. JONES: Motion has been made and seconded.

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

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. Now, we go to item 4(b). And Mr. Kehoe just wants to answer questions so what is staff's recommendation?

MS. CARRINGTON: Staff's recommendation on item 4(b) is the issuance of a 4 percent tax credits in the amount of $574,155. This is the Sweetwater Point Apartments, to be located in Houston, with the Houston Housing Finance Corporation as the issuer on this transaction.

MR. JONES: Is there a motion?

MR. BOGANY: So moved.

MR. JONES: We have a motion for approval. Is it seconded?

MR. GONZALEZ: Seconded.
MR. JONES: We have a motion for approval. It's been made and seconded. Questions, comments, discussion? Ms. Carrington has all the answers. Hearing none, I assume we're ready to vote? All in favor of the motion, please say aye.

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. We will then turn to item 4(c)(1).

MS. CARRINGTON: Is there any comment?

MR. JONES: I don't believe so.

MS. CARRINGTON: Item 4(c)(1) is a request for an amendment to a tax credit application that involves a material change. This was an allocation out of our commitment notice out of the '03 tax credits which were just issued commitments on in July of this year.

And the way the QAP reads, if there is a material change that is being proposed to the development then that material change must come to the board for their consideration. But the change that's involved in this particular transaction I would add to over three acres of land.

It also changes two buildings to one story buildings. The City of Gainesville did request these
changes. They didn't require them, but they did request them. At the bottom of page 1 of 2, you'll see staff's recommendation.

There was no change in underwriting as a result of the requested change in this award and staff is recommending that this material change be granted on this tax credit application. There would have been a point loss because it did differ.

This change would have resulted in the loss of pre-application points, between pre-application and application phase; however, there were not -- this application still would have been competitive in its region, in its set-aside. And so staff is recommending that this amendment to the '03 tax credit application be approved.

MR. CONINE: Move for approval.

MS. ANDERSON: Second.

MR. BOGANY: Second.

MR. JONES: We have a motion that's been made and seconded. Are there any questions, comments, discussion? Hearing none, I assume we're ready to vote? All in favor of the motion, please say aye.

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)
MR. JONES: The motion carries. We will now turn to item 4(c)(2). Mr. Kent Hance?

MR. HANCE: Chairman, members of the board. Just briefly. As a developer at Sterling Springs, we are requesting change in the site plan, and there's really two parts to it.

One is that the City asked us to give them land so that they could build a road on the west side, and we're just asking if we can add, it's a small amount of property to the east side that we're giving up to the City to keep good relations with them on the west side. And the second part is that we are asking approval of amendment to the site plan, in that when we got the property, it was zoned that we were okay. But the first 200 feet of the property is zoned for duplexes and the back of the property is zoned for multifamily. And so we asked for a zoning change to make it all multifamily.

And it passed planning and zoning. It passed the city council, and before the second city council meeting, some of the neighbors complained that they wanted duplexes in that first 200 feet like the original. So we have gone back and adjusted our site plan, so it will be duplexes on the front part and then the multifamily on the back.
And it does not increase the number of buildings. I mean, it does increase the number of buildings, but it does not change the number of units or the unit mix or the credits.

We've done this primarily to get along with our neighbors and the City. And we would request that you approve this. Thank you very much.

MR. JONES: We like people to get along with their neighbors.

MR. HANCE: We try.

MR. SALINAS: I move for the approval.

MR. BOGANY: Second.

MR. JONES: We have a motion for approval. It's been made and seconded. Further questions, comments, discussion?

(No response.)

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

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries. I think we have some people that want to speak to item 5. Is that correct? I'll go ahead and turn it over to Mr. Bogany, and we'll have public comment.
MR. BOGANY:  Ms. Moss?

MR. STALLCUP:  I'm David Stallcup and I'd like to speak first.

MR. JONES:  Certainly. I don't mind at all.

MR. STALLCUP:  Hello. Good morning. Thank you, Board, for allowing us to speak. Good morning to you. My name is David Stallcup and I represent the Collinwood Homeowners Association.

And as a group, we represent the surrounding homeowners association around this project. The project in question is at Dessau. That shaded area. The handout that I've given you today is a very simplistic and rudimentary drawing that I created last night on my PC showing that the space has a very small footprint.

I copied some of the existing houses in development and pasted it into what is the shaded area there, showing that it has about room for at most, 17 houses. The one thing that I couldn't demonstrate with this drawing is that it is two-dimensional and it is not three-dimensional.

And I can't represent here as sufficiently as I'd like that this is not a flat piece of land. It is a very steep piece of land. It is bordered here on Dessau Road, which is primarily a bridge right along here.

It slopes from the top of the hill, down to
this creek and there's a cul-de-sac there. The creek runs under this bridge here in the culvert, and when it rains heavily, the creek floods, of course.

So you've got a piece of property that is like this and Dessau Road has quite a history of car accidents late at night. People traveling at a high rate of speed come over this hill and it's basically blind here, and they come down and they crash right in this area.

And the best way that I can put it is that I've seen Starflight land four times in the last three years. Two of those times was at Dessau Road for accident that happened there, so we here are as a group to oppose this project happening in this location. We're not against it happening at all. In fact, we recommend that instead of being 7.3 acres, that they purchased that they use the 6.95 acres right here.

It's much flatter. There's no trees on this piece of land, whereas this is completely covered in trees, so there would be no trees to clear. It is at a major intersection with a light, so traffic slows down all around this.

There's a much wider road right here along with Dessau versus Claywood, which is only 29 and a half feet wide, which is what they're having to come in off of. And it would just be much safer, flatter and otherwise a much
better piece of land for them to do this project at.

So that is what I came here to say today. And I'll let my fellow citizens say their piece. Thank you.

MR. JONES: Thank you. I appreciate it. Ms. Lindebach?

MS. TABI: I'm Theresa Tabi.

MR. JONES: Have at it. Thank you ma'am.

MS. TABI: I'd like to discuss the transportation issue of cottage communities. Our local transportation authority, Capitol Metro, will not provide transportation across the Cottage Community.

At the city council meeting on September 25, Tom Stacy of Cottage Communities assured the city council that public transportation issues of Capitol Metro could be worked out, so residents of the Cottage Community would have reasonable access to public transportation. That is just not true. His statement is not true.

Because in the TDHCA multifamily underwriting analysis, it also states public transportation to the area is provided by Capitol Metro buses. That isn't going to happen. I have a letter here, I would like to submit. I have seven copies of this letter from Capitol Metro.

The TDHCA multifamily underwriting analysis states that the units of housing for the Cottage Community will be reserved for low income families headed by a
single parent, legal guardian or grandparent with school age children. Tom Stacy at the September 25 meeting said: we are applying for smart housing and a transit person planned to work very heavily with Capitol Metro.

With our programs, there are other ways, besides big buses coming around, and we hope to work with Council members as well. Unfortunately, hopes are all that Mr. Stacy has in this matter, because Capitol Metro will not provide transportation to the Cottage Community.

The nearest bus stop is one mile away. Nearly a one mile walk. Route 392, Braker, provides bus service to a senior center in the Collinwood neighborhood on a few daily trips.

Due to narrow streets and an inability to turn their buses safely, Capitol Metro is not considering providing service to any other residential streets within Collinwood. The current bus stop that is nearly a mile away is as physically close to the proposed development as it can get.

Capitol Metro also will not run vans or any kind of shuttle service for regular residents of cottage communities. Because there is no mass transit close to cottage communities, residents without cars would be stranded. The closet grocery store and pharmacy is a two mile walk or a 15 minute bus ride.
The demographic of our neighborhood does not support a bus route. We have 20 percent of Cottage Community in need of a bus. We are only talking about six households. These six families of single parents with children and maybe small children, would have to walk nearly a mile to catch the bus.

In addition, Cottage Community has proposed other services, such as child care and educational classes too the community at large. However, because there will be no public transportation to Cottage Community, only those that have their own vehicles can avail themselves to these services.

So anybody that wants to take advantage of educational classes, other community projects that are within the Cottage Community would have to walk nearly a mile to have access to these offerings. I would also like to discuss the option, the non-option of private transportation.

Because there's no public transportation, Cottage Community would need to hire a private shuttle service to ferry their residents to and from the nearest bus stop. This could effectively double their costs for taking a shuttle service to the nearest bus stop, that could cost a $1.50 for people to take the bus to wherever you need to go, that's an additional $1.50.
So we're talking about there needs to be a shuttle service, because there can be no mass transit. Cottage Community has not determined the cost of private service and has no idea how much of a financial burden this would impose on the residents. It could effectively, as I said, double their transportation costs.

Cottage Community can also not guarantee that they will be always able to afford or provide an affordable shuttle service. If the service were ever terminated, it would be a devastating blow to residents that don't have cars.

And lastly, part three. I'd like to discuss the importance of public transportation. As studied recently by the service transportation policy project performed a study on transportation and how it alleviates poverty. And the study cited unreliable fragmented transit systems contribute to poverty.

It also says that the transportation system should enable all people to gain access to good jobs, education and training and needed services. Where possible, personal transportation expenses should be minimized in ways that support wealth creation.

Integrative land use planning, transportation should also enhance the quality, the mobility and the character of communities and support revitalization.
without displacement. The transportation system should allow every American to participate fully in society, whether or not they own a car.

A coalition of businesses called the Welfare to Work Partnership found that the most significant barrier to employment for their employees was transportation. The study's conclusion was that the access to public transportation is a factor in alleviating poverty. That is the basis for the T in SMART housing.

And I would like to conclude by saying that good public transportation is a critical component in the development of this project. Our local transit authority will not provide banner shuttle service to the area.

The existing bus stop is nearly a mile away and it is as physically close to the proposed development as it can get. And I have the materials, flyers, the submitted letters I gave you all has contact information, if you need to confirm any of this information.

Because they now have the bus as physically close to Collinwood as it can go because of the terrain, Cottage Community will not be able to provide affordable transportation to those it intends to serve because of the location they have chosen. So our recommendation is that their funding be denied on this basis.

MR. JONES: Okay. Thank you, ma'am.
MS. TABI: Thank you and I will turn this over to my other fellow speaker.

MR. JONES: Who's next?

MS. BARKSDALE: I'm next.

MR. JONES: And you might be?

MS. BARKSDALE: I am a Longhorn. And I'm Tamara Barksdale from right here in Austin. Hope I don't offend anybody.

MR. JONES: That's probably one football game we could all agree on.

MS. BARKSDALE: Maybe so. Thank you for the opportunity to speak this morning. I appreciate your time and attention.

And before I remark on that specific to the applicant's request for a million dollar HOME grant, please let me speak on behalf of all of Austin when I say that affordable housing is a worthy and notable service every community should have for their citizenry.

Those who cannot for whatever reason cannot afford median priced housing should never be excluded from safe warm neighborhoods and ultimately, home ownership. The cottage communities has selected for development a tract of land that for many reasons could not be more ill-suited for the development as planned.

The TDHCA underwriting analysis supports this
and the cottage community's lack of readiness to proceed based on numerous construction uncertainties bears this out. I'll address the site's apology, access to the site, zoning at the site, design uncertainty, and resident safety issues at the site.

This tract of land is as David said earlier, slopes very steeply to the south. When I asked my local community groups about construction to allow for the steep slope on most of the property, the Cottage Communities primary architect, Richard Hatch responded, quote unquote, it certainly will be challenging.

I urge the board to take into serious consideration the staff report on this issue. Please compel the applicant to absolutely prove that the development on this site is possible within allowable ranges for construction costs.

And please also compel the applicant to submit a site plan, architectural drawings, construction specifications, and a certified project cost schedule before any grant award is made.

Next, access to the site is limited. In its application to the TDHCA, the applicant submitted contradicting information regarding right of way access to the site. You can see page 6 of the construction cost and estimated evaluation in the staff report.
Unlike any rough site plans sent into the TDHCA to date, the applicant submitted to the City of Austin in a September 25, 2003 council meeting, that the only access to the property would be via Claywood Drive. And I'll say that here.

It's a regular subdivision. They said as recently as September 25 that the only road for access they'll be seeking is through Claywood Drive. We'll talk about that because of Dessau Road. To bring you up to speed on the access issue, via Claywood Drive, Travis County used to own this piece of land.

Travis County determined that accessing Dessau Road at any point along here was too dangerous. The piece of land was slated for a fire station. Travis County determined that a fire station could not safely be put here, with a fire truck coming out here, even with red lights flashing, sirens, warning signs on either side, with the traffic coming over the hill.

So the applicant has now concluded or agreed -- I see your gavel -- play with your kind of access[phonetic].

MR. JONES: I'm going to do this more often.

MS. BARKSDALE: I know. I just need to go real fast. So let me catch up with my place in my talk. The City of Austin has subsequently gained control of the
right of way from Travis County and has preliminarily stated that it too, will not allow curb cut or right of way access along this stretch of road, including any potential ingress roads controlled by the applicant.

The lack of access significantly affects the applicant's development plans, and is in stark contrast to all information submitted to date in its application to date, to the TDHCA. Again, I urge you to compel the applicant to produce a site plan consistent with its most recent plans as they are to the City of Austin.

I would like to submit the September 25, 2003 zoning page summary to support this point. And there's a secondary case in there. So you'll have to read ahead.

And regarding zoning at the site, in addition to housing, the applicant proposes to offer on-site daycare, health and legal services, adult education classes and a slate of other services. The applicant must first garner commercial zoning to accomplish this.

Because of the unsuitability of this project for this tract of land, its remote location and the burdensome amount of traffic its development would create along a single small residential street, organized neighborhood associations filed a 60 percent valid petition with the City of Austin to oppose zoning of the tract.
These same community groups are deeply opposed to any commercial zoning on the tract. The access issues at Dessau Road limits the applicant to just one ingress on a minor residential street, and makes commercial zoning unlikely. I would like to submit the applicant's first zoning case back in 2001, the first time it was before the City of Austin council to support this point. Meaning at the time, they --

VOICE: This case was brought back in Austin before you were born.

MS. BARKSDALE: At the time, access was going to be at Dessau Road, and this neighborhood street. The city staff at that time determined for the density that they want to build, that two points in and out were necessary. In this case, they only have one point in and out.

The next point I'd like to address is design uncertainty. The applicant proposes or proposed in its application to TDHCA one 5,000 square foot building to house a 100-child day care center and to accommodate support services it wishes to offer.

City zoning statutes strictly prohibit the mixed uses the applicant has planned. Administrative offices, health care services and child care must be housed in separate structures.
If the applicant intends to proceed as outlined in its HOME grant application, then they must consider another building at this site. Means of this construction have not been proposed or tested or accepted by TDHCA. I would like to submit -- I have submitted the zoning use summary table built in the City of Austin land development codes to support this point.

Further, at a minimum, the state of Texas Department of Protective and Regulatory Services requires at least 30 square feet per child of indoor space, excluding single use space, and 80 square feet of outdoor space per child per daycare.

Assuming the applicant would aspire to best practices standards, a 45 square feet per child at this daycare, there would be no additional space available in the one building they currently have planned to house a daycare and provide all the services they want to provide to the residents and surrounding community.

A certified site plan with a specific floor plan for this proposed 5,000 square foot building as requested by TDH staff would address this design uncertainty. And finally, safety.

In the rough site plan presented to community groups, with proposed 30 cottages, parking, community and daycare building, with those uses alone, absent a second
building we believe is necessary, the applicant was able
to fit all the proposed construction on the usable portion
of this land which is about this footprint here.

   Because of the western steep slope down to the
creek and floodplain, for all its intended uses, the
applicant proposed situating the 30 cottages around the 15
foot, one-way drive. It is unimaginable to me that a
certified site plan would include that configuration and
leave residents at odds with emergency response vehicles,
should, God forbid, there be a fire or other emergency.

   Meaning, on such a long, narrow, one-way drive,
a resident could be trapped behind an emergency vehicle,
unable to retreat, going the wrong way down a one-way
street and again, be at odds with any emergency vehicles
trying to get in.

   Further, the applicant told the city council in
picking zoning and considering placement for its plans for
daycare center, it might see right of way access via
Dessau Road. Travis County engineers deem this stretch of
road as too dangerous for firemen. Now, I also think its
too dangerous for mothers, fathers or any single parent
trying to get their children to daycare.

   We would ask you to require the applicant to
submit a certified site plan that addresses these
significant safety issues and resolve with the City of
Austin the Dessau Road access issues before any grant award is made. Thank you.

MR. JONES: Thank you.

MR. CONINE: Ms. Barksdale. Do you live close by?

MS. BARKSDALE: I do.

MR. CONINE: Where? Can you point it out?

MS. BARKSDALE: I can make a dot, or I can just point.

MR. CONINE: Yes point. Just point. I can see.

MS. BARKSDALE: I live here.

MR. CONINE: Oh. Okay.

MS. BARKSDALE: I can tell you more about my house.

MR. CONINE: It's up there. I've seen a few houses in my life. Do you -- where do you work?

MS. BARKSDALE: I work at 6th and Lamar. I'm sorry, 6th and Mopac, just down the street, for an advertising and public relations firm.

And I have as Theresa Tabi, who spoke to you, run from my house, run up the street, around the lake, to right over here to the bus stop to try to get to my job downtown. It took a little more than two hours.

MR. CONINE: Okay. Thank you.
MR. SALINAS: Has it gone to planning, the zoning of the City of Austin?

MS. BARKSDALE: Sir?

MS. BARKSDALE: Has it gone to the planning? The zoning? What did they say?

MS. BARKSDALE: Yes it has. The case is there. Zoning and Planning approved it in May. Approved the zoning change unanimously, as did the City Council.

MR. SALINAS: How can we change that, if they approved that?

MS. BARKSDALE: We can't change it. I mean, obviously, we can't change it. But for the further uses that the Cottage Community has planned or has submitted in application, they're commercial uses.

So housing has been -- housing zoning has been awarded. For the single family condensed use housing here, but commercial uses has not been awarded.

MR. SALINAS: Well, how can we change anything here from what they've done already with the City?

MS. BARKSDALE: I don't think I understand your question. I don't think anything can be changed.

MR. SALINAS: But you want us to deny the --

MS. ANDERSON: But not based on zoning.

MS. BARKSDALE: But not based on zoning. No, there is a zoning issue. There is a commercial zoning
issue. I submit that without access -- well, I guess I
guess I didn't put up proper zoning codes. Without access
to a major thoroughfare, arterial thoroughfare, to have a
100 child daycare, 90 parking spaces, a community center
and 30 cottages, their only way in and out for the
residents, is via this small street.

MR. SALINAS: But what would we have to do with
that? What is our --

MS. BARKSDALE: There is still a zoning issue.

MR. SALINAS: Well, but we have no zoning here.

We don't deal with zoning here.

MS. BARKSDALE: No, no. I'm saying, when
considering awarding a grant, consider the fact that this
tract -- my whole thing is that this tract of land is just
unsuited for this use.

MR. SALINAS: But the City says it is.

MS. BARKSDALE: The City is saying it's useful
for housing.

MR. SALINAS: Okay.

MS. BARKSDALE: But not with supportive
services, having said so with the daycare.

MR. SALINAS: So what's our role here?

MR. JONES: Our role here is -- somebody tell
me and correct me here. I don't understand it.

MR. CONINE: We need to listen some more.
MR. JONES: Yes. Number one, we're taking public comment. Our role here is after we take public comment, to decide whether or not we want to approve the development as been presented.

MR. CONINE: And staff comment.

MS. CARRINGTON: And staff will have a recommendation.

MR. JONES: Is Mr. Barksdale next? Mr. Barksdale?

MR. BARKSDALE: Good morning.

MR. JONES: Good morning.

MR. BARKSDALE: I've come here today to speak of the lack of readiness of our community partners, in terms of lining up their funding with their financial partners. The recommendation from the underwriting analysis or part of the recommendation was to deny funding because Cottage Communities had not demonstrated a readiness to go forward with additional financing they needed to make the project complete.

My first point is lack of funding commitments from the City financial partners. And this was stated by staff in the underwriting analysis.

The TDHCA underwriting analysis of September 2, 2003 for Community Partnership for the Homeless, also known as Cottage Community, recommended not to award a
grant of 1 million, $50,000 to the applicant, due to, among other reasons, a lack of financial commitment from its financial partners. On September 26, Cottage Community appealed this decision, providing letters from Compass Bank and Austin Housing Finance Corporation as proof of those financial commitments required by TDHCA.

An examination of these letters indicates an interest by both parties, but no financial commitment. Austin Housing Finance Corporation stated that Cottage Community has an application and it has received a preliminary review, but does not say that they have been granted funding.

Compass Bank granted the loan request, subject to several conditions. And among them are, one, a first lien deed of trust on the real property and all improvements thereon, needs to be in the loan, needs to be provided.

And secondly, a minimum debt service coverage ratio of 1.25 times will also be necessary. Again, no financial commitment was demonstrated, and the appeal was denied.

In addition, a close examination of the conditions of funding from Compass Bank reveals other problems. There could be a potential conflict related to the lien position of the property, which may jeopardize
funding.

As a condition of funding, Compass Bank requires once again, a first lien deed of trust on the real property and the improvements thereon. But an examination of the information provided to TDHCA by Cottage Community shows that one of its financial partners, Stratus Properties Operating Companies, L.P., already has a first lien on the property.

Cottage Community acquired a loan from Stratus to purchase the property on which the project will be built. So how will this conflict be resolved?

Third, the debt coverage ratio requirement is not met for Compass Bank funding. As a condition of funding, Compass Bank requires a debt coverage ratio of 1.25 times.

In the pro forma financial statements submitted to TDHCA, Cottage Community projects that a debt coverage ratio of 1.10 times. TDHCA underwriting analysis generously estimated that 1.16 was more appropriate, based on the financials that were provided them.

Both projections are below the DCR requirements of Compass Bank. And finally, the last stipulation and one important stipulation of the Compass Bank funding is that the offer for funding or the offer for interest remain open until October 15.
That's less than one week away. That's four working days away from today. Compass Bank stated that this letter of interest or this letter of approval will expire at 5:00 p.m. on October 15.

I would submit to you that they have a lot of work to do, to deal with these particular issues that I've pointed out. And once again, I think points to the financial unreadiness of this project. And I would ask that you vote no for the funding of this project.

MR. JONES: Thank you, sir. And is Ms. Moss next?

MS. MOSS: Good morning, Mr. Chairman and board members. My name is Linda Moss. I'm president of the Collinwood Homeowners Association, which consists of 95 homes in the immediate area.

Clearly, we oppose the building of this project on this particular site. We have touched upon the myriad of concerns and issues that we would like for you to consider. I repeat, we would like for you to consider those issues and concerns that we have articulated as you review the request for application that is submitted by Cottage Community.

And our concerns, in closing, is specific to the safety, specifically to accessing the site at Dessau Road, financial feasibility regarding the construction
costs, and the lack of public transportation to the site. We strongly believe that this particular site wouldn't adequately serve the needs of the targeted population.

We have suggested an alternative site, that is still within the immediate, still within the neighborhood, and we're just asking once again to consider the information that we have shared with you this morning.

MR. JONES: Thank you. Mr. Tom Stacy?

MR. STACY: Mr. Chairman, Commissioners, Ms. Carrington -- to address you here today. It's always nice to have your name mentioned. Let's hope they spell it right.

We've had some very good meetings with the neighborhood. Had two very large meetings with the neighborhood and the many people here today are all very fine people. We intend to work with them on this project.

The purpose of today's meeting is for you to decide on our appeal. We have asked you to overturn the decision of staff. To touch briefly on some of the comments that have been made, there are some very important points that you probably would like to know.

One, as Tamara had mentioned, we have have got our zoning change on the site. We had a unanimous vote from the Planning and Zoning Commission. And we had a unanimous 7-0 vote from the City Council two weeks ago to
change the zoning from SF2 to SF6.

The request there, as is in our request to TDHCA does not involve child care. If we decide to put a child care facility on the property, we'll go back to the City for that zoning and it's not part of our application here.

And the comments about transportation, it's about 3500 feet to the nearest bus stop. Council member Darryl Slusher, who is a member of the board of Capitol Metro, as well as the City Council, has also said that he wants to help provide transportation from this project if we need that, from van shuttles.

We do not intend or would not want to ask for a bus stop in this area. This one is close enough. If we need some help, van shuttles or various other means of transportation will be available, and we'll make sure that happens.

The one reason that we're here. We're a small non-profit with a 13 year track record of providing housing to homeless and formerly homeless people in Texas. It's difficult to find organizations that have product on the ground.

We currently own eight homes and provide housing for up to 28 Texas veterans now. This project is designed for single parent families, whether it be a
mother raising children by herself, or a father or a
grandparent raising children by themselves. It's a very
worthwhile project.

Relating to the specifics of the request today,
we were turned down for funding originally when we were
here last month, because we did not have our financing
proven up as well as staff would have liked to have seen,
and our plans as proven up as well as staff would have
like to have seen. And we have been very appreciative of
staff's interaction with us.

We were able to work with Robert Onion this
month. He has spoken with our primary bank lender,
Compass Bank and we do have a firm commitment from them.
Mr. Onion has spoken with the loan officer that approved
that, and I believe is convinced that we have the million
dollar commitment from Compass to be firm.

The City of Austin is committed to their
$500,000. Paul Hilgers spoke to you last month, saying
that as well, and Mr. Onion has spoken with him also. We
have an additional funding to Federal Home Loan Bank in
Atlanta that Compass is sponsoring. We will not hear from
that until December.

Even without that, we have enough funds to
build this project, with some of the HUD funds that we
already have. The sense of urgency that we have, as we
discussed with Mr. Onion, is that the HUD funding will expire at some point, and so we need to keep the project moving.

We have learned about the open round of funding that is proposed, and we are very willing to go through that process, if we cannot stay in this round of funding. We think it's important for us to do that. Mr. Onion would still like to see our plans in better condition.

Because our zoning just was approved two weeks ago, we did not want to spend a great deal of money on plans with that zoning opinion change pending. We would still have built the project with the current zoning, and we have agreed to restrict the density of housing to actually less than we could have done with SF2, with SF6 zoning.

That allows us to cluster the homes, therefore having less infrastructure costs. That makes the project cost less. We can build this within the budget that we have presented to TDHCA. And we also have additional funds, that if we chose to do something differently, we would be able to pay for that as well.

Our hope is, and our request is, that you will keep us in this round of funding. And we expected -- I guess it was a bit of not understanding this process. And this is a difficult process.
There is a reason why a lot of these aren't built. It's difficult. And we felt like the commitment that we would get from TDHCA would be conditional upon having either awarded general contracts, or bids and things of that nature that we thought would be part of that process. However, it seems that because the HOME funds, you like to see this already done.

And it's sort of a cart and horse problem in that we can build to a budget, and we are building to a budget. We will get to that point. And we would not expect to get to utilize your funds if we did not meet some of that criteria.

But we thought that we would have the commitment and then start the check off of those criteria as we went along. It will take us a bit of time to get the plans completed, now that we know where our zoning is. We can do it the cheapest method possible.

We like this site. We own this site. Stratus Properties, who funded the acquisition for us will be paid off with the Compass Bank funding, so the first lien is not an issue. It was brought up. It's all in those numbers.

So our request is that we could stay in the program, in this round of funding. If that's not possible, we will be back in the open funding. We'll be
back until we get this built.

    And it's just been a learning process. But our concern is that some of the timeliness of our data might be affected in the open round. That we have to have letters that are updated, and so on. Restrictions might be different. Requirements might be different in the open round as they are today.

    We are through the process, almost to the end of it. We'd like to stay in it, because we have some of the unknowns, some of the questions. We're certainly going to abide by your decision. We ask that you let us stay in.

    If that's not possible, we're going to be back. And we're going to continue to work with staff. And we appreciate their cooperation with us.

    MR. JONES: Thank you, sir. Appreciate it. Thank you very much. Ms. Carrington, what's staff's recommendation on item 5(a)(1)?

    MS. CARRINGTON: Staff's recommendation on item 5(a)(1) is to deny the appeal of the applicant. They are following our standard appeal process. The executive director did deny their appeal. Their next step is to appeal to the board, and you have heard that.

    But our recommendation is, due to financial infeasibility, lack of all of the information that we need
on the construction planning, and firm financing commitments, staff's recommendation is to deny this appeal.

    MR. JONES: Mr. Bogany?

    MR. BOGANY: And I'm assuming, Ms. Carrington, this was done, discussing this with Mr. Onion, and going over everything?

    MS. CARRINGTON: Yes, sir. And you do have an underwriting report.

    MR. BOGANY: Okay.

    MS. ANDERSON: I move to adopt the staff recommendation and deny the appeal.

    MR. GONZALEZ: Second.

    MR. BOGANY: It's been properly moved and seconded. And we need a vote.

    MR. JONES: Okay. No further discussion? I assume we're ready to vote. All in favor of the motion, say aye.

        (Chorus of ayes.)

    MR. JONES: All opposed, say nay.

    MR. CONINE: Nay.

    MR. JONES: The motion carries. We will turn to item 5(a)(2). We do have comment. Ms. Truesdell?

    MS. TRUESDELL: Good afternoon. My name is Carolyn Truesdell. And I am here speaking on behalf of a
project that has been submitted for HOME funds by the New
Hope Housing in Houston. New Hope Housing Canal.

Some of you may know that for over 20 years, I
was an attorney at Vinson and Elkins, specializing in
public finance. And 15 years of that was doing housing
finance work.

MR. JONES: Are you a typical attorney?

MS. TRUESDELL: I would hope not. I would hope
not. I'm a female to begin with.

MR. JONES: Be sure to tell that to Garvin back
there. She's says not typical. I am. She's not.

MS. TRUESDELL: And I have been retired now for
almost five years from the practice of law. And one of
the things that I have devoted my time to is working with
non-profit and community organizations.

And about a year and a half ago, I got on the
board of New Hope Housing. And I am just here to speak
mainly on behalf of the board and of our commitment to
this project. And to what we do, providing housing to
very low income people. We provide one bedroom, basically
one room housing.

This project is being built in a location that
is on two major bus routes. And it is -- I have been
evermously impressed with New Hope Housing, with the
project that we have. How well they are built. How well
they are maintained. And what wonderful things we do for those that we serve.

It is, I know from my experience, extremely difficult to do very low income projects, and yet there is a great need in community for that. And I think that it is by doing the financing the way we want to do it, with no debt, that's how you can do it.

Because that allows you to build a quality project and it allows you to use the rents, and our rents are currently maybe a little over $300 a month. And to keep the rents reasonable, which is often a problem.

And to maintain and operate the buildings in good condition and to provide supportive services. And we are doing all of those things. And I am very proud to speak in favor of this. And I am happy every time I walk into our existing project and see what we are doing.

And I want to thank the board very much and the staff for the very hard work that they have done in looking at this and helping us through this process and trying to find a way to make what I think is an enormously valuable project work. So thank you so much.

MR. JONES: Thank you. And we have one more speaker. Ms. Joy Hovak-Brown.

MS. HOVAK-BROWN: Mr. Jones, I'll waive my time unless anyone on the board has any questions.
MR. JONES: Thank you ma'am. Mr. Bogany?

MR. BOGANY: Staff recommendations?

MS. CARRINGTON: Thank you, Mr. Bogany. This is a truly an application that has been through the process. They applied in multifamily home CHDO awards set-aside.

When the board looked at these original awards, staff had recommended that it not be approved. And that was the case due to financial infeasibility. They appealed. They appealed to staff. And staff took another look at it.

They provided us additional information. And staff, now comfortable, we re-underwrote the transaction, got comfortable with the information that they have provided us on the financial, on the long term financial feasibility of the transaction.

So last month, I guess, staff approved this and they are now coming to you for funding. And what we are recommending is $1,250,000 of funding out of the HOME multifamily CHDO set-aside. They had originally applied for a million out of the HOME funds and 250,000 out of the trust fund.

And since they weren't eligible back last summer, we reallocated that $250,000 trust fund to other applicants, because they were not eligible at the time.
So we did take an additional $250,000 out of the multifamily HOME CHDO money.

We do have it available. It's not taking it from another applicant. And the staff is recommending the award to this particular application for $1,250,000.

MR. BOGANY: Okay. I move the recommendation from the board.

MR. CONINE: Ms. Carrington. You said we -- I remember seeing this last month and remember talking about it, but you said the staff relooked at it and determined that financial feasibility was appropriate for this.

MS. CARRINGTON: Right.

MR. CONINE: Yes, I'm looking at the underwriting analysis which still says: not recommended.

And I guess this is a format question here. If you guys change your mind, the board members would be inclined to see the latest version of these, if I'm looking at something that's an earlier version.

MS. CARRINGTON: And I'll ask Mr. Gouris to address that. Because I believe what you all do have in your book is the September 2 underwriting report, and it was later in September that the appeal was made to the executive director, and the executive director did grant their appeal. So now they're coming to you all for
funding.

MR. GOURIS: Tom Gouris here. Director of Real Estate Analysis. I believe there's a page at the end of the underwriting report that refers to a memo that we provided.

We didn't actually do a re-underwriting of this, because there was not a lot of new information provided. What we have indicated is that we provided in our original underwriting report the situation the transaction. And based on the underwriting rules that we have in place, we had a difficult time approving it, based on those rules.

They appealed, and the appeal was upheld. And we certainly understand, and accept the appeal from a real estate analysis perspective. We support the transaction, based on the fact that we've created new underwriting rules for the '04 year.

And based on the fact that those rules would have allowed us to approve this transaction in underwriting. It's a difficult thing for us to abide by three rules and say this transaction meets all those rules and underwriting is not able to do that.

MR. CONINE: I appreciate you clearing this up.

MR. JONES: I was about to ask you if he answered your question, but I don't even know if I can
remember the question.

MR. CONINE: So '03 they don't make it, '04 they do make it. And you're convinced we'll go under '04 standards because that's where we're headed, and we'd like to see the project done.

MR. GOURIS: I'm convinced that they provided a significant amount of mitigation for the transaction. We don't have a -- '03 rules don't have a --

MR. JONES: Provided a significant amount of mitigation for the transaction, which would mean --

MS. CARRINGTON: What they have provided to us, they provided to us a history. A long history of fundraising. Of a substantial amount of fundraising.

Our initial problem was the 30 year financial feasibility. And what they did, even though Tom is correct, and I misspoke, we did not re-underwrite the transaction.

They did provide additional information to us that shows that they have years of history of being able to satisfactorily raise millions of dollars of money and would certainly have a portion of that, that would be committed to this transaction.

MR. GOURIS: And our '03 rules don't speak to that issue at all. Our '04 rules do. They provided enough on the mitigation, not only that they fund-raise,
but they have got two other transactions that they've been successful at maintaining a debt free structure and keeping it working and affordable. They've set up mechanisms so they can offset operating losses with fundraising specifically for to address operating costs.

MR. CONINE: I'm kind of sorry I asked the question.

MR. GOURIS: I am too.

MR. CONINE: But I guess for future reference, if there would be a way that we could indicate that your opinion has changed on the underwriting analysis that would match what the staff recommendation is on our front page. I get a little confused when staff's recommending over here, and staff's denying over here. This is --

MS. CARRINGTON: And in hindsight, our memo from real estate analysis should be the second item in your packet and then have the original underwriting report to refer to. We will not make that mistake again.

MR. CONINE: I'm from East Dallas; I get confused every now and then. Move for approval, Mr. Chair.

MR. GONZALEZ: Second.

MR. JONES: A motion has been made and seconded. Mr. Bogany, did you second it?

MR. BOGANY: Mr. Gonzalez did.
MR. JONES: Further questions, comments, discussion? All in favor of the motion, say aye.

(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)


MR. GONZALEZ: We'll call on Mr. David Gaines.

We had our meeting earlier.

MR. GAINES: Mr. Chair. Members of the board, this morning at the audit committee meeting, we had one action item and several report items. An action item that needs to be carried to the full board is approval of the annual internal auditing plan for fiscal year '04.

We discussed the process internal audit goes through to arrive at that plan. The plan that you see in front of you have the objectives of each project. And there are a couple of carryover projects from last year that we discussed the reasons for. And I'm here to ask for approval of the plan.

MS. ANDERSON: I move approval of that plan.

MR. CONINE: I'll second it.

MR. JONES: A motion has been made and seconded. Any further discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, say aye.
(Chorus of ayes.)

MR. JONES: All opposed, nay.

(No response.)

MR. JONES: The motion carries.

MR. GAINES: The first report item is behind Tab 6(b)(1). And this is an annual report required by statute. Basically, it's a summary of our audit plan of last year, deviations from that plan, a summary of all audit issues issued during the year. The status of those issues. And the plan for this coming year, which is the final document.

There's also a brief discussion of other activities of the internal audit division. And the only thing I want to specifically point out, so you may be inclined to look at it further, should you decide, is that the report is distributed to the state auditor's office, the Office of the Governor, the legislative budget board and the Sunset Advisory Commission.

This is a report item. I know approval is required. I'll be glad to discuss it further, should you decide to.

MR. JONES: Keep going. We'll tell you when to stop.

MR. GAINES: We're contemplating the subjects.

MS. ANDERSON: Well, I think we have a very
extensive discussion in the audit committee this morning and I appreciate that briefing. And so perhaps if you could summarize at a very high level and see if Shad and the Mayor and the Chairman have any questions, and we just zip on through.

MR. GAINES: Well, if I get much more summarized, I'll refer you to the agenda items. Is there anything on the agenda that you'd like to specifically discuss.

MR. GONZALEZ: Thank you.

MR. GAINES: We had an engaging meeting this morning and I appreciate that.

MR. JONES: Any further questions?

MR. GAINES: Thank you. Can I record your show this Friday?

MS. CARRINGTON: Two more items.

MR. JONES: Is that the conclusion of the audit report?

MR. GOURIS: Yes.


MS. CARRINGTON: We have a report in your packet on the Community Affairs Division. We are attempting on a quarterly basis to report to the board the activities in Community Affairs.
And what that division has done is provide for you all a copy of the executive brief, which is done for, in this case, August '03. Eddie? Eddie Fariss.

MR. FARISS: Good afternoon. We provided the most recent executive brief to you so that you can at your leisure look through there, and note the accomplishments of the three different sections of the community affairs division.

If you have a chance to look at that, you'll see that we are well ahead of our planned performance in all the goals that are listed here. The executive briefs are prepared on a monthly basis so that the executive director has a snapshot picture of what is going on in each of the divisions of the department.

And as you see here in the community services section, to date, we've served 441 thousand persons who are at or below poverty in the state. That includes assisting in the transition from poverty of 1,565 persons.

We have one competitive grant in the community affairs division which is the emergency shelter grant program which we just finished awarding and implementing the most recent contract year. 76, we have 76 emergency shelter grant contracts ongoing right now.

In the energy assistance section, of course, with the weatherization assistance program and the
comprehensive energy assistance program. This report shows you that to date, we have weatherized 4,351 homes.

All of those, the residence of those homes of course are at 125 percent of poverty or less. It goes on to talk about the system benefit fund expenditures and other activities in the division.

The Section 8 portion also talks about the lease up and percent of funds expended. And while this report chose the first two months of the contract of the program year, I want to point out that for the year just ended, June 3 of 2003, our lease up rate was at 95 percent.

But the expenditure of funds, the utilization of funds was at 106 percent of available funds. So I believe that represents a significant improvement from the performance in 2002 in that program.

I also wanted to mention that during the month of June and the month of August, we held two highly successful conferences. One on energy in June and then our annual community affairs executive director conference in August.

And at those meetings, we were able to recognize high performing agencies. At each of those meetings, we also conferred monetary awards on those high performing agencies both in energy assistance and in
community service programs.

Another thing that I wanted to mention was that we recently received a $50,000 grant from the U.S. Department of Heath and Human Services to assist with a project that we were involved with.

HHS has contracted for national community service management academies to be conducted and we have identified six agencies in Texas that we would like, that we wanted to attend, And we subsidized their participation through paying the registration fee.

Tuition for a team of five. So we sent 30 people to this training, and we applied to HHS for $50,000 to help defray some of the lodging and per diem costs for those participating agencies. Let's see, what else.

And I'll just close by mentioning that we administer to the community services block grant program in the community affairs division and that grant is undergoing discussion in Congress for reauthorization. And I'll be attending this month a national conference to discuss issues with that reauthorization and we hope that that occurs. Does anybody have any questions about any of the things?

MS. ANDERSON: I'm curious about what the issues are. What are the issues around reauthorization of it?
MR. FARISS: Every six to eight years the legislation is reauthorized and one of the -- well, there was several issues. One had to do with gosh, you would ask me, one had to do with continuing to fund the network of service providers as it exists today. There's a network of 49 eligible entities to whom we allocate funds on an annual basis. The original language in the bill as first proposed would not have continued that allocation in that manner. The language that is now up in conference retains that language.

MS. ANDERSON: So they were going to compute them, or --

MR. FARISS: That was -- there is another issue that had to do with requiring the state to terminate its lowest performing entity every year.


MR. FARISS: You know, in a small state, like in Rhode Island where there might be three, it would take about three years and you wouldn't have any experienced contractors. So I believe that language has been removed. And I think that renegotiations that most of the issues have been successfully dealt with and it will go through conference in a manner that is satisfactory to everybody. But, we'll be talking about those issues.
MS. CARRINGTON: For the board's information, at the National Council of State Housing Agencies Conference, which I guess is going to be in two weeks now, and we do have two board members who are going to be attending.

I have been invited to participate in the final session. It's a general session. And it's on homelessness and addressing homeless issues. And there will be two state housing agencies represented.

One from a large state, Rhode Island, and then I'm from a small state, rather, and then Texas, along with some experts on homelessness. So Eddie and his area will be working with me to get me up to speed in this particular area. Thank you, Eddie.

MR. JONES: Appreciate it. Executive Director's Report.

Ms. Carrington?

MS. CARRINGTON: Yes, sir. I have two items. The first one is a follow up to Mr. Conine's directive at the last board meeting. You all may remember that staff had proposed that we eliminate the expanded approval component the 10 million EA component in one of our single family bond programs.

And Mr. Conine asked that we spend a little more time trying to figure out really what some of the
issues are, and have a meeting if possible with Fannie Mae and bankers. And board member Vidal Gonzalez took the lead on that, and we did have such a meeting. And Mr. Gonzalez, would you share the meeting with the other board members?

MR. GONZALEZ: First of all, I'd like to call Sue Cavasos and Eric Pike up because they were involved in this whole process. This is the Fannie Mae expanded approval program.

And as we visited the time before, and this was when we had a contingency provision that said that they could use up all the 3 percent down, 6 and a half percent money 30 year financing that was available.

So we decided to meet with Aurora Ortega-Geis, director of Fannie Mae in San Antonio's Partnership and Sue Cavasos was there. And I'll let Sue go ahead and brief us a little bit about what went on there.

MS. CAVASOS: Yes, we met. When was it? That was in September 19 and we met with Tim Almquist of Master Service and Vidal was there.

And he also brought Kirk McClellan, Jourdanton State Bank and we also were on conference call with Mark Vanderlinden. He's the Director of Housing and Community Development for Fannie Mae.

We gave an update on our expanded approval
program and discussed previous marketing efforts on behalf of TDHCA staff. Jourdanton State Bank was invited in the meeting in hopes that they and other community banks would be interested in participating in our expanded approval program.

Our original intention was to have community banks partner with Texas Independent Bank to originate VA loans. Unfortunately, Texas Independent Bank wasn't able to attend the meeting.

Tim Almquist with Countrywide Home Loans announced that they were now allowing their wholesale division to partner with community banks and brokers throughout correspondent agreements to originate loans for TDHCA. With this new arrangement, a vehicle will exist for many other community banks and brokers to participate in our programs.

It was also decided at the meeting that additional training would be conducted for current participating EA lenders in order to increase awareness regarding the EA program and to invite any new lenders to a separate training session. The first lender training is scheduled in San Antonio on Tuesday, October 21.

Training for the new lenders will be held during the morning session and existing lenders will be trained at the afternoon session. Since the meeting, a
conference call has been held with our other representatives from Fannie Mae to discuss marketing efforts.

To introduce the program to our participating program lenders, it was decided that we would do one-on-one onsite visits to our top five lenders. Our top five lenders are CH Mortgage, Sterling Capital, Rocky Mountain Mortgage, Northstar Mortgage and Judith O. Smith Mortgage.

We wanted to ensure that we had the right message and understand obstacles that the lenders may encounter. It is anticipated that we will target lenders in Austin, El Paso, Houston, Dallas, San Antonio and the Valley.

These meetings are tentatively scheduled to be conducted in November. At the regional trainings we will invite realtors that lenders currently work with. Fannie Mae has agreed to commit the following to the marketing campaign: $5,000 in marketing dollars, coordination and training resources, and product collateral.

MR. GONZALEZ: Thank you. One of the biggest challenges that we have is the private mortgage insurance may run as high as $300 per month. And so that has kept people from actually qualifying.

And we're looking at that. I visited with Mr. Conine earlier today, and he had a couple of ideas and
we'll try to pursue those. But, basically, that's been one of the challenges.

The other challenge was bankers, or community banks in rural areas do not get that many requests, and they're not Fannie Mae approved. Since then, of course, Countrywide has offered to handle those loans and so will Texas Independent Bank, which is a bankers bank.

So we've solved that and the only other challenge that we have is the private mortgage insurance and Eric, you might want to touch on some of your experience on that.

MR. PIKE: Eric Pike, Director of Single Family. There is an issue that has been brought to our attention regarding the mortgage insurance associated with these types of loans.

Obviously, because we're trying to target a borrower who has less than perfect credit, there is associated risk with providing a loan for that borrower. Our understanding is that 35 percent of the mortgage amount must be covered and that does sometimes add a rather significant amount of payment for the borrower.

Those are issues that we want to discuss further with Fannie Mae to see if we can address. We have a meeting also here, scheduled here in Austin, with CH Mortgage. We are having Fannie Mae's representative on
the Fannie Mae, on the expanded approval program come to
Austin and meet with CH Mortgage.

And the meeting is either going to be the 14th
or the 15th of next week. We want to try to address that
issue specifically. Also a point of the purpose of the
meeting is to find out specific problems lenders are
having.

CH is one of our largest producers and has
originated millions of dollars worth of loans for us; yet,
they're not originating Fannie Mae loans and/or Fannie Mae
expanded approval loans. So we want to try to get inside
their head and talk with a lot of their loan officers and
see where their problems are and hopefully can address
some of these issues in, again, originating some of these
loans.

MR. GONZALEZ: Right. We'll be having a
meeting with Fannie Mae on October 21, and I want to
personally thank Director Salinas for not killing this
program and pushing us forward and also, of course, Edwina
for helping us in the staff because I think we're going to
try to find some solutions to this and try to solve some
of the housing needs in different areas.

MR. JONES: Thank you. I'd like to just make a
couple of comments. Initially, I think, when Mr. Johnson
brought this to us, you know, I really wasn't for expanded
approval or I guess issuing funds on these bonds for
people with credit issues.

And what I don't understand is why, and I've
seen the 2 to $300 mortgage insurance premiums on these
houses and I think it's just totally ridiculous. But I've
also noticed that there are other lenders out there that
are using Fannie Mae products that don't charge any MIP at
all for people with credit issues.

And I've seen that product. I franchised part
of the SENDIG Corporation. And they have a product that
has no MIP for people with past credit issues as long as
they reach a certain score on that end.

And the other thought is that we also need to
keep in mind, is that if the people use FHA, there's no
credit scoring involved. I don't know how long that's
going to go. I think that's -- Mr. Conine may be closer
to that than me, but I think that's going to be changing
soon.

But there are other Fannie Mae products and I
think what we need to do is tell Fannie Mae to tell us
what those products are and who are using those products
which we may be able to push those people over towards
that product.

They had a product out there that they just
cancelled that had no PMI and we just did a deal the other
day that I asked a lender why how are you doing this product. And it was a past credit issue. And she says we have a product that's no PMI.

But I've seen a lot of the local lenders get stuck with this 2 to 300. But if you get one of these national lenders that across the board, across the country seem to have a little bit more flexibility than these mortgage bankers and locally.

And I don't really know what the issue is, but Fannie Mae has products that will work. Because these other big lenders are using them.

MR. CONINE: Let me piggyback a little on that, if I might. If you've got a Fannie Mae meeting set up for October 21st, you might want to have a Countrywide sitting in the same room with you, along with an MGIC, or whomever they're using for PMI.

I would agree, it defeats the whole purpose to begin that. And I don't buy the risk argument that MGIC or whomever is putting on the table.

MR. PIKE: We intend to have a representative from Countrywide present at all of those meetings. Like I said, the first one is scheduled for the 21st.

MR. BOGANY: And I think --

MR. CONINE: But you need to have the PMI companies there too. Okay, because they're the cause of
the problem. Everything else, people, we'll underwrite and get approved for. It's just that those bandits need to be reined in just a little bit.

MR. BOGANY: I think Wells Fargo has a program also, with no PMI. And I know that some of these may be Fannie Mae products. Some of them may be internal products that they're using to promote, but I think you ought to bring the major players, and I agree with Mr. Conine and the MIP company.

300 -- that's ridiculous. I've seen some of them at 2 to $300 MIP. And typically, when I've seen it, it's been, you know, a small mortgage company. And I've either broken their loans out or whatever. But that's a lot of money for mortgage insurance.

MR. CONINE: We need to continue to stress to our friends over at Fannie Mae that this is kind of treading new waters and they need to use their muscle to influence whatever the burdensome costs may be on the process in and of itself.

It's 10 million bucks, is that what it was? It's not a blip on their radar screen. They can step up and do it without PMI if they want to. So as Mr. Bogany suggested, so get tough with them.

MR. PIKE: Okay.

MS. CAVASOS: And I do know that they are
behind us because they know that we're the only housing
finance agency in the nation that has this expanded
approval, and I know that they want it to be successful
for them.

MR. CONINE: Right. And Ms. Carrington and I
talked to Mr. Hernandez. I think he'd like to see that.

MS. CAVASOS: Okay. Thank you.

MR. JONES: Ms. Carrington?

MS. CARRINGTON: One more item. I'd like to
introduce the newest member of the senior staff at TDHCA.

And that is Leonard Spearman.

Leonard joined us on October 1. Leonard, do
you want to stand up? For those in the audience who maybe
do not know you. And Leonard is special assistant to the
executive director.

And we have him doing a variety of activities
related to governmental affairs, and some marketing and
public outreach. Accessing additional federal funds to
the state. Just a variety of activities that as I visited
with the directors, it's like what would you like to see
done?

And that's basically Leonard's job description
and we are delighted. We're just delighted to have him
here. And he's already been out on consolidated public
hearings and just is learning very quickly what we do at
TDHCA. So welcome, Leonard.

MR. JONES: I always wanted to meet a special assistant. Mr. Conine has a special assistant too. It's me.

MS. CARRINGTON: Leonard comes with some wonderful experience from D.C., with the Federal Housing Finance Board and with FHA. So as we deal with our issues, with single family lending and other things, he has some very good experience.

MR. JONES: Thank you. Is that your report?

MS. CARRINGTON: Yes, sir.

MR. JONES: Good report. At this point, I will entertain a motion to adjourn.

MR. CONINE: So moved.

MR. GONZALEZ: Second.

MR. JONES: A motion made and seconded. All in favor of the motion, say aye.

(Chorus of ayes.)

MR. JONES: Passes.

(Whereupon, the meeting was concluded.)
CERTIFICATE

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

LOCATION: Austin, Texas

DATE: October 9, 2003

I do hereby certify that the foregoing pages, numbers 1 through 99, 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.

10/23/03
(Transcriber) (Date)

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