TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

9:00 a.m.
Thursday,
May 13, 2004

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

ELIZABETH ANDERSON, Chairman
C. KENT CONINE, Vice Chairman
PATRICK GORDON
SHADRICK BOGANY
NORBERTO SALINAS
VIDAL GONZALEZ

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
BILL DALLY, Chief of Agency Administration
CHRIS WITTMAYER, General Counsel
TOM GOURIS, Director of Financial Real Estate
DAVID GAINES, Director of Internal Audit
ERIC PIKE, Director of Single Family Finance Production
SARAH ANDERSON, Director of the Housing Center
SUZANNE PHILLIPS, Director of PMC
MICHAEL LYTTLE, Director of Governmental Affairs
DELORES GRONECK
CURTIS HOWE, Director of Information Services
SARA NEWSOM
ANNE PADDOCK

ALSO PRESENT:

SENATOR FRANK MADLA

ON THE RECORD REPORTING
(512) 450-0342
HENRY GORHAM, Chairman of the Board, Blue Light Village Housing, Corpus Christi
SCOTT SIMS, representative from the Speaker's Office
REV. HARVEY CLEMONS, former TDHCA board member
MIKE JONES, former TDHCA board chairman
PAM JONES
BOB CASH, for State Representative Kevin Bailey
GERALD RUSSELL, Montgomery Pines representative
LEWIS HILL, president, Ravenswood Sellers and Park Home Association
STEVE FORD, developer, Pinnacle Apartments, Cypress
DAVID BROWN, engineer, Pinnacle Apartments
KEN OVERTHER, J.P. Morgan Chase
LLOYD GRIFFIN, GMAC Fannie Mae
SCOTT LANDEN, tenant
JOEL LEVITZ, market study specialist, Boston Capital
JEFF SPICER
CRAIG ALTER, Southwest Housing Development Corporation
ROBERT VOELKER, representative, Corinth Estates, Corinth
MIKE GILBERT, representative, Meadows of Oakhaven, Pleasanton
## AGENDA

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### ACTION ITEMS

**Item 1 -** Presentation, Discussion and Possible Approval of Minutes of Board Meeting of April 8, 2004

**Item 2 -** Presentation and Discussion of Report from the Programs Committee:

(a) Update on Issues Raised at the Programs Committee and Board Meetings of April 8, 2004

(b) Amendments to the 2004 Consolidated One Year Action Plan

(c) Update of Department's Draft Performance Measures for 2006-2007

(d) Discussion of Funding Sources for Preservation

**Item 3 -** Presentation, Discussion and Possible Approval of Programmatic Items:

(a) Use of Returned Below Market Interest Rate Program (BMIR) Funds to Fund Willow Bend Creek Sponsored by Ability Resources, Inc., in Fort Worth, Texas in Lieu of HOME Funds

(b) Recommendations for Funding to Rural Economic Assistance League, Inc. and the Institute of Rural Development with Declined Funds from the Gonzalez Economic Development Corporation

(c) Single Family Mortgage Revenue Bond Program 61 Lender List

(d) HOME Program Disaster Relief Awards

**ON THE RECORD REPORTING**

(512) 450-0342
for: Brooks County for $415,800 and City of Toyah for $514,800

(e) Recommendation for United Cerebral Palsy (UCP) HOME Program Award Utilizing Deobligated Funds in the Amount of $500,000

Item 4 – Presentation, Discussion, and Possible Approval of Department Rules:

(a) Proposed New Title 10, Part 1, Chapter 35 -- Multifamily Housing Revenue Bond Rules

(b) New Title 10, Part 1, Chapter 1, 1.16 -- Rule Regarding Ethics and Disclosure Requirements for Outside Financial Advisors and Service Providers

(c) Proposed New Title 10, Part 1, Chapter 1, 1.17 -- Rule on Department Policy Concerning Alternative Dispute Resolution and Negotiated Rulemaking

Item 5 – Presentation, Discussion, and Possible Approval of Report from Audit Committee:

(a) KPMG 2003 Statewide Federal Single Audit Report

(b) Status of Prior Audit Issues

(c) Section 8 Family Self Sufficiency Program

(d) Status of Central Database

Item 6 – Presentation, Discussion, and Possible Approval of Multi-Family Mortgage Revenue Bonds and Four Percent (4%) Housing Tax Credits with TDHCA as the Issuer:

(a) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Evergreen at Plano Independence, Plano, Texas #04-409
(b) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Montgomery Pines, Porter, Texas #04-411
(c) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Pinnacle Apartments, Houston, Texas #04-415

(d) Proposed Issuance of Multifamily Mortgage Revenue Bonds for Bristol Apartments, Houston, Texas #04-416

(e) Selection of Underwriters for the Multifamily Bond Program

Item 7 - Presentation, Discussion, and Possible Approval of Housing Tax Credit Items:

(a) Interagency Contract between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs on the Housing Tax Credit Rural Regional Allocation

(b) Revision to Policy on Process/Procedures for USDA Rural Rescue Developments

(c) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:
   4-405 Primrose at Aldine Bender, Houston, Texas
   4-413 Corinth Estates, Corinth, Texas

(d) Proposed Amendments to Housing Tax Credit Projects:
   (1) 03-236 Little York Villas, Houston, Texas
   (2) 03-415 Southwest Pines Apartments, Tyler, Texas

(e) Extension of Construction Loan Closing Deadline for Little York Villas, Houston, Texas

(f) Meadows of Oakhaven, Pleasanton, Texas, 02-131, to Consider Award of 2004 Forward Commitment

ON THE RECORD REPORTING
(512) 450-0342
EXECUTIVE SESSION
Personnel Matters -- Discussion Under Section 551.074, Texas Government Code of Performance Evaluation for Internal Auditor

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

REPORT ITEMS
Executive Directors Report

ADJOURN
PROCEEDINGS

CHAIRMAN ANDERSON: Good morning. I call to order the board meeting of the Texas Department of Housing and Community Affairs for Thursday, May 13, 2004. I will call the roll. Vice Chairman Conine?

VICE CHAIRMAN CONINE: Here.

CHAIRMAN ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

CHAIRMAN ANDERSON: Mr. Gonzalez?

MR. GONZALEZ: Here.

CHAIRMAN ANDERSON: Mr. Gordon?

MR. GORDON: Here.

CHAIRMAN ANDERSON: Mayor Salinas?

MAYOR SALINAS: (No response.)

CHAIRMAN ANDERSON: I believe that Mayor Salinas has just gone to take care of something and will join us shortly. So at present, we have five members present. We do have a quorum.

The first item of business is public comment. As is our normal practice, the board will solicit public comment at the beginning of the meeting and will also provide for public comment on each agenda item, after the presentation made by department staff and motions made by the board. So we will now entertain public comment for
those who wish to speak during the public comment period.

Senator Madla, would you like to speak now, sir?

SEN. MADLA: It would help me.

CHAIRMAN ANDERSON: You bet. Welcome.

SEN. MADLA: Thank you.

CHAIRMAN ANDERSON: We appreciate you being with us this morning.

SEN. MADLA: I will be brief. Thank you, Madam Chair, members of the board. For those of you that are on the board, let me just share a few thoughts with you.

I want to congratulate you on the staff you have here. Ms. Carrington does an outstanding job. She's been very responsive and very willing to work through all the calls that I know she gets from members of my staff. I wanted to let you know that you've really got a good trooper here. We're fortunate.

The reason that I'm before this board today is, that back in April, a small community that I represent in far west Texas, the city of Toyah, was hit very, very hard with some rains. Something like 40 or 41 businesses and homes were damaged in that process. They have submitted an application to this agency for assistance under the HOME program. I'm here to urge you to give it favorable
I know that you have a lot of requests that are placed before you. I just want to say this. I come from a large community, San Antonio. The large urban areas are able to tap into dollars that small communities like Toyah are unable to do. So I would urge you to keep that in mind. You have a small community that is in a lot of trouble right now, financially, because they have nowhere to turn. Having said that, I think I've delivered my message. I hope that you will look very favorably on the application that has been submitted by the little community of Toyah.

CHAIRMAN ANDERSON: Are there any questions for the senator?

SEN. MADLA: I'd be glad to answer questions.

CHAIRMAN ANDERSON: We appreciate your testimony. We appreciate you being here. We appreciate your support of our department as chairman of the Intergovernmental Relations Committee.

SEN. MADLA: Thank you. You all holler if I can ever be of any assistance.

ALL: Thank you.

CHAIRMAN ANDERSON: Thank you, sir.

Representative Van Arsdale?
REP. VAN ARSDALE: Good morning. I want to thank the board for letting me speak early. I have a committee meeting at 10:00 so I really appreciate the courtesy of letting me speak early.

I also want to echo the comment about Ms. Carrington. I know that my committee in the House, one of the ones I serve on, obviously handles you all's issues. I found Ms. Carrington to be very easy to work with, very good about communicating information, and very courteous. I've enjoyed working with her and look forward to working with her some more.

Item 6(c) is what I'm speaking on here. It's proposed apartments, Pinnacle Apartments, on Huffmeister Road in Cypress, Texas, in my district. The information I just want to convey, it's real brief. I've got a lot of these proposed developments in my district. I can just tell you that this one has generated a stronger constituent response and a broader constituent response, in terms of just letters, E-mails, phone calls, by far than any development that's been proposed in my district.

This is a file of the letters I have gotten. I can tell you, I know when these things come about in the suburbs, you always get the so-called NIMBY response, but I want to talk about three things that are a little bit
different about this one.

The first thing is that the developer's resident relationship has been, at best, frosty on this particular development. The constituents back home are very well organized, the homeowner associations, on this. Before they saw the sign sort of posted on the street, there really wasn't any contact or any sort of groundwork laid.

I was not at the meeting that took place, but I did read the transcripts, and I have spoken to people who were there, and the developer was not answering any questions at the meeting. They wanted everything to be in writing and they would not orally entertain any sort of dialogue with the residents. And so that's been a real problem for the people there.

I guess to sum that point up. There hasn't been a good neighborly attitude from the developer on this one. I don't know if that's intentional. I suspect it's more negligence. That's probably it.

The second issue -- and it's a very big one -- is flooding. In this particular area of Houston, they've had a lot of flooding on the Wide Oak Bayou, which is where this particular development is being proposed. I do believe that part of this development is in the 100-year
flood plain, which is a problem, but there's a whole new set of maps coming out from FEMA shortly based on the whole Tropical Storm Allison. They're going to redraw these maps.

There have been a lot of problems of flooding in the Wide Oak Bayou, especially further downstream in Jersey Village. This is sort of the second piece of this particular development that I view to be peculiar compared to some of the other ones.

The third is the particular school district that this development is in. It's Cypress-Fairbanks ISD. It is, if not the, it's one of the fastest growing school districts in the state of Texas. It's a very large school. It is not uncommon for Cy-Fair to build an elementary school, for example, and then, before they open the school, have to erect temporary buildings because there are that many kids coming in and they can't keep up with the infrastructure.

And so we're about to put a development with new children in there. It's just a peculiar problem that Cy-Fair has, that, for example, my other school districts, Waller, Cline, Tomball, do not have the same level of exponential growth that Cy-Fair does. And so I think it's another problem that we need to consider.
That's really all I wanted to share with you and I appreciate your time.

CHAIRMAN ANDERSON: Thank you, sir.
Any questions?
(No response.)
CHAIRMAN ANDERSON: Thank you very much for being with us, Representative.

REP. VAN ARSDALE: Thank you.

CHAIRMAN ANDERSON: We appreciate your support on the House Urban Affairs Committee and look forward to continuing to work with you.


CHAIRMAN ANDERSON: Mr. Henry Gorham?

MR. GORHAM: Good morning, members of the board. My name is Henry Gorham. I'm the chairman of the board of Blue Light Village Housing in Corpus Christi, Texas, 1417 Horn Road. I'm speaking on behalf of an application, TDHCA #04-290.

What we have is an apartment complex that is more than 30 years old, close to 40. It's 152 units that are all affordable housing. Over the years, we've tried to maintain the property as best we can. We have made some efforts to keep it up. It's in fine shape right now, but because of the age, we feel that we need to renovate.
We've been working with Southwest Texas Housing on this thing.

Over the years, we've also made some repairs to it, a new roof, a new parking area, and things like that. And then we got the opportunity to -- it's been more or less a piecemeal thing, CDBG funds, loans, and things like that. Then we hooked up with Southwest Housing and we saw the opportunity to go ahead, and get some tax credits, so we can go ahead and do the whole thing, renovate the whole property, and bring it up to what we feel is needed by the people who work there.

We've had meetings with the tenants. They've given us the input of what they want, what they desire. One of the main things is air conditioning because we don't have it. It's been a struggle and it's been somewhat frustrating because of the attempts to get some grants and funds. With this tax credit, we can get it. If we get it, then we can go ahead and bring it up to what we feel is appropriate.

This area is a low income area. Most of the housing there is for low income and it's old. So this is our first attempt to go ahead and upgrade this section. With your approval and your help, I think we can go ahead, and make more or less a benchmark in that neighborhood.
and say, Look, this is what is available, this is what you can accomplish here, in this area.

With your help, I hope that we can go ahead and be successful in this. I am sure that the neighborhood, the community itself would appreciate it, and would feel very much gratified to see something like this, because this has never been attempted.

So speaking on behalf of this thing, I hope that we do get your approval and we thank you.

CHAIRMAN ANDERSON: Thank you. Any questions?

MR. GORHAM: Any questions?

(No response.)

CHAIRMAN ANDERSON: Thank you for your testimony, sir. The other affirmation forms for public comment that I have all request to speak when the item is presented, so we will certainly do that.

I want to thank Scott Sims from the Speaker's Office for being here this morning. We're also very honored to have Reverend Harvey Clemons, who is a former member of the TDHCA board, here with us today. So we appreciate you being here, Reverend.

Moving into our agenda now, we have a distinguished former board member with us this morning, Mr. Michael Jones, the former board chairman of the Texas
Department of Housing and Community Affairs. We are delighted that he is here with us this morning. We would ask that he come forward to the witness table so that we can make some presentations to him.

MR. JONES: Do I really have to do that?
CHAIRMAN ANDERSON: Yes, he was sitting on the back bench, back row.

MR. JONES: I feel a lot better having him in front of me than I do having him behind me.
CHAIRMAN ANDERSON: Then I will ask Ms. Carrington to open the festivities this morning.

MS. CARRINGTON: Good morning, Mr. Jones.
MR. JONES: Good morning.

MS. CARRINGTON: Good morning, Pam. Pam Jones is back there. Pam, do you want to stand up, and wave, and say, Hi, to everybody?

(Applause.)

MS. CARRINGTON: We know from time to time he had to come home from TDHCA board meetings and give you an earful.

I have a couple things for you, Mr. Jones. I think I'll come down there.

(Pause.)

MS. CARRINGTON: Mike was here when I got here.
Mike had been appointed to the board in 1996 and served until 2003. So that's seven years with TDHCA. He served -- Delores looked up some information. He attended exactly 100 board meetings --

MR. JONES: No?

MS. CARRINGTON: -- and he only missed five. I think he served with 17 other board members for TDHCA. From an executive director's standpoint, I can say to everyone here, and to Mr. Jones, that having a board chair who is as supportive, and as smart, and as humorous as Mr. Jones is, it was a great pleasure. I appreciated it very much.

Mike was always accessible to me. He didn't call me, but when I called him, he would always find time to talk to me. I would find that I really spent time trying to make my notes before I called because I knew how busy he was. I wanted to make sure that I was very succinct, but he was always very helpful and very supportive. So I appreciate that very much.

He cares very much about TDHCA. I told Mr. Conine last night that I thought some of the board members ought to tell some of their favorite stories. And so as I was driving home, I thought, well, what's one of my favorite stories about Mr. Jones. I guess it's a story
that I found out from one of my staff members not too long ago.

That was when the days were really pretty dark for TDHCA. We had a very, very key staff person who was a finalist for another job, outside this agency. Mr. Jones called him up and said, Hang in there with us. Don't leave. Stay. Things are going to get better. We'll never be where we want to be at this agency, but because of Mr. Jones, and because of his support, we have certainly come, I think, a long way.

So I have a plaque for you to go on your wall --

MR. JONES: Thank you.

MS. CARRINGTON: -- and I have a card for you.

MR. JONES: Thank you.

MS. CARRINGTON: And then staff has a present for you.

MR. JONES: Oh, well, thank you so much. Thank you.

(Applause.)

MR. JONES: Madam Chairman, I'd just like to say, thank you so much. You all are very gracious. I'm so proud of this department, and where it is, and Ms. Carrington and the staff, and all their hard work, and
your leadership. I'd just like to say this. It was a lot of fun. I enjoyed it. I made many good friends, Kent, Shad, Vidal, the Mayor. I didn't get to serve with you, Pat, but it would have been fun, I know, if I had. To sit here and see Harvey at the back of the room, that's the cherry on top.

REV. CLEMONS: I didn't get one of those plagues when they got me off the board.

MR. JONES: That's because they're going to get you back. Thank you so much. I enjoyed it.

CHAIRMAN ANDERSON: Not quite so fast, Mr. Chairman. It's fun to be able to say that to you. Your board members also are delighted that -- you might want to sit down. Your fellow board members are also delighted that you and Pam made the trip to be with us today. I thought I would begin by asking our vice chairman if he had any comments of the day to share with us.

VICE CHAIRMAN CONINE: Well, thank you, Madam Chairman. It is a pleasure for me to recognize Mike and Pam. It is true, they're become friends throughout all this. I was just curious how many executive directors you served with during your time. I've kind of lost count.

MS. CARRINGTON: Four.

VICE CHAIRMAN CONINE: Four. I got on the
board back in 1997. So I guess as the senior member of the board, and one that has had as much experience as anyone, including -- of course, Reverend Clemons was here prior to me getting here as well -- those were interesting times for TDHCA, but we can truly say that because of Mike's leadership, not only while he was serving on the board, but subsequently as chairman, this department came from a period in its history where things were turbulent and tough, and accusations flying all over the place, to one now that I think is a shining star as far as state agencies go.

It's been printed on the record that there's never been a state agency that's made such a dramatic turnaround in such a short period of time. I think a large part of that was due to Mike Jones and his leadership on this board. We, the citizens of Texas, as well as those who benefit from the affordable housing that gets placed in Texas due to this department's efforts, owe you a debt of gratitude. I want to personally thank you for doing what you've done.

(Applause.)

CHAIRMAN ANDERSON: Shad?

MR. BOGANY: Mike, I'm glad to see you. You know, I've been on this board, I guess, since 2001, I...
guess, when I got appointed. I really didn't know what I
was getting into when I got on this board, but I will tel
you, you made it a lot easier. Your friendship, your
leadership has been outstanding.

One of the things I really would like to say.
You always did what was right, and not been behind
pressure, but just what was right. I appreciate that. If
you had a dictionary, and you looked it up, and you saw
leadership and character, your name would be there. I
just appreciate your leadership during the period that you
were here. Thank you.

(Applause.)

MR. GONZALEZ: Mike, both Shad and I really
appreciate you taking us under your wing when we came on,
because we really didn't know what we were getting into,
or we wouldn't have gotten into it. You did provide the
leadership and I feel like you were the catalyst for
change, including getting the new executive director, and
really turning this ship around, and making us all proud
of the board that we serve on now. So thank you for all
your leadership, and your friendship, and help, and
advice.

(Applause.)

MAYOR SALINAS: Well, Mr. Chairman, I really
want to echo Vice Chairman Conine's comments and I really appreciate you putting up with me since 2001. I think there are a lot of things that this agency has done. We appreciate you being the leader.

When they start building that hotel next door, we said that if it would be done at the time that we were still here, that would mean that this agency was going to be doing real well. I stayed there for the first time and I thought about that meeting that we had with Mr. Conine, when we brought in Ms. Carrington. I call it the Carrington Hotel.

So I really want to thank you for all you've done for Texas and giving me an opportunity to serve with you. I know that I was loud at some times and I want you to know that I appreciate you giving me some advice. I think you made a few votes there that helped me on some things that we needed to do.

So I appreciate what you've done for us. I'm glad that I was able to meet you and have that friendship that I have with you. Thank you, Mr. Chairman.

(Applause.)

MR. JONES: Thank you.

CHAIRMAN ANDERSON: Well, I want to echo what's been said. You know, I didn't know Mike before I came on
the board in late 2001. In my first board meeting, you
know, the thing that struck me the most is he didn't call
a lunch break. We worked straight through lunch.

And so one of the things that I appreciate
about Mike, that occurred here, is that Mike tries to
listen to all sides, and do what's right, and balance the
interests of our neighborhoods and the interests of
housing needs and the interests of the advocates and the
legislature and the taxpayers.

I learned very early, that first board meeting,
that he indeed would listen, because starting then, with
the next board meeting, we began to take lunch breaks.
That is a tradition that generally continues until today.

So that, you know, I learned very quickly that Mike
listens.

He left shoes, very large shoes, that are
impossible to fill. His judgment, his steadiness, his
legal acumen, and his profound sense of fairness are
things that served this agency very well, over an extended
and sustained period. Truly, as others have said, the
reason that the department is in the position of strength
and continuing progress today is a testament to his
leadership.

All of us in this room that participated in
affordable housing, and all of the people of the state of
Texas, owe this gentleman -- and he is a true gentleman --
a tremendous debt of gratitude. So we appreciate you
being here today and the board has a little token for you
that I'll bring down.

(Pause.)

CHAIRMAN ANDERSON: We have this small token
and reminder of your service to the state and to the
department. We hope that it will remind you of the good
times and of your service and leadership here. We also
have a letter that is signed by the board and the staff
that I will read.

"Dear Chairman Jones,

"On behalf of the governing board and all the
employees of the Texas Department of Housing and Community
Affairs, as well as the thousands of Texans that the
department has assisted during your tenure on the
governing board, we present you with this token of
appreciation for, and in honor of, your service to the
department and to Texas. We are grateful for your
leadership and commitment to the department's mission."

(Applause.)

MR. JONES: I was going to say something good
about all of you all, but I will say this. Thanks for all
the lies. I'm so glad Pam got to hear them. Fortunately, she does know they're lies.

I do want to say this. You know, you all have worked on this board. You do really an important thing. I thank you for it. A lot of the things that you just said are attributable to me are not. You all know who they are attributable to. A lot of hard work went into Mrs. Carrington and it certainly was not me. We know who that was.

I thank each of you for your great contributions to the state of Texas and for you to be willing to continue to do that. I thank you on behalf of our whole staff. Thank you so much.

(Applause.)

VICE CHAIRMAN CONINE: Have you got a U-Haul to get that home in?

MR. JONES: We'll get it there. Thank you all.

ALL: Thank you.

CHAIRMAN ANDERSON: What a great way to start our board meeting. The first item of formal business on the agenda is presentation, discussion, and possible approval of the minutes of the board meeting of April 8.

VICE CHAIRMAN CONINE: So moved.

MR. GONZALEZ: Second.
CHAIRMAN ANDERSON: Ready to vote?

(No response.)

CHAIRMAN ANDERSON: All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed?

(No response.)

CHAIRMAN ANDERSON: Minutes are approved.

The next item is the presentation, discussion, and report from the Programs Committee. Mr. Conine?

VICE CHAIRMAN CONINE: Thank you, Madam Chairman. The Programs Committee met yesterday.

Just to update the board again on some of the progress we have been making, taking a look at some of our various programs. We had some more HOME program discussions yesterday that focused on lot on where the state was relative to the nation, if you will, in its HOME program functions, and the various percentages of each of the programs that we have within the HOME program. We hope to come back to the board in a couple of months, I think, with some recommendations and ideas that both staff and the Programs Committee can bring back to you. We look forward to that.

We also talked about an amendment to the consolidated plan that we have ongoing with the governor's
office, as well as others interested in our one-year action plan. I don't think we need any action on that at this point in time. The board will get the fully revised consolidated plan at the June meeting, as I recall.

We also had an update on our performance measures. Again, we'll take a look at that in a couple of months.

So there are no action items from the Programs Committee, that I'm aware of, coming forth. That concludes that portion of my report.

CHAIRMAN ANDERSON: Any questions.

(No response.)

CHAIRMAN ANDERSON: Thank you, Mr. Conine.

Item 3 is the presentation, discussion, and possible approval of programmatic items. Mr. Conine?

VICE CHAIRMAN CONINE: Okay. I'll turn this one over to Ms. Carrington.

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

Your item 3(a) is a request to substitute committed HOME funds in the amount of $623,226 with Below Market Interest Rate program funds that had not previously been transferred to the Multifamily Housing Preservation Incentive Program. Those of you that were at the Programs Committee yesterday, you will remember Ms. Boston's
discussion of the PIP program and that the action today
would put additional funding into that program.

   Basically, we're changing out a source of
funding. It is for a group called Ability Resources, Inc.
The development that they're developing is called Willow
Bend Creek. In addition, we would be requesting approval
to transfer 112,821 in remaining BMIR funds to the
Multifamily Housing Preservation Incentive Program.

   The Willow Bend Creek development is one that
was previously approved by the board. It was approved in
September of last year. Basically, because of the other
HUD funding that they have in this particular development,
and the requirements of the HOME program funding, it makes
it very difficult to match these funding sources. We
talked yesterday in the Programs Committee about more
flexible funding sources. That's basically what we have,
with money in the BMIR program. So it's still the same
approval, just switching out the source of funding for
this particular development that has previously been
approved by the board.

   VICE CHAIRMAN CONINE: Move for approval.

   MR. BOGANY: Second.

   CHAIRMAN ANDERSON: Questions for Ms.

Carrington?
(No response.)

CHAIRMAN ANDERSON: I have one question. When we free up this 600,000 plus in HOME funds, then does it go just back into one of the NOFAs that's open now? Or how does that money get reprogrammed?

MS. CARRINGTON: It will go back into the NOFA and then just be reallocated.

CHAIRMAN ANDERSON: In the same kind of purpose, you know, like owner-occupied, the various HOME programs or not necessarily?

MS. CARRINGTON: No, not necessarily.

CHAIRMAN ANDERSON: Okay. Any other discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed?

(No response.)

CHAIRMAN ANDERSON: Motion carries.

VICE CHAIRMAN CONINE: Item (b), Ms. Carrington?

MS. CARRINGTON: Thank you. 3(b), we are requesting approval of two 2002-2003 HOME investment

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partnership program awards. These activities would be for
owner-occupied assistance under the general set-aside.
The total award amounts would be $520,000.

We have a returned HOME award from the Gonzalez
Economic Development Corporation. They were recommended
for funding in July of last year. Their total amount was
500,000 in program funds and then 20,000 in administrative
funds. They have declined that award.

And so what we did was go to the next highest
scoring applicants on the waiting list and had a tie for
the next highest scoring. So we have two entities that
we're recommending that that 500,000 be split between.
The Institute of Rural Development, which is located in
Kingsville, we are requesting an award of 250,000 for them
on project funds and then 10,000 on administrative funds.

The Rural Economic Assistance League, which is
located in Alice, the same kind of structure, 250,000 for
project funds and 10,000 for administrative funds. Each
of these groups would be doing five units each of
owner-occupied. That is the program where dilapidated
homes are identified, that are currently owned, and we
would put up to 55,000 into rehab on those homes, or
reconstruct if need be.

Staff is recommending the acceptance back of
these HOME funds and the reallocation.

    MR. BOGANY: So moved.

    MAYOR SALINAS: Second.

    CHAIRMAN ANDERSON: Questions, discussion?

    VICE CHAIRMAN CONINE: Ms. Carrington, could I get a little further explanation on the return of the funds? We talked yesterday, again, in Programs Committee, about HOME funds that are getting used. It seems a little unusual to have every penny come back in an award that we've had before. Can you shed some light on that for me?

    MS. CARRINGTON: In this case, they just declined the award. They decided not to move forward with the activity that they had been awarded funds for. The contract was never executed. They said, We've changed our minds.

    MAYOR SALINAS: It's Economic Development Corporation that do these things in Gonzales. So they probably just didn't want to do the rehab. I think their main goal is to do economic development.

    VICE CHAIRMAN CONINE: You know the application process for some of these awards is not easy or painless. I find it curious for a group to go through all that and decide to return the award. I was wondering if there was any other light we could shed on that.
MAYOR SALINAS: I think it's a shame that they went ahead and turned it down. I can see how Economic Development Corporation didn't want to deal with state funds. They probably wanted to use that money for something else, some business development in Gonzales. This money is targeted to low income. Giving this to the Economic Development Corporation anywhere else, any other city in the state, and tell them to do some rehab. They should have used it, but they did decide not to deal with it.

MS. CARRINGTON: I think that the letter we received from them -- and Eric Pike, our director of Single Families -- Mr. Pike, I believe the letter just said they're declining the award. I don't know if they provided us more information than that.

MR. PIKE: Good morning. I'm Eric Pike, director of Single Family. The letter was brief. Basically, they didn't give much of an explanation, other than that they had decided to decline the awards. It could be a capacity issue. Maybe they had received other awards and determined at that time that they didn't have the ability to do it. There's a number of reasons, possibly, that they didn't state in the letter.

It's a rare occurrence when someone, like you
said, Mr. Conine, goes through the effort and the pain to complete one of our applications and then decline the funds, but these people did.

VICE CHAIRMAN CONINE: Okay.

CHAIRMAN ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no?

(No response.)

CHAIRMAN ANDERSON: Motion carries.

VICE CHAIRMAN CONINE: Item 3(c), the Single Family Mortgage Revenue Bond Program 61 lender list, Ms. Carrington?

MS. CARRINGTON: The next item is approval of our participating lender list for our Single Family Mortgage Revenue Bond Program, Program 61, the one that we recently released. This list is a list that can have lenders added to it all along through the process. Right now, we have 25 lenders who are participating and they have 200 branches statewide. Staff has provided a map for you on where these branches are located within the state.

We are working with several institutions.
There are some Asian banks that we are working with in the Houston area that we are hoping would participate in our first time home buyer program. It would be the first time we have such institutions participating.

We are originating very nicely in this program. Staff told me last night that out lenders have originated over 10 million in loans. All of those loans are the unassisted loans. If you will remember, those were the very attractive interest rate of 4.99. So that program is moving along very, very nicely.

As I said, this is our list to date for our lender list, but we are looking to have additional lenders added to the list.

VICE CHAIRMAN CONINE: Move for approval.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Any questions or further discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.
VICE CHAIRMAN CONINE: Item d is the HOME program disaster relief award. Ms. Carrington?

MS. CARRINGTON: Next item is we are requesting approval from the board for two disaster relief awards. These awards would be funded out of HOME deobligated funds. You will remember in our deobligation policy that disaster relief is one of the priorities that we use for these deobligated HOME funds.

You heard Senator Madla this morning discuss the disaster of the city of Toyah. That disaster occurred between April 4 and April 5, excessive rain. The area was declared a disaster by the governor's office, which, of course, is one of the key criteria for us to be able to use these deobligated funds for disaster.

And then Brooks County also -- Brooks County is north of Hidalgo County -- and their disaster occurred in October of last year. It was also declared a disaster by the governor's office.

Staff is recommending the amounts of $514,800 for Brooks County as well as $514,800 for the city of Toyah. Basically, it's 495,000 in program funds and 19,800 in administrative funds. So it's the same amount of award for both.

VICE CHAIRMAN CONINE: Move for approval.
MR. BOGANY: Second.

MAYOR SALINAS: Second.

CHAIRMAN ANDERSON: Any questions or discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

VICE CHAIRMAN CONINE: Item e is the recommendations for the United Cerebral Palsy HOME program award. Ms. Carrington?

MS. CARRINGTON: Yes, thank you. What we're asking from the board is approval of home buyer assistance in the amount of $530,000 for a group called Home of Your Own Coalition, Hope for You. This is a group that serves persons with disabilities and it's a set-aside for their funding in our state consolidated plan.

As we spoke yesterday in the Programs Committee, you all know that the grant agreement with HUD has not been approved yet, because we had some amendments to the action plan. Rather than having the Home of Your
Own Coalition wait until late June or early July to receive their funding, what we're requesting is taking $530,000 out of deobligated funds, under our special projects category, and go ahead and fund them now. Of course, what it means is that when the HOME funds come from HUD that there will be an additional $530,000 that will go in for other activities.

So it's basically an advance funding of this entity so that they can continue their work and won't have to discontinue any of the services that they're currently providing.

VICE CHAIRMAN CONINE: Move for approval.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Questions?

(No response.)

CHAIRMAN ANDERSON: Discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

At this point, with the board's concurrence,
I'd like to reopen the public comment period. We have an official here with the office of State Representative Kevin Bailey who has other special matters, because of the special session. If I don't see any objection, I'll ask Mr. Cash to come forward.

MR. CASH:  Good morning.

VICE CHAIRMAN CONINE:  Good morning.

MR. CASH:  My name is Bob Cash. I work for State Representative Kevin Bailey. He wanted me to read this statement to the board concerning Bristol Apartments on the Green's Parkway.

"Dwayne Henson has one development in my district, Shoreham [phonetic] Apartments, which is located at 2450 Aldine, West Hill. Mr. Henson has another development located in my district, before a change in my district boundaries, called Brickmore Apartments, located at 16101 Imperial Valley, Houston.

"Mr. Henson has always been very sensitive to the needs of neighborhoods adjacent to his developments. My office has yet to receive one serious complaint about properties developed by Mr. Henson.

"The high standards of applicant screening, the managerial style, and the architectural quality of these developments has made them assets and add value to our
neighborhoods. Mr. Henson and his employees have worked hard to avoid burdening our schools and maintaining traffic flow.

"While Mr. Henson's site at Green's Parkway, the Bristol Apartments, is adjacent to my district, I want to take this opportunity to support that development, because I know it will be a positive contribution to the community."

CHAIRMAN ANDERSON: Questions?

(No response.)

CHAIRMAN ANDERSON: Thank you very much.

MR. CASH: Thank you.

CHAIRMAN ANDERSON: I will now close public comment and proceed to agenda item 4, which is presentation, discussion, and possible approval of department rules. Ms. Carrington?

MS. CARRINGTON: Thank you, Madam Chair. This is the approval of the draft 2005 multifamily private activity bond rules. With the board's approval of this draft, this morning, then these rules would be published for public comment. The preapplications for the 2005 private activity bond program are due to the agency on August 30, 2004. So these rules will need to be in effect by July 1, 2004, in order to give the applicants...
sufficient time to review the rules and determine whether they will be applying to TDHCA or not.

Changes to the draft rule are minimal from the rule that the board approved last year. We have attached a black line document for the board so that you can see the changes. We've clarified and we've made some minor changes to mirror the qualified allocation plan in legislation. We also added some language that explains that the 2005 QAP, once it's approved by the board, may take precedence over these bond rules.

We have scheduled three public hearings. Those public hearings are scheduled for Dallas, Houston, and Austin. That's going to be over the next month. The rules will be brought to the board in June for final approval.

We can, if the board so chooses, go over the changes. Or if you all have particular questions that you would like to ask, we can do that.

VICE CHAIRMAN CONINE: Move for approval.
MR. BOGANY: Second.
CHAIRMAN ANDERSON: Discussion or questions for Ms. Carrington?
(No response.)
CHAIRMAN ANDERSON: I have a couple of
questions. The first is on page 9, at the top of the page, where we talk about development support and opposition. I just, I guess, am looking for some clarification from you. I notice it includes the presiding officer of the governing board of the county, which is a local elected official. I'd just like to understand why, given that we're not scoring local elected official's letters in the 9 percent tax credit round, how this is? Can you help me understand this?

MS. CARRINGTON: With the help of my general counsel, I will be happy to help you understand that. Mr. Wittmayer, do you want to come on up?

MR. WITTMAYER: Chris Wittmayer, I'm the department's general counsel. In the 9 percent tax credits, under the QAP, in the Senate Bill 264, they specifically deleted the scoring of input for local elected officials. In the bond scoring, they did not address that. In fact, it gives the board authority to decide additional items for scoring. So it's within the board's discretion to score for local elected officials in the 4 percent bond program.

MAYOR SALINAS: So they decided not to take our recommendations that the elected officials in the prospective counties, give us a recommendation on the
process? That's what they decided?

MR. WITTMAYER: They --

MAYOR SALINAS: I mean, that's why you're changing the QAP?

MR. WITTMAYER: In the QAP, the board directed us to ask the attorney general whether or not we were permitted under Senate bill 264 to score for the input from local elected officials. In light of the language of Senate bill 264, as well as the letter from First Assistant Attorney General, Mr. McBee, we made a decision that we would not score the input from local elected officials in the 9 percent bond competition.

MAYOR SALINAS: So it was the Senate and the House of Representatives that do not want the elected officials to have any kind of comments on what the application has to do with? I have a problem with that, but that's fine. They decided it and they do the rules of the Senate. I think it's very unfair for the local elected officials, especially the county officials, that they are getting these products in their county and that they have no say so.

I think that we need to send a message to the local elected officials, at least the county commissioners and county judges, that they do not have anything to do
with any kind of recommendation or anything that they had in their counties. I thought we were trying to see if we could get them involved in some of the problems that they have, in making these developments closer to the neighborhoods, and have them be more responsible for, especially the flood zones, the planning and zonings, but if it's left up to us, I do not have any problem with that.

We can always override anything. It only takes how many votes here to override it. I just felt that the problems you had before, we could invite at least the local county commissioners and county judges, but we need to send a memo to them and tell them what is happening here, because we had advised them that they were going to be part of the process. So I think that if it's okay with the board, that you all send a memo to every county judge in Texas saying that they have been left completely out of this process.

We had talked about that and we had put it in our QAP. Some of them were very happy that they were going to be able to kind of get involved. It's sad to see that the state senators and state representatives do not want them involved. I don't have any problems saying that.
CHAIRMAN ANDERSON: Perhaps we should ask Ms. Carrington and Mr. Wittmayer to sort of take that under advisement and come back to the board --

MAYOR SALINAS: Well, I'll advise my people in South Texas about what happened. I mean, if you all don't want to do it and write a letter to the county judges, there's only 254 of them --

CHAIRMAN ANDERSON: I just think we need to give Ms. Carrington and Mr. Wittmayer some time to figure out how to construct that letter and communicate with whoever else they think we need to.

MS. CARRINGTON: We have notified the development community, in the 9 percent round on the tax credits, that letters from local elected officials will not be scored.

MAYOR SALINAS: I know.

MS. CARRINGTON: We still, of course, are encouraging letters of support or letters of opposition because they do become part of the file and become part of what staff reviews and what you all look at, but we did let all applicants in the 9 percent round know that those letters would not be for points. We have not notified all the county judges though.

MAYOR SALINAS: You will or have?
MS. CARRINGTON: Well, we have not done that and we will do as Ms. Anderson --

MAYOR SALINAS: I think you should have --

MS. CARRINGTON: -- suggested. We will take that under advisement.

MAYOR SALINAS: I think you should advise them and tell them about it. I mean, what's the use of them sending any kind of communication to the Department of Housing if they are not going to be scoring their letters.

CHAIRMAN ANDERSON: It could still be considered by all of us. It just can't be scored.

MS. CARRINGTON: It does become part of the file, which does go up on our website, and which you all have an opportunity to review also.

VICE CHAIRMAN CONINE: That's with the 9 percent round. What we're dealing with here is the Rules of Government and the private activity bond in the 4 percent round.

MS. CARRINGTON: Correct.

VICE CHAIRMAN CONINE: We've had testimony that, whether it was intentional or unintentional, about the Senate Bill 264, and the recent ruling from the Attorney General's office, on the inability to score. We still have the flexibility, based on what Mr. Wittmayer
just said, to put it in the private activity bond rules.

I, for one, think that what local officials think about our projects is important and does weigh heavily. I'd like to see us pass it with this thing staying in it the way it is.

CHAIRMAN ANDERSON: Okay. I've just a couple more questions. On page 16, the top of the page, paragraph e, throughout this document, most of the time we define the income levels, but the last two words of this says "low income." I'm wondering if it might be helpful for clarification to consider putting in the income level there.

MS. CARRINGTON: We can do that, yes.

CHAIRMAN ANDERSON: Okay.

MS. CARRINGTON: That would be 60 percent of AMFI and we can do that.

CHAIRMAN ANDERSON: Just clarify that. I think that would be helpful.

And then I have a question on page 17, under paragraph 2, where we have deleted -- this is just sort of for my curiosity, to understand -- we deleted when we're verifying gross income of our proposed residents, why the reference to income tax returns was deleted.

MS. CARRINGTON: I would like to ask if Sara
Newsom, or someone from the compliance, Suzanne -- Suzanne Phillips, we had a discussion about that the other day, as a matter of fact. We're looking to make this consistent with --

MS. PHILLIPS: I'm Suzanne Phillips, the director of PMC. The department has adopted, as a standard for eligibility of all of our rental housing programs, HUD's procedures for determining eligibility. It's actually put forth in Section 42. It's been adopted by NCSHA.

Basically, it comes from the guidebook that's published by HUD, 4350.2, that is used throughout the multifamily industry, both Section 8, 202, 811. We also use it for our Housing Trust Fund, AHDP. Basically, this process defines what income is, using very specific matter.

Using tax returns is a backwards look. It doesn't speak to what the person's current income levels are. The way that HUD and IRS have defined this income eligibility is that it takes a snapshot of income as it is during the intake process. And then it's annualized for the next twelve months.

The only adjustments that are made to that projection are those known changes that are going to
occur. If the applicant knows at the day of intake that
they're going to get a raise in two months, or that
they're going to become a seasonal worker, those types of
things are taken into consideration.

The manual is about this thick. We do
workshops to all of our program participants that walk
them through. Nowhere in any of our training do we take
that role, take that view.

Our single family programs on the bond side,
and on OCI, they do an intake like a lending institution.
And then they would use tax returns. The tax returns
won't disclose a lot of income. It won't disclose things
like child support.

The HUD form also gives a family an opportunity
to exclude some types of income. For instance, if they
have a child in the home that's under 18 and works, that
would not be included. On the lending side, it would. So
we try to keep our multifamily properties, the 200,000
units, all on the same page of intake.

CHAIRMAN ANDERSON: That's very --

MS. PHILLIPS: So we're trying to look for that
continuity.

CHAIRMAN ANDERSON: That's very helpful to me.

VICE CHAIRMAN CONINE: Can I follow up on that,
Madam Chairman?

CHAIRMAN ANDERSON: Sure.

VICE CHAIRMAN CONINE: Let me describe a hypothetical to you and see how we are handling this in the future.

If you have a self-employed person, who for definition purposes falls in one of the low income categories, and probably can't afford to have an accountant do their tax return, so they prepare their own tax return, I see we substituted a third party written verification. How do you get the information on income for that particular type individual?

MS. PHILLIPS: The 4350 guide has many pages that give people guidance on how to do a verification process for someone who is self-employed. So it would even take into account someone who does day labor, someone who does seasonal work, someone who mows lawns for a living. So there is a very specific process.

We have forms that are available on the web, that are under our section, that all the managers can pull up, that will walk them through that process. So that person will certainly be eligible. If they have a tax return that they want to use, they certainly can use it, but it's just not mandated.
VICE CHAIRMAN CONINE: Okay. Thank you.

CHAIRMAN ANDERSON: Thank you.

VICE CHAIRMAN CONINE: Okay.

CHAIRMAN ANDERSON: I just have one comment I'd like to make. I don't mean to be dominating this, but, you know, with these multifamily bonds, we see this inducement list in the fall, and then we see the developments come before us throughout the year, and I just had several conversations with members of the development community that have expressed concerns that they go through the inducement process, the board sort of votes the inducement list in a blanket kind of a way, because it comes to us, you know, as a full block.

And then at times throughout the year, we'll have a development that might have substantial opposition and it creates a situation where a developer may have invested substantial dollars and then the development does not move forward because the board does not approve the development. And so I just think it's timely, while we're voting on these draft rules, just to urge the development community, as they option land, to consider those kinds of likelihood.

And then I also think that as a board -- or I'll tell you what I'm going to do, I'm going to pay more
attention than I have in the past to the inducement list this fall. I'll look at where the tracts are located so that if we know there is a tract in an area where a lot of things have been built, or, you know, that if appropriate we can work with the development community to minimize the situations where we vote an inducement, we vote to induce the bonds, and then, you know, several months later, after hundreds of thousands of dollars have been spent, the development doesn't move forward.

I don't know of any way under our rules we can guarantee that we don't -- and we certainly make no representations that we guarantee if you're on the inducement list you'll go forward. I do think we have a situation that bears some consideration because obviously we want to minimize the investment on the part of the development community on a development that's not going to go forward. The inducement list is the first time that we get a look at where those tracts are.

VICE CHAIRMAN CONINE: I'm sure we could encourage those hearing this today in the development community to attend the public hearings and look for some suggestions or ideas that might help minimize that exposure and help streamline our process to a certain extent. I look forward to seeing their comments.
CHAIRMAN ANDERSON: Any other questions or discussion? Yes, ma'am?

MS. CARRINGTON: I am told by my crack Governmental Affairs Director that we have notified Texas Municipal League that the letters of local elected officials will not be scored. Michael Lyttle, did we also send letters to -- or who else did we notify?

MAYOR SALINAS: How about the Texas Association of Counties? If we do that, then that would take care of it.

MR. LYTTLE: I'm Michael Lyttle, director of Governmental Affairs. We notified Texas Municipal League and the Texas Association of Counties. We prepared a document to give to them to transmit to their members as soon as possible. The new legislative bulletin, as well, updates it. They send it out on a monthly basis to their members. So we did do that.

MS. CARRINGTON: Is that all?

MR. LYTTLE: Yes.

MS. CARRINGTON: Thank you, Michael.

CHAIRMAN ANDERSON: Any other questions or discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume
we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: The next item for your consideration is to adopt the final rule regarding ethics and disclosure requirements for outside financial advisors and service providers.

The board has looked at this document multiple times. You first looked at as a policy that we adopted due to some legislation that was passed during the 78th session of the legislature. We then turned it into a draft rule, which the board approved, took it out for public comment, and did not have any comment on it. Now, we're bringing it back to you as a final rule.

It applies to outside financial advisors and service providers. Typically, this is going to be those professionals that we hire through our single family mortgage revenue bond program. That's not a 100 percent, but typically that's who it will apply to.

There have been no changes since you all approved the draft.

MR. BOGANY: So moved.
MAYOR SALINAS: Second.
CHAIRMAN ANDERSON: Questions or discussion?
(No response.)
CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.
(A chorus of ayes.)
CHAIRMAN ANDERSON: Opposed, no.
(No response.)
CHAIRMAN ANDERSON: Motion carries.
MS. CARRINGTON: The next item for the board's consideration is the proposed new rule for the agency draft concerning alternative dispute resolution and negotiated rulemaking. Senate bill 264, which was our sunset legislation this last session, requires that the department develop and implement a policy to encourage the use of appropriate alternative dispute resolution, to assist in the resolution of both internal and external disputes under the agency's jurisdiction.
This language was put in all agency's legislation that went through sunset last legislative session. So the language that shows up in our statute is the language that is consistent with all agencies that went through sunset.
We have previously, through the board adoption
of HOME rules, adopted -- or, I'm sorry, on the QAP, on ADR, in HOME rules QAP and Housing Trust Fund. This will be a separate stand-alone rule as we've done with our compliance rules, our underwriting rules. This has been out for -- I don't want call it public comment so I'll say it's been out for public input over about the last three months.

This proposed rule has been reviewed a couple of times by the Center for Public Policy Dispute Resolution at the University of Texas School of Law. They have reviewed it a couple of times and have provided us some suggestions and some input.

An earlier version of this draft was also provided to the Qualified Allocation Plan working group. So it's been out there for a while. We have incorporated many of the suggestions and many of the comments that have been made to us through this process.

Mr. Wittmayer, do you want to come up? The Center for Public Policy Dispute Resolution made a couple of last minute recommendations after the board book was published. Chris, would you go through those and, perhaps any --

MR. WITTMAYER: Last week, on the day we were posting the board book, I received an E-mail from Susan
Schultz at the Center for Public Policy Dispute Resolution. I'd asked her some time before then to make a final review of the rule that we'd be proposing today. She made three additional recommendations. I'd like to put those to the board this morning because I'm recommending that we make three relatively minor changes to what's in the board book, in the rules that we will propose if the board is agreeable.

On the page 1 of the draft rule, in section b, definitions, (b)(1), I'm recommending the very minor change of wording. That sentence would read, "The Governmental Dispute Resolution Act does not grant the department authority to engage in binding arbitration." And then we give the citation to the act, section 2009.005(c), just a minor change of emphasis.

The last two changes are on the last page of the proposed rule. Above the paragraph, the small (j), in the paragraph numbered 3, where it says that we can have less formal procedures when we do our rulemaking. Short of negotiated rulemaking, they suggest that we add after the language, "facilitated by department employee," add "or a third party." I think that's a good recommendation and I recommend it to the board.

The last change is in the next paragraph, (j),
talking about participating in an intergovernmental
efforts to share qualified governmental employees among
governmental agencies. They have reworded the end of that
sentence.

So that sentence will read, as we recommend,
"the department may participate in intergovernmental
efforts to share qualified government employees to act as
impartial third parties." And then they changed the
language to read, "They agree to reimburse the furnishing
entity in kind or monetarily for the full or partial cost
of providing the qualified impartial third party." I
recommend that we adopt their recommendation in that
regard.

MS. CARRINGTON: Thanks.

VICE CHAIRMAN CONINE: Move approval as
amended.

MAYOR SALINAS: Second.

CHAIRMAN ANDERSON: Questions?

(No response.)

CHAIRMAN ANDERSON: I'd just as soon we ask all
the questions today. I just have a question that really
probably is for Mr. Wittmayer. In the second change,
where they add the language about "or a third party," it
would be helpful to me to have an example of during our
less formal procedures how we might appoint a third party as a facilitator.

MR. WITTMAYER: When we use less formal procedures, such as in our QAP working group, and that is typically facilitated by department employees, this provision recognizes that that's the way we often do our business in seeking public input. They just thought it was useful for us to say as an option, that if we wanted to, we could employ a third party to fulfill that function.

We actually did that. Back on December 17, we convened a public input rule to get some public input on how to implement the requirement for quantifiable community participation scoring. I was able to enlist the volunteer assistance, on a pro bono basis to the department, of Ben Cunningham, who is a very experienced and well known Austin mediator. We used his services to help facilitate that meeting. This would recognize that that is an option that the department has, either you use a department employee or some outside third party.

CHAIRMAN ANDERSON: Thank you. Any other questions?

(No response.)

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

CHAIRMAN ANDERSON: Opposed, no.
     
     (No response.)

CHAIRMAN ANDERSON: Motion carries.
     
With the indulgence of the board, for the second time today, I'm going to propose a couple of adjustments to the agenda. I'm going to propose that item 5, which is the report from the audit committee, be deferred until later in the meeting, because we do have some people here on various other items that want to comment at the agenda item. The audit committee report is, perhaps, more of an internal matter. So seeing no objection, we will defer item 5 until later in the meeting.

Item 6 is the presentation, discussion, and possible approval of multifamily mortgage revenue bonds and 4 percent housing tax credits with TDHCA as the issuer. Mr. Gonzalez?

MR. GONZALEZ: Yes. Okay. Edwina's staff is recommending that the board renew and approve the issuance of 4 percent tax credit notices with the Department of Housing. The issue protects single bond transactions known as 04-409, Evergreen at Plano Independence, 04-411,
Montgomery Pines Apartment, 04-415, Pinnacle Apartments, and 04-416, Bristol Apartments.

MS. CARRINGTON: The first development for your consideration this morning is Evergreen at Plano Parkway Apartments. It's to be located in Plano, 250 units, proposed to be one and two bedrooms. It is proposed to be an elderly development. It is in priority 1(c) of the private activity bond rules with the Bond Review Board.

This was a new priority that was created last session. It went into effect this year for the 2004 transactions. I think three out of the four multifamilies that you're going to look at this morning, that TDHCA is an issuer on, actually fall into this category. It's in census tracts that have a higher average income than the area median family income of the area surrounding it.

The thought behind the creation of this category was to encourage the development of multifamily housing in incomes in census tracts that had a higher median income. To give you an example, on this particular transaction, the area median family income for Dallas is $65,100. The census tract that this development would be located in is a little over $100,000.

Behind tab 1, there is the board action request. This development did score fifth out of 44 of
the applications that TDHCA induced last session, last year. This development would have fixed rate tax exempt bonds in the amount not to exceed 14,750,000. Behind tab 3 is the housing tax credit profile and board summary. The amount of credits that are being recommended for this transaction is $585,335.

I'd like to point your attention to the bottom of that page, on our public comment from citizens. There's support, one, opposition, one, public hearing, three, two, and then neutral. And then we also did hear from some legislators or local elected officials. There is a letter of support from Representative Jerry Madden in District 67, Mayor Pat Evans, the county judge, and also the county commissioner, and a note that the proposed development is in accordance with the city of Plano's consolidated plan.

The underwriting report is behind tab 5, with a set of conditions that are probably not very different from those that you usually see on these transactions. The map is behind page 7. The summary of the public comment, behind tab 9, along with a full copy of the transcript of the public hearing, is also included for your information.

Staff is recommending the issuance of the bonds
in the amount of 14,750,000 and tax credits in the amount of $585,335.

VICE CHAIRMAN CONINE: Move for approval. I'll mention the resolution number on the bonds. It's 04-024.

MR. GONZALEZ: Second.

CHAIRMAN ANDERSON: Questions?

(No response.)

CHAIRMAN ANDERSON: Discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: The second proposed multifamily development for the board's consideration is Montgomery Pines Apartments. It's located in Montgomery County in Porter, Texas. It would be 224 units. It's a family development, ones, twos, and three bedrooms. It is priority 1(a) in the Bond Review Board's priority list. This means that 50 percent of the units will be at 50 percent of area median family income and 50 percent of units will be at 60 percent of area median family income.
The financing structure on this is 12,300,000 in tax exempt bonds and then one million, potentially, in subordinate refunding bonds. This particular development scored third out of 44 in our round of competition scoring last year. The transaction structure is a variable rate tax exempt bonds. That variable rate on those bonds is scheduled to be 3.75 percent.

The tax credit allocation amount that's being recommended is $621,509. Behind tab 3, you see the tax credit summary profile and board summary. Again, at the bottom, letters of support from citizens at the public hearing, and opposition. Also, letters from legislators or local elected officials, there is a support letter from Senator Tommy Williams, from Representative Dan Ellis, and the county commissioner, and a comment that the development is consistent with the Montgomery County five year consolidated plan.

The underwriting report it behind tab 5, again, with fairly standard conditions on this development. The colored map is behind tab 7. Behind tab 9, there is a summary of your public hearing information, comments, and also a copy of the transcript of the public hearing.

I might note that on the summary page we put behind tab 9 that we group it, it's public comment at the
public hearing, public official letters received, and then letters and E-mails that we received, and then summary of opposition at the public hearing. So there's really various categories of ways that we receive information, both support and opposition about developments.

VICE CHAIRMAN CONINE: Move approval. Again, this is resolution 04-025.

MR. BOGANY: Second.

MR. GONZALEZ: Second.

CHAIRMAN ANDERSON: Any questions or discussion?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

With the concurrence of the board, we're going to take a short break, like a ten-minute break, and then we will take up item 6(c).

You know, I have to apologize, Mr. Russell. I had your form sitting right here in front of me for public comment on the agenda item before we voted. Is Mr.
Russell here?

VICE CHAIRMAN CONINE: Would you like to speak now?

CHAIRMAN ANDERSON: Would you like to thank us?

I apologize, sir.

MR. RUSSELL: Not a problem. I'm Gerald Russell. I was here to answer questions in the event there were any. Apparently, there weren't.

VICE CHAIRMAN CONINE: You got your answer.

MR. RUSSELL: Thank you.

CHAIRMAN ANDERSON: Thank you.

So we'll be in recess for ten minutes. Thank you.

(Whereupon, a short recess was taken.)

CHAIRMAN ANDERSON: Okay. Thank you. We are back assembled in order to continue the meeting. We are ready to entertain item 6(c), Ms. Carrington.

MS. CARRINGTON: Thank you, Madam Chair. This is a proposed development, Pinnacle Apartments, to be located in Cypress, Texas. It's 248 units. Again, this is a priority 1(c) transaction, which was created by the legislature last legislative session to encourage development in census tracts that have a higher average income than the surrounding area.
In this case, the area median family income in Houston is $61,000. The AMFI for this particular census tract is $88,135. This is a family development to be ones, twos, and three bedroom units. The tax exempt amount of the bonds is proposed to be 14,500,000, with a potential one million in subordinate refunding bonds.

Based on our scoring criteria, this development scored 9 out of 44 that were induced by the board in September of last year. It's a variable rate tax exempt bond structure, with 3.75 percent interest rate on the variable rate bonds. The tax credit recommended amount if $707,967.

Behind tab 3 in your book, and actually going over to the back of that summary page behind tab 3, you see the public comment from citizens, and public comment at the public hearing from citizens, 39 in opposition, public hearing, support 2, 215 opposition, neutral 9. From elected officials or legislators, Corbin Van Arsdale is opposed to the transaction. There is a statement that it is consistent with the consolidated plan of Harris County. The board did hear Representative Van Arsdale's comments earlier.

Behind tab 5 is the multifamily underwriting analysis for this particular transaction. I'd like to ask...
Tom Gouris, who is our director of Real Estate Analysis, to go through some of the issues that were identified in the underwriting of this development.

As Mr. Gouris is coming up to do that, you have your map behind tab 7. And then behind tab 9 is the public comment summary from the public hearing, from public officials and neighborhood organizations, general public letters, E-mails, and petitions, and then a summary of the opposition at the bottom of that page. Also, behind the transcript of the public hearing, you have several blue pages that serve as separators for letters and E-mails that the department has received related to this transaction. Now, they are all summarized in number form on the summary page of the public comment summary page, but we did provide those letters for you also.

Mr. Gouris?

MR. GOURIS: I'm Tom Gouris, director of Real Estate Analysis. Good morning.

ALL: Good morning.

MR. GOURIS: As evidenced in our conditions section of our underwriting report, we had a couple of issues associated with this transaction. They're not significantly different than the conditions we've had with other transactions. I don't want to point them out to
make them seem larger than they are.

They are issues of concern. One is the debt service structure. Based on the way that we underwrote it, we feel like there's a potential for some redemption of the small amount of the bonds. That's based on a fixed rate for the bonds. These bonds are going to be offered at a variable rate. And so there will be a significantly larger amount of tax flow available to the project. So it's unlikely that this redemption will actually have to take place, but based on the way we had to underwrite it with the fixed rate, it looks like there's a potential redemption there of $200,000. That's a standard condition that we would reflect.

The next condition we would refers to the site work cost and the flood issues. We are just looking for additional clarification there. We, through our underwriting process, had some concerns with regard to the site and the flood issues, but we had those addressed by the applicant and their engineers and we're just looking for a little more clarification and documentation of that.

And then the third one also is in reference to the financial structure, using a fixed rate, a proxy. It gives the impression that there will be more significant amount of deferral of development fee, an amount that
actually would incur some of the contractor fee, as well, to be deferred. Again, with the variable rate loan, the variable rate structure, we expect the reality to be that there would be a lot more cash flow initially to be able to reduce those deferral requirements significantly.

And then our last condition is a standard condition that we have. As things change, we continue to re-evaluate and ensure that they continue to meet our guidelines.

Are there any questions?

VICE CHAIRMAN CONINE: Mr. Gouris, when we're underwriting the variable rate bonds, you have to underwrite based on some higher number as a fixed rate as you said in your comments. Refresh my memory on how you get to that number and -- well, go ahead and answer that question first.

MR. GOURIS: Well, we always look to get guidance from what the underlying lender is looking at, and what their process is, because we want to mimic their process. Our purpose for our underwriting is, you know, to ensure that there is financial feasibility that a lender would see as financially feasible as well. So we will look at what their fixed rate is and how they create a stack.
In this case, and with this it was a Fannie Mae structure. So I reference it on page 8 of this underwriting report, in the financial structure analysis. They're actually be tied to the BMA rate, which is about 1 percent, but the Fannie Mae requirement is to use a rate of 2.5 percent and then add to that the stack of fees, remarking fees and what have you. And so in this case, that stack built up to 5.815.

VICE CHAIRMAN CONINE: Have you guys, I know a lot of these guys do some low floater bonds, and then do some swaps, and price some swaps up. How would a swap rate compare with the 5.8 rate? Would you have any idea?

MR. GOURIS: It would depend on the transaction, you know. I think, from what I understand, you know, swaps cost a little bit more. They're going to be more akin to a fixed rate than a floater with a repricing like this. That's my understanding.

VICE CHAIRMAN CONINE: Okay, but you did mention that you're working in conjunction with the underlying debt holders. How about the syndicators as well? Do they participate somewhat in establishing whatever their rate might be?

MR. GOURIS: They might. In many cases, the syndicator and lender are going to have some relationship
already established. And so there will be some reference in the commitments that the syndicator provides as to what the rate might be or what have you. If that should vary from what the lenders would have said, you know, then we try to get in contact with the syndicator to find out why there's a difference, and establish if that difference is real or if it's just because they got an early commitment, and that the lender had said something different than what they were really going to do.

VICE CHAIRMAN CONINE: Okay. That's all my questions.

CHAIRMAN ANDERSON: What's the board's pleasure?

VICE CHAIRMAN CONINE: Are you ready for a motion?

CHAIRMAN ANDERSON: I'm ready for the motion.

VICE CHAIRMAN CONINE: Oh.

MR. BOGANY: I move that we move forward.

MR. GONZALEZ: Second.

CHAIRMAN ANDERSON: Okay. So we have a motion. It's been seconded. There are a number of people that would like to make public comment on this. Now, I note that the way these forms are marked, everyone is indicating support for this development. I have one
witness affirmation where that is blank. So I'm going to
call on that person first. That's Mr. Lewis Hill.

MR. HILL: Good morning.

CHAIRMAN ANDERSON: Good morning.

MR. HILL: I'm Lewis Hill, president of the
Ravenswood Sellers and Park Home Association. We're a
single-family home community of 840 homes, approximately
1.2 miles from the proposed site.

First of all, we'd like to say that everybody's
entitled to fair housing and a decent, affordable place to
live. When our community first heard of this, we sat down
and voiced some logical concerns associated with this
building, such as school capacity, lack of service level
jobs, lack of adequate medical facilities in the area,
road congestion, public transportation. These are pretty
common things that come up.

One thing that stuck with us is that -- was
there really a need for this type of housing? On the
Huffmeister corridor, where this site is proposed, within
a 1.5 mile radius of the site, there's 900 apartments in
that area. There are four different apartment complexes.
One of them has over 500 apartments.

Of these, three of the apartments actually take
Section 8 program people in the apartments. Two of the
apartment units, which the communities were over 600 apartments, are operating at one-quarter capacity. Now, they're pretty new. They're less than a year old, but, you know, they don't have very many people leasing them up. I know one of the people that leases them. They have 500 units, they've been open about four months, and there's 30 residents. The other two vary from 70 to 90 percent full.

In the board action request, the staff indicates that the site is within walking distance of major retail facilities and employment opportunities. In fact, this is not true. Nothing could be further from the truth. As I stated, there's no public transportation. Huffmeister has no sidewalks. The closest grocery store is a mile away from the proposed site. There's no medical facilities on Huffmeister, no clothing stores, and the closest employer that would have more than ten employees is the grocery store a mile away. The next closest employer is several miles, that would retain more than ten employees.

Currently, a number of these service level jobs, which is the type of people that would be living in these homes, are filled by the youth in the community. They have grown up in the area, going to community
college, high school students, you know. So there's going
to be competition from the local residents for jobs as well.

You know, as I said before, I represent 840 single family homes. You know, I just came to tell you guys that we're unanimously opposed to this and hope you guys will consider that in your decision.

CHAIRMAN ANDERSON: Thank you, sir.

Mr. David Brown?

MR. FORD: If I could?

CHAIRMAN ANDERSON: Yes, sir?

MR. FORD: There's a number of people I have here that are mainly here as support.

CHAIRMAN ANDERSON: Right.

MR. FORD: I'm going to address the issue of flooding. Mr. Brown is an engineer. I'm going to give you kind of the surface of the flooding issue and if you have any more detailed questions concerning the engineering on the site, Mr. Brown is available to talk.

CHAIRMAN ANDERSON: With the board's concurrence, we'll have Mr. Ford make his public comments. Thank you.

MR. FORD: Since I know the board book was not adequate, meaning I know it's not quite big enough with
enough paper, what I thought I would do is hand out a small handout, a couple of pages.

CHAIRMAN ANDERSON: Not one, but two, I see.

MR. FORD: Actually, one thing is the school district. I'll point that out to you in a moment, too.

My name is Steve Ford. I am, with Dwayne Henson, the developer of the Pinnacle Apartments. I'm here basically to address the issues that have been brought up by Representative Van Arsdale and by the Ravenswood Association and the Wide Oak Landing Association.

One of the comments that was made earlier was that we had not made any attempt to talk to the neighborhood. We did go to the TEFRA hearing. I was not able to attend, although we had eight or nine people there, and there was a lot of communication back and forth. At this point in time, whether it was right or wrong, we elected not to make a public comment at the state's TEFRA hearing. We elected to do this in writing via E-mails and through an open house at a property we have about 2.5 miles away.

We have responded to all the E-mails within, I think, 24 to 48 hours of when they came in. We did have an open house, in which one person from the Wide Oak
Landing group visited our apartments and actually made some rather nice comments about the project.

So we feel like we've talked to them. The issues, the big five, flooding, crime, property values, school overcrowding, and traffic, are probably not new. I've been to, I think, 15 TEFRA hearings and I don't know that I've ever heard anything substantially different than those.

In your book, you will have an aerial map. It's a foldout in there that will give you an idea of our proximity to the neighborhoods. We are probably 200 yards from the nearest back fence, across a drainage ditch and across a regional detention. So we're not going to be looking in anybody's back yard, not now, not ever.

If you'll also look at the aerial photo, the area between our property and 290, which is the major traffic corridor, is a 25 or 30 acre site that's currently been purchased for a regional hospital. Of course, that's the best news I've heard because a hospital, to me, is being almost as good as a Super Wal-Mart. You have 24 hour employment and a lot of people.

The traffic issue, most of our traffic has no need to travel north on Huffmeister. There are no jobs. The schools our kids will be attending are actually
northwest on 290. The employment is going to be primarily
up and down the 290 corridor and the 1960-Highway 6
corridor. I have several gentleman here who have done
three separate market studies that can address it. I'm
actually only going to have one speak, unless you have any
questions.

I also have the finance team here to discuss
the floating rate financing, if you have questions. It is
complicated and a lot of people don't understand it. Mr.
Conine, to answer your question, the swap rate today would
be about 4 percent. So if I took the floating rate and
swapped, my start rate would be about 4. As it is now,
it's 1 percent and my overall pay rate is about 3.80. So
my actual note interest amortization cap escrow
remarketing is about 3.8 percent. So you can see that
there's a substantial amount of money, even during the
construction period, probably $700,000 or $800,000, that
Tom Gouris has to plug in to his fixed rate equation, that
we simply don't pay or don't think we'll be paying.

As to the schools, Cy-Fair has been neutral on
the subject of our school and are not in opposition, have
not been in opposition to any of the three properties we
have in Cy-Fair. As recently as last week, we entered
into an agreement with Cy-Fair to handle all of our
services onsite. They will be doing after-school teaching as our service provider. So it's kind of hard for me to believe that if Cy-Fair has a big problem with us, that Cy-Fair's going to enter into an agreement to teach our kids after school.

The issue of crime -- we have 3,000 or so units in Houston, and we have done studies on number of calls relative to single family neighborhoods, and in fact in the Sugar Creek, which is the nearest property to this, the number of calls, once our property went in, actually went down on a per capita basis. We can't find that there are any more calls in apartment projects, per capita, than there are in single family neighborhoods.

In fact, according to the city police, major crimes -- now, I'm talking about murders, aggravated rapes, robberies, et cetera, are well more predominant in single family neighborhoods than they are in apartments. There might be more petty crime in apartments, but we can't find that the call list from the police department, either the county or the city, indicates that there is any prevalence of more calls or more activity in apartment complexes, given that you're having 240 families in 15 acres instead of 240 families over 200 acres.

The flooding issue, this is a complicated one
because Houston floods and it floods all the time. One of
the reasons it floods is because this tract we're on, just
to give you an example, in the last 25 years, has subsided
three feet. So it's not as high as it used to be. That's
from ground water pumping.

Well, they don't allow that any more, but what
happens in Harris County and Houston, especially if you're
in an ETJ, you have to qualify -- and I'll let Mr. Brown
explain it, if you'd wish -- but there are three different
agencies you have to make happy in order to get a permit
to build. There's Harris County Flood Patrol, the city of
Houston because we're in their ETJ, and then there's
another group that I don't even know who they are, but we
have to make them happy, too.

The bottom line on the flooding is that there
were bad decisions made, or uninformed decisions made,
years and years ago. We're having to play catch up for it
right now. There simply was not enough detention. The
rule in older subdivisions was that the streets were
basically the catch basin and they would allow water to
enter the system in an orderly manner. Well, in
Houston -- and their impervious cover theory back then was
that anything that's grass is going to soak up a lot of
water; therefore, we don't have to worry about it as
runoff.

Well, all that's changed. All new subdivisions, as any of you all in the home building business know, have gigantic detention capacity. They call them lakes now, but, in essence, they're building homes on the detention. They're making up for a lot of past sins.

In our case, we have some -- I'm not sure of the percentage, Dave can give you that -- about 15 percent of our land, or 18 percent, is going to detention. The flood people have realized that Houston doesn't get rain in one little lump sum. They get it over days and then they have a deluge. When they do, that means that ground is saturated. Once the ground is saturated, and any surface pooling has happened, you now have the equivalent of concrete. So when the rain happens at that point, 100 percent of the rain that falls runs off.

So -- and this is laymen's terms that he's described to me -- in essence, if this location stays vacant, nobody builds anything on it -- which is not going to happen because somebody will -- it actually is a bigger risk to flooding than if anything is built on it under today's current guidelines, because raw land is not required to have detention. When that big storm comes,
after the ground is saturated, and the pooling has taken place, 100 percent of the water rolls in.

In my case, once that same rain hits, I've got a detention capacity of 2.5 acres and, I don't know, some 14 feet deep, that allows the water to enter the system at a restricted level. So in essence they're better off with any development on that site, right now, under today's flood guidelines, in order to get a permit to build, than they are if that land stays absolutely vacant.

Now, I have -- first of all, do you all have any questions about this flooding? I can get David up here to address it.

MAYOR SALINAS: Has he been approved by the Houston flooding zone?

VICE CHAIRMAN CONINE: I think you said you were approved by three different agencies?

MR. FORD: In order to get a permit, you have to be approved by the city of Houston, you have to be approved by Harris County Flood Control District, and the engineering is onerous and it's based on anticipation of what any of the new FEMA maps are going to show.

VICE CHAIRMAN CONINE: This project has already gotten those approvals?

MR. FORD: That's correct. It is in the
county. By the way, there's no zoning in the county.

MAYOR SALINAS: We know that.

MR. FORD: I just thought I'd just point that out to you.

VICE CHAIRMAN CONINE: Did you tee him up like that?

MAYOR SALINAS: I didn't say anything.

MR. FORD: Again, I have Ken Overshiner, with J.P. Morgan Chase, who's doing the construction credit enhancement, he's here, if you need be to answer any questions. I have Lloyd Griffin here from GMAC Fannie Mae, who's doing the permanent loan, and he can address some of the issues.

Tom's numbers show that we could have a shortfall of $200,000. I think Tom's numbers are probably correct. We have 600,000 approximately hold back on equity on this property. So that's the money that would buy the bonds down, if and when that didn't happen, if it did not underwrite to that number. It's kind of hard to know what's going to happen two years out on rents and expenses, but Fannie Mae gets a look-back.

In order to build a property like we do, I think we spend a little more money than a lot of people do, and these deals are tight. There's just a tremendous
deferred fee.

Mr. Henson and I, as a practical matter, don't draw construction profit during construction. We hold the construction profit to make sure we don't have cost overruns, which are egregious at this point in time. I don't know that we can find an item that is within 15 percent of where it was six months ago. I don't care whether it's sheetrock, plywood, roofing, insulation. Some items we're having trouble finding at all. So, you know, it's hard to keep up. It's hard to know what your total cost is going to be.

So we choose not to draw that money until we look back and say, Now, it's finished. And then we only draw half because we've still got to lease it up.

What I'll do is -- I have also with me something I've never brought in, I haven't seen much here, I have a tenant from one of our suburban properties. It's in an almost identical census tract. Actually, he's in the Katy School District, as you all know, one of you all's more favorite areas. Scott is going to come up and tell you kind of a little bit about this whole demand thing.

Demand is hard to derive because in the Katy situation we built out in essentially the middle of a
field, probably, I don't know, six miles from the nearest
apartments. And so from a demand perspective, nobody
could see where the tenants were going to come from.
However, we were next to a regional mall, and an AMC
center, and a Super Wal-Mart, and 19 restaurants, and car
stores. You know, we filled up in about four months.

Scott will be able to explain, I think, a
little bit better, from a tenant perspective, a resident,
about how far he commuted prior to living in our
apartment, now that he lives in close proximity. It will
give you an idea that it's very hard to look at existing
apartments in an area, both from an economic obsolescence
point of view and from a demand point of view, and
determine where your people are coming from. When you
have a lot of retail, or you have hospitals, and you have
car dealerships, you're going to have demand. He'll talk
to you about that.

Other than that, I've got Dr. Joel Levitz, who
is a market study specialist who works for Boston Capital.
He will be the only one that comments to the market, but
I think it's good to hear some of his demand perspective.
And then there's Scott, and then I think we'll be done
unless you have questions.

VICE CHAIRMAN CONINE: Could I follow up on the
representative's comment about the relationship between you and the area home owners being "frosty?" I think that was the word he used. You explained, I guess, some of your position at the TEFRA hearing, in not engaging with the residents. Can you further expand on that? Have there been follow-up meetings and so forth?

MR. FORD: Well, we thought that, and because we discussed with the department, that anything we put in writing in the way of a commitment is a commitment. If I'm not mistaken, it goes onto our commitment. Is that not correct?

MS. CARRINGTON: Correct.

MR. FORD: We thought, maybe we were mistaken, that the best thing to do was -- let's get all the concerns and let's get them in writing. You send me a question and I'll send you an answer. We gave them a 24 hour turnaround. Nobody responded.

Finally, they took the excerpts from the meeting and sent me an E-mail that had ten questions, which were basically the same we've had. They even wanted to know how much money the developer was making and I was happy to show them that, because I don't think anybody would want this job. Anyhow, I then responded in a two or three page E-mail to them, basically with the items that
are in the back of your folder.

The TEFRA situation is just a hard environment. They go into a school, an elementary school -- again, I'm not picking on the department, this is where they have to go -- and half the people in the TEFRA thought that's where their children, our children were going. Our children are going to an elementary school that's not overcrowded about a mile away, but they don't know that.

It's a very emotionally charged environment. There were 170 or 200 people in there. Once that group gets rolling, it's extremely hard to have dialogue. The dialogue I had, I asked them if we could get five of the leaders, let's sit down, let's talk. We'll talk about every issue, as we did in Mayfair Park, which is our last one in Houston. It's just extremely difficult to talk to 170 people. When everybody gets charged up, it's tough.

Pete Tevlin, one of the Wide Oak Association president, did show up at our open house that we had down the road. He was pleased. He went through the property. He wrote in the wideoaklanding.com that he spent an hour with our supervisor, Janet, and they walked the property. I'd love to think it was just an exceptional night, but they tell me it's like that most of the time. He said it was actually a very beautiful property.
Now, did that mean he wasn't still opposed?
No, I think he's still opposed, but I don't think he has a problem with our product.

It's just very, very difficult to enter into those dialogues. People work different hours. We thought maybe this Internet thing is a great thing. Well, in retrospect, what we're going to do is try to have a meeting either immediately after or before a TEFRA to get the TEFRA part out of the way, the notification of the financing and try to set up a group, a smaller group, of the community leaders so we can sit there and discuss it in a less heated environment.

I mean, it quickly can turn into a lynch mob. Robbye will tell you that if Robbye hadn't shut this meeting down, it was getting ugly. I had it video-taped, if anybody would like to have this videotape. I did that.
I don't think they were particularly happy about that, but we did videotape the whole meeting. It's just not easy.

MAYOR SALINAS: How many people were in attendance in the public hearing?
MR. FORD: I think it was between 170 and 200.
MAYOR SALINAS: You only had two in favor?
MR. FORD: We had six people there in favor.
VICE CHAIRMAN CONINE: Shad's got a question.

CHAIRMAN ANDERSON: Yes, Mr. Bogany?

MR. BOGANY: I still believe that in the development community, and I guess in the department's eyes, we need to relook at these TEFRA hearings because when you've got a mob, and you can't get any information, there's no dialogue that's going to be discussed because their minds are made up before they got there. I still believe, as a department, or TSAHC, or any one of these groups, you've got to come up with a better route on these TEFRA hearings.

I read through the public hearing remarks. I'm familiar with that spot. I think it's a great spot for affordable housing. The thing that bothers me as I read through everything is that we still assume that people who make less money don't have cars. We still assume that -- and I'm reading this, and I'm, like, well, no medical facilities. Well, why would you want to stay there? Why do you assume that everybody doesn't have a car? Why do you assume that everything is subsidized housing?

Actually, everybody in this room that owns a home is in subsidized housing.

It just bothers me that we're still hitting the same old things. Really, there's no facts. There's
nothing to support all the comments that are here. I've not heard one thing. It really does bother me that we as a department, and we as a development community, can't do a better job of getting this out. Now, I don't think you're going to overcome everybody, but I do believe that these hearings should be a lot more controlled than what they are, and just kind of go for what you know.

That's why I decided not to show up. I didn't want to be hanging out there somewhere, literally. So my comments are that, you know, going through them, I read them, I didn't hear anything that would justify the opposition on this project. It's a great spot.

The thing that bothers me is that when you were out in the field, nobody had any opposition. If you're in an industrial part, nobody cares. The moment you get anywhere near a single family subdivision, everybody cares. The bottom line, I've yet to see any study that says it brings down property values. I hadn't seen one yet.

I just think TSAHC, the group, the development community, and the department should work with trying to come up with some rules and regulations of a TEFRA hearing, some sort of, I guess, dog and pony show, something to really preempt the strike, and assume that
I'm on welfare, that the gentleman earlier mentioned Section 8 housing, and assume that Section 8 housing is going to be there.

It could be somebody in the family who can no longer afford their house, somebody getting a divorce, an entry level teacher, an entry level fireman, somebody working at the car dealership down the street. That's a great spot. I went out and looked at it myself and I just thought it was a great spot.

I'm down in Houston. I was concerned a little bit about the flooding. Now that I've heard your remarks on that, I'm okay with that.

I really believe that -- I was a little concerned about the frosty relationship with the community. I think you should have handled that a little bit better than what was done. The thing that really saddens me is that we're told by the legislature to get these decentralized, in a higher census tract, and then the people that vote on it come in and tell us, well, I don't want this one over here. And so, I mean, I just have some concerns with that. I really do.

I just think it's a great project. I went out there and looked at it. I walked the land. I had some concerns about Wide Oak coming through there, but now that
you've answered them, I'm okay with that particular project.

I do believe you guys need to do a better job. Maybe you should have handed all these out. I mean, this is expensive, but maybe you should have had these on a slide show of some sort because this is very impressive. It would make me look at it differently. Thank you.

MAYOR SALINAS: How close is the first subdivision, 1.5 miles away from the project?


MAYOR SALINAS: The first type housing, I mean, the first subdivision.

MR. FORD: The first subdivision is about a quarter of a mile away. It's Wide Oak Landing.

MAYOR SALINAS: It's about a mile and a half?

MR. FORD: Ravenswood, that the gentleman talked about, is about a mile and a half away.

MAYOR SALINAS: How many were against it a quarter of a mile away?

MR. FORD: Oh, I think they're pretty much all against it.

MAYOR SALINAS: How many are there?

MR. FORD: It's hard to say. There were 39 officially opposed at the TEFRA hearing, but I'm sure
there's petitions with more people on them.

CHAIRMAN ANDERSON: Thank you for your testimony.

MR. FORD: If I could, one second, and I'll get out of the way. Scott drove in from Houston to speak as a resident. He is registered as one and he'll take about two minutes. Thank you.

MR. LANDEN: Good morning. Thank you for having me.

It may be a little unorthodox for me to be here, but I feel real strong about this situation that we're in. Just to give you a little history, my business requires me to move, sometimes quite often. Sometimes, I get to be stagnant in a position for a little while, but I got notification that I had two weeks to relocate to Katy from Garland, Texas. When I was in Garland, I was traveling from Garland to Arlington to work every day, which many of you know, is roughly about an hour drive.

Whenever I got the notification to move to Katy, the first and foremost issue on my mind was I have no clue where Katy is. I have no clue what side of Houston. I have no clue where I'm going. And so a very important part of that to me was location of where I lived in proximity to where I work. It's always, when you move
to a brand new city, a brand new town, anything like that, you want to be in close proximity of those things you know. That was extremely important to me.

As Mr. Ford has stated, there's nothing in close proximity. I actually work in Katy Mills mall. There's really no apartment complexes in close proximity to that, the nearest one begin roughly four miles away. This property, this one property, is almost directly around the corner. It's one mile away. It's phenomenal for peace of mind.

Secondarily, this being affordable housing, I, as a resident, have to go through, as well as everyone else. Was I uncomfortable with that? No, actually, I was very comfortable with that. I'd rather jump through those hoops, full well knowing that the people that I lived in this community with are jumping through those same hoops.

They're checking my credit. They're checking to see if I'm a public offender, anything like that. Well, I have the peace of mind of knowing that myself, my wife, and our two kids are living in a community that, we service ourselves. We monitor ourselves. We work with each other. We are a community within the grand community.

That's an issue I think so many times single
family units, single family house owners don't realize, is we bring so many things to the economy, to the community. We want the exact same things for our kids. I have a five year old son with epilepsy. That's a lot to him, but I want the same things for my kids.

Would I like to have a house? Sure. I've had a house before. This is the closest thing to having a house that we can have right now. I have the benefit in living in this community, that I never had before. That is, my wife no longer has to work. She has the ability to stay home with my five year old and my one year old and raise our kids. I'm crossing my fingers, hoping that in 18 years, I've got two, pretty solid kids because of the fact of she was able to stay home and teach them, as well as the schooling and things like that.

Do I think schooling is an issue? No. My son is in a PPCD class at Memorial Parkvale Elementary, Katy School District. It's for development and behavioral kids coming up through the school system. Is that an issue for them? No. You know, we bring that tax money to that school district just like anyone else.

Ultimately, the community that I live in, I'm extremely proud of. I can honestly say in all the apartments I've ever lived in, I would not be standing
before you today if I didn't live in this one. There's always been issues. There's always been problems. The management team that's there are phenomenal, fantastic. I walk in the door, it's like Cheers, they know our names. They know every single one of us as we walk in there. They know what our concerns are. They know when our kids get home from school, things such as that. If there are issues, if there are problems with the construction, they're immediately on top of that. If it's something that they can't fix immediately, they're in constant communication with us as to when it's going to be taken care of, always letting us, the residents know, that they're just as proud of the property as we are.

Now, unfortunately, I've been transferred even further, even deeper into Houston. I'm no longer in close proximity, but now that I've lived here, I know my way around. I'm not so uncomfortable. Ironically, I drive 1960, just past Huffmeister every day. So I know exactly the area that they're speaking of. It's a beautiful area.

Yes, where it sits would be an opportune place because my property as well sits directly off Grand Parkway. Quite a good stretch, it almost looks like it's just a little town out in the middle of nowhere, by itself. I believe, just in seeing this area, that's the
design that this Pinnacle property would look like.

Are there jobs? You've got 1960. You've got 290. There are jobs.

Is this community going to take all the jobs away from the rest of the community? No, absolutely not. Houston is still a growing, burgeoning area. As it continues to expand, the job situation continues to expand, et cetera.

I won't take up any more of your time. I just want to take a moment to let you all know that the community that I live in, the community that's been developed, has given me and my family the ability to live much better than we've had the ability to live before.

Thank you all. Do you have any questions?

CHAIRMAN ANDERSON: Thank you for your testimony.

MR. LANDEN: Thank you very much.

CHAIRMAN ANDERSON: Thanks so much.

MAYOR SALINAS: Is this Katy community close to this site?

MR. FORD: No.

MAYOR SALINAS: I know they're not because they would be here.

CHAIRMAN ANDERSON: Now, I'm going to ask --
and I am not trying to limit public comment by any means -- as Mr. Ford explained, he has the market analyst here, the representative of the construction and the permanent financing, an engineer who addresses the water issues. I guess my question is -- would the board like to hear testimony from these people? Or would you --

MAYOR SALINAS: What is our staff recommending?

MS. CARRINGTON: Staff is recommending the allocation of 14,500,000 in tax exempt bonds and a potential one million in subordinate refunding bonds. And then staff is recommending an allocation of tax credits in the amount of $707,967. So staff is recommending this transaction for both the issuance of the tax exempt bonds and the 4 percent tax credits.

VICE CHAIRMAN CONINE: There's already a motion on the floor.

MAYOR SALINAS: I think you had a motion and a second on that.

CHAIRMAN ANDERSON: Yes, we do.

VICE CHAIRMAN CONINE: I call the question.

CHAIRMAN ANDERSON: Any discussion?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries. Item 6(d)?

MS. CARRINGTON: The last transaction for the board to consider with TDHCA as the issuer is the Bristol Apartments, located on Green's Parkway, in Houston. The proposal is for 248 units. It's a family development, one, two, and three bedroom units. It's a priority 1(a) transaction, with 50 percent of the units at 50 percent of area median family income and 50 percent of the units at 60 percent of area median family income.

The proposed amount on the tax exempt bonds would be 12,625,000, a potential one million on subordinate refunding bonds. This development scored 7 out of 44 in our scoring last year. It is also a variable rate tax exempt transaction with the same variable rate of the others you've looked at this morning, of being 3.75 percent.

The allocation of tax credits would be $898,771. That is behind tab 3. On this particular development, the public comment from citizens in support and opposition was zero, the public hearing, support 4,
opposition zero. Legislators or local elected officials, we do have a letter of support from Senator John Whitmire. I think I saw a letter from Representative Turner this morning that was handed to me, although I had not seen it previously. I believe that is a letter of support.

MS. GRONECK: Yes. It just came in overnight.

MS. CARRINGTON: Okay. It's from Representative Turner and the city of Houston has indicated this development is consistent with the city of Houston's consolidated plan.

Behind tab 5 is the underwriting report, with fairly standard conditions of the department. Tab 9 is your summary of the public hearing, and letters that have been received by the department from public officials, and also letters of support and E-mails, and then a summary of opposition at the public hearing, although if you look at the public hearing summary, there was no one on the record that identified themselves that actually lodged opposition against this development.

Staff is recommending the issuance of the bonds and also the allocation of the 4 percent tax credits.

VICE CHAIRMAN CONINE: Madam Chairman, I think in the previous vote we just took, we didn't get the resolution number in there.
CHAIRMAN ANDERSON: That's correct, we didn't.

VICE CHAIRMAN CONINE: So let me get Ms. Rippe [phonetic] happy. That was resolution 04-023. If we've got no opposition, let that be known in the record.

I would move approval of this next one. It's resolution 04-022.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Discussion or questions?

MR. BOGANY: I have some discussion.

CHAIRMAN ANDERSON: Sure.

MR. BOGANY: I was looking at the -- is the developer here?

MR. FORD: Yes, he is.

MR. BOGANY: Oh, okay, you again.

MR. FORD: He looks a lot like the last guy.

MR. BOGANY: I looked at the market study on this. My concern is that I -- and I'm familiar with this location, too. It's around industrial, office buildings, and things of that nature, in the Greenspoint area. When I looked at the map, I saw, maybe count, ten to 20, maybe 15 to 20, apartment complexes that we have funded in this general area. We've probably had about four or five that we've funded in the last three years in this general area.

Then, because I'm familiar with this area,
we've got a whole lot of private development in this general area. I guess I'm concerned. I think your project is going to be okay, but I'm concerned about everybody else in the area. Greenspoint, at this point in time, for a while it was going the other way. I think it was about flat lining right now.

The biggest concern in that area is that the area is just kind of deteriorating. At one time, it was doing well. Now, it's beginning, people are moving out. You've got a lot of apartments that have low rents all through that area that are probably privately owned. They're hanging their signs out, free rent everywhere.

Houston has an abundance of apartments that are vacant. I think, somebody told me the other day, 20,000 something online, to come on. I'm thinking, okay, are we giving you a prescription to fail? Or are we hurting everybody else around you because of your project? We just voted on one last month, last time I was here, right down, not far.

You meet all the criteria. You're within your mile radius. Everything is there, but where you look at it on a map, it's scary. I'm concerned, not about yours, because I think yours is going to make it, but I'm concerned about all the people around you, and the three
or four that's been there three years, and we've got a
couple, I think, that are proposed to come behind you.
I'm just beginning to get concerned that we're picking
these spots and it just looks like it may be a bad spot
for an apartment complex. I just want to get your opinion
on that.

MR. FORD: Again, obviously, we looked at that,
too. The market out there has a number of properties that
have got 10 to 12 percent vacancy. The biggest bunch is
Cityscape, owned by the Arcon Group out of Dallas. It
should be interesting to note that they and Lincoln
Properties, neither one, came out in opposition, nor did
the Greenspoint Association, simply because we have been
on Imperial Valley with our property before. There's a
lot of interaction between us and the Arcon Group. They
have 5,500 units in there. It's a staggering amount.

The problems that they've had -- well, first of
all, we communicated with them. So they weren't taking
any Section 8 at all. Now, they have one property that
takes some Section 8. So on our property, Whitmore, which
is about 1.5 miles away, we probably have 40 percent
Section 8.

The other issue is they're 85 percent one
bedrooms and we've got 30 percent one bedrooms. So their
vacancy is in one bedrooms. They have no vacancies in
their twos. They've even converted some of their twos to
threes to try to get the market.

The other thing that they're finding out is
that basically they've spent a lot of money, $8 million on
their properties. What we're causing by moving in is that
everybody that's got a rundown property is either starting
to spend money on it or they will be, in effect, shut
down.

I think there is enormous economic obsolescence
in that area. I really don't think the demand on that
side of the freeway has been met. It's a lot different
than -- I mean, you say, it's only a mile away. Well, it
is, but it's perceived to be definitely a better area to
live until you get north to Northborough. Northborough's
had a lot of problems.

An example, when you go to the next two
intersections up is Airtex. On Airtex, which is I'm going
to say probably two miles north, we have a property, Quail
Chase, that's directly across the street from two brand
new bond deals. One was a local issue and one was a state
issue. They happened almost simultaneously so there was
no issue of concentration because they happened within a
week.
During the lease-up of those two properties, approximately 450 units, we have lost absolutely no occupancy in Quail Chase. So here's 100 percent at 60, you have one of these is 100 at 50, and you have another 100 at 60. They're literally across the street and we have not lost any occupants.

I think it's because there is demand. I think part of the problem with the Greenspoint is they've had severe flooding. I think there is a perception that you could get flooded. I think that creates a problem. Anybody that wants -- I mean, they were flooded 2,500 units in Allison and then, one year later, they flooded 1,500 more units in the same project.

One of my best friends in the world is in charge of that project and he told me, he said, at first we were opposed to anybody coming in. The other issue is Greenspoint has got a problem. They need development. They need tax base. They need it to grow up. They don't need to sit there and decide who gets to come in, because if it's apartments one day, it's going to be an office building to protect Gerald Hines the next, and then a hotel to protect Trammell-Crow and the Wyndham the next.

So their policy was -- look, we want you do to some things. We created a three-quarter acre greenbelt on
our property on Ella with a jogging path because that's what they asked for. We will completely landscape it and they will maintain it.

We moved the entry to the property back to a back street, off of a major street, because it was their request. It will be totally perimeter fenced with access gates on all the entrances.

Now, I don't argue with what you're saying. It looks like, well, if there's 12 or 15 percent of 6,000 units empty, surely there's enough places to stay. I just don't believe that unless they convert the one bedrooms, the units that are 500 square foot or 600 square foot one bedrooms, they effectively become obsolete in the market.

I don't know that we do affordable housing a service by not building something that is compliant with what people want to live in, in 2004, not what they wanted to live in, or maybe they didn't even want to, in 1980, when they built them. I mean, those were merchant built properties. They were sold. They've been owned by ten owners until Arcon came in.

Arcon has done a great job, but I flew on the plane from Dallas last week with Bill Duvall -- the management company is Lincoln Properties, and I asked him about it. I said, Do you have a big problem? He said,
No, as matter of fact, the better the quality of the development that comes in, the better we're going to do.

They had a real problem. They had a crime problem. Our methods, they're using some of our screening methods that they didn't use before. They used to allow the people that had the money, but no jobs. Now, you've got to have a job to stay in their apartments.

They've now realized that Section 8 people are not bad because we were filling up with them. Now they realize that they've opened a whole section of the 5,500 units and they're accepting Section 8. I tell them they should accept them throughout the property and don't just say, This is a Section 8 property or not, but they're not there yet.

MR. BOGANY: I know we've got 20,000-something people on the Section 8 housing rolls there, too. It just seems like a heavy concentration, I mean, from my side. I do know that the study says if you put too many, everything starts to deteriorate. That's my concern and I just wanted to bring it up, about the other people around you. I'm glad to see that they feel okay about it.

VICE CHAIRMAN CONINE: Mr. Ford, the flooding that you alluded to on the properties surrounding, is that some of the older properties?
MR. FORD: Yes.

VICE CHAIRMAN CONINE: So by the new standards of developments on the newer properties that have been built in this area, they've actually done the detention --

MR. FORD: Yes.

VICE CHAIRMAN CONINE: -- and some of the flooding issues have been resolved on newer properties?

MR. FORD: Well, yes, as a matter of fact, Harris County is trying to close right now on a 260 acre property just north of Green's Bayou, to make it one regional 260 acre detention pond. They're doing it through an overflow process where they build a little damn on Green's Bayou. When Green's gets to a certain height, it will flood the 260 acre catch basin.

They think that will, along with some more downstream remediation, where they're actually buying homes and tearing -- remember, Houston bought a bunch of homes up off of Parker and 59? Well, they're building another big regional detention there that will be several hundred acres. It's just going to take time because they got too far behind and the growth happened too fast. And then you have, you know, a perfect storm, and it's a catastrophic event, and everybody now thinks, well, all their engineering is now shot and they go back to the
drawing board.

VICE CHAIRMAN CONINE: You've got all the necessary approvals at this point --

MR. FORD: Yes.

VICE CHAIRMAN CONINE: -- for this project?

MR. FORD: Absolutely.

VICE CHAIRMAN CONINE: Okay. Thank you.

CHAIRMAN ANDERSON: Questions or discussion?

(No response.)

CHAIRMAN ANDERSON: We have a motion. Right?

VICE CHAIRMAN CONINE: Yes.

CHAIRMAN ANDERSON: Thank you.

VICE CHAIRMAN CONINE: You're welcome.

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

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: The motion carries.

Item 6(e) is, Ms. Carrington, the underwriters.

MS. CARRINGTON: Item 6(e) is the addition of one senior manager to the underwriting list for multifamily and then one that has applied to remain on the
list. In April of last year, the board approved a request for qualifications for investment banking firms to work in the roles of senior manager and co-manager in our multifamily areas. You have previously approved some responses. It's basically an open RFQ. So they apply when they desire to apply to the agency.

And so the two that we have, Newman and Associates has applied. They would remain on the approved list. Citigroup would be added to the approved list. Both of them are in the senior manager role.

We do have, for the board's information, I have at least numbers. Currently on our list of underwriters for multifamily, we have 28 senior managers and we have 14 co-managers.

Staff is recommending the remaining on for Newman and adding Citigroup.

VICE CHAIRMAN CONINE: One of those is kind of suspect, but I'll go ahead and move for approval.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Discussion or questions?

MR. BOGANY: What's suspect about them?

VICE CHAIRMAN CONINE: I can't discuss that here.

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

    (A chorus of ayes.)

    CHAIRMAN ANDERSON: Opposed, no.

    (No response.)

    CHAIRMAN ANDERSON: Motion carries.

    Item 7 on the agenda is presentation, discussion, and possible approval of housing tax credit items. Ms. Carrington?

    MS. CARRINGTON: The first item for the board's consideration is the interagency contract between the Texas Department of Housing and Community Affairs and the Office of Rural Community Affairs, otherwise known as ORCA. This is the second year of this interagency contract. There was one that was executed about a year and a half ago. The contract addresses how TDHCA will cooperate and work with ORCA as it relates to the administration of the rural allocation in the tax credit program.

    The proposed contract does follow the requirements that are laid out in the department's statute and also in the 2004 qualified allocation plan. We've provided a copy of the contract. Actually, the board approved this, maybe about three months ago, four months
ago. And then it went to the ORCA board in the format that had been approved by this board. The ORCA board came back and they had some additional language that they were suggesting and recommending.

So basically what they approved was not the one we sent over there. What they approved was the one that had this additional language. For the board's information, on page 2 of 4, in bold type, is the language that the ORCA board approved, which is "each year the TDHCA board and ORCA executive committee shall hold a joint workshop" and then several other lines of text.

So staff is recommending that the board approve this contract with this change.

MR. BOGAN: So moved.

MR. GONZALEZ: Second.

CHAIRMAN ANDERSON: Questions?

(No response.)

MAYOR SALINAS: I think we need that workshop with ORCA.

CHAIRMAN ANDERSON: I have a question, Ms. Carrington. There has been some discussion about having that joint meeting being on, I think it's July 7, which is the public hearing for our board on the QAP. Has that been discussed with ORCA, about that serving to meet the
requested language that they've asked us to add to the contract and approve?

MS. CARRINGTON: The date of the meeting that has been discussed with ORCA, for them to be invited.

CHAIRMAN ANDERSON: That's not quite my question. My question is -- has it been discussed with them that that would fulfill their request, as evidenced in this language for a joint meeting, a joint workshop?

MS. CARRINGTON: Mr. Wittmayer, do you know if we've asked ORCA specifically that question? Staff has moved along with the assumption that by having that joint meeting, our board, I mean, you all, them, and the public, that that would satisfy that requirement.

MR. WITTMAYER: I alerted the general counsel at ORCA yesterday that we were looking at this tentative possibility, just to alert them, and we were waiting for the board's approval. And then if the board approves this action, then we would invite them to that meeting and suggest that that was a way to meet this requirement.

CHAIRMAN ANDERSON: Well, I appreciate that, but the answer to that question might dictate how I or other board members would vote on this contract.

MAYOR SALINAS: Yes.

MS. CARRINGTON: We can certainly place a call
if the board wants to wait on this item. We can place a
call and ask that question directly.

CHAIRMAN ANDERSON: I think that would be, if
that's possible while we're still convened --

MS. CARRINGTON: Yes.

CHAIRMAN ANDERSON: -- we'll just come back to
this.

VICE CHAIRMAN CONINE: I actually have another
direct question on a different matter, if I could. In the
spirit of, I guess, being overworked and underpaid, I was
wondering if we could maybe say the TDHCA board and/or its
designees? We don't have a tax credit committee. Or we
could provide for a smaller subset of this board to meet
with ORCA, but, I mean, we're all busy and have things to
do.

I would hate for, if four of us don't show up
for this meeting, not to have an official meeting; so to
provide a little wiggle room there, and to provide Madam
Chairman maybe to appoint two or three of us to meet with
their executive committee. I notice that they're putting
their executive committee in here and not the full board.

CHAIRMAN ANDERSON: That was the reason that I
suggested a meeting that I knew we were already going to
have. So I'm certainly in sympathy with whatever helps us
make best use of our respective board's time.

MS. CARRINGTON: If I might comment, Mr. Conine, the executive committee is what they call the nine members of their board. They call it executive committee, but it's the nine members of their board.

VICE CHAIRMAN CONINE: I still would make a -- well, this isn't even on the floor yet, is it?

CHAIRMAN ANDERSON: Yes, it's been moved so.

VICE CHAIRMAN CONINE: I would move to amend, I guess, the document to say, "Each year the TDHCA board and/or its designees."

CHAIRMAN ANDERSON: All right.

MAYOR SALINAS: Yes.

CHAIRMAN ANDERSON: Now, I think I need to ask a parliamentary question. We don't have a second on that amendment.

MAYOR SALINAS: I'll second it.

CHAIRMAN ANDERSON: Oh, you seconded it. Okay. So can we just, if we want to go make that phone call, can we just sort of let that motion -- we don't have to withdraw it? I keep looking at Mr. Wittmayer.

MR. WITTMAYER: You can hold it in abeyance.

CHAIRMAN ANDERSON: We hold it in abeyance. That sounds like an excellent thing to do. And then in
the meantime, we'll move on to 7(b).

VICE CHAIRMAN CONINE: We'll start calling you Robert Gould.

CHAIRMAN ANDERSON: Just trying to be legal.

Thank you.

MS. CARRINGTON: 7(b) is staff requesting an approval of some revisions to the 2004 tax credit rural rescue policy that will enable developments with funding from USRD, rural housing services, that are experiencing foreclosure, loan acceleration, to be submitted to the board for recommendation for forward commitment. The board had previously approved this rural rescue policy. You approved it in February.

We are now coming back with some recommended amendments to this policy. One of them, if you will look on page 2 of the policy, in the middle, this is making what we hope is very clear about which year's QAP developments would fall under -- they're going to receive an allocation out of a forward commitment so it would be the upcoming year's QAP, out of the '05 credit ceiling.

However, because the '05 QAP is not going to be in place at that time, and they wouldn't know which requirements they could or could not meet with the '05 QAP, basically what we're saying with this policy is --
they'll comply with as much of the '05 as they can, but if they can't comply, we're saying that we will exempt them from having to meet those requirements that were not in place when we issued a forward commitment.

MR. BOGANY: I have a question.

MS. CARRINGTON: Yes, sir?

MR. BOGANY: So this is not something permanent? This is just for the 2005 QAP, because I don't want them to think they're exempt all the time.

MS. CARRINGTON: This is specifically for any forwards that the board would be granting in '04 under this rural rescue policy. We have had basically no activity under this policy. We want to leave it in place. Staff is recommending that we certainly leave it in place for another year or a part of a year. And then I think what we'll be doing is re-evaluating this and maybe coming back with a recommendation of why we believe it should stay in place for yet another year, or whether we might recommend to you all that we not have this policy.

What we're trying to address, you know, what we're grappling with is, if it's a forward commitment, what QAP does it come under, because you're making forwards in a year when that QAP has not been approved. You will remember the last couple of board meetings,
you've made some exceptions to bedroom configurations because that was not in place at the time. So what we're trying to do is address that issue and try to make it as clear as we can.

VICE CHAIRMAN CONINE: Move for approval.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Questions or discussion? (No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Those opposed, no. (No response.)

CHAIRMAN ANDERSON: Motion carries.

I do have public comment on both of these deals.

MS. CARRINGTON: The next item for the board's consideration is an allocation of 4 percent tax credits for Primrose at Aldine Bender Apartments to be located in Houston. The Harris County Housing Finance Corporation would be the issuer on this transaction. It's an elderly development. It would be 248 units. The amount of credit recommended is $848,953. This is a development that is in the priority 1 criteria with the Bond Review Board's
requirements, which is 50 percent of the units at 50 percent of AMFI and 50 percent of the units at 60 percent.

Behind the summary page, there is a spreadsheet on the summary of the transaction. Remember, on these, since we are not the issuer, the board does not get a copy of the TEFRA hearing, but the department has received two letters of support from elected officials on this transaction, U.S. Congressman Gene Green and Senator Mario Gallegos. There is one letter of opposition from an elected official, Representative Kevin Bailey.

The summary of what we have received is on the tax credit program summary page. There's a comment from the city of Houston saying that it is consistent with their consolidated plan. There's very standard conditions on the underwriting report for this development.

Staff is recommending the allocation of $848,953 in tax credits.

MR. BOGANY: There's no map of this one here.

VICE CHAIRMAN CONINE: I found one.

MS. CARRINGTON: It's behind the underwriting report, the last page of the underwriting report, Mr. Bogany.

MR. BOGANY: Oh.

VICE CHAIRMAN CONINE: Here it is.
MR. BOGANY: Oh, sorry.

MS. CARRINGTON: Okay.

VICE CHAIRMAN CONINE: I'll move for approval just to get it on the table.

MAYOR SALINAS: Second.

CHAIRMAN ANDERSON: Okay. I do have two people to make public comment. Mr. Jeff Spicer?

MR. SPICER: I'm available for questions at the pleasure of the board.

CHAIRMAN ANDERSON: Mr. Craig Alter?

MR. ALTER: Thank you, board members. I'm Craig Alter with Southwest Housing. I wanted to give you some additional support letters that had not been received in time for your package. So I'll go ahead and present those.

VICE CHAIRMAN CONINE: Thank you.

MR. ALTER: I just did want to point out that you will see that you will have letters from additional local representatives, particularly an eloquent letter from the city council member in that district, who has visited our sites and who has been quite impressed by the work that we do, as well as other local organizations.

I'm available for questions if you have any.

Thank you.
MR. BOGANY: I have a quick question. I may have missed it when I was going over it. Is this a seniors project?

VICE CHAIRMAN CONINE: Elderly.

MR. BOGANY: Elderly, okay.

VICE CHAIRMAN CONINE: Any other public comment?

CHAIRMAN ANDERSON: No, Mr. Spicer completed a witness affirmation form and is here to answer any questions if we have any.

(Pause.)

CHAIRMAN ANDERSON: If the audience will bear with us for just a minute, we would seek some materials. We want to give the board an opportunity to review this briefly.

(Pause.)

MS. CARRINGTON: Do the board members have questions of the staff?

MAYOR SALINAS: Call for the question. I think they have a good project.

CHAIRMAN ANDERSON: I have just a couple of questions, Ms. Carrington, about the underwriting report. Page 2 of the underwriting report talks about an after school program. I wonder why I'm reading that in a
seniors development.

I also am interested in hearing from Mr. Gouris, since he's already here, about the market study, because one of the conditions -- you know, there's some language in the underwriting report about the market study that gives me a little pause, too. So if you could also address that.

MR. GOURIS: I'm Tom Gouris, director of Real Estate Analysis. I believe what we had in the supportive services was sort of a broad scope of the type of services they provided. I mean, we probably just reiterated all those services without using our brain to realize that that one service might not be -- although, that's in the report.

CHAIRMAN ANDERSON: Although if that's the way they submit it --

MR. GOURIS: Yes. I also understand that in some cases senior developments do have some day care facility functions occasionally because they get residents, you know, that are seniors but have their children living with them with children, in some cases. I don't know that that's the case here, but I've heard that.

CHAIRMAN ANDERSON: Is that permissible --

MR. GOURIS: Yes.
CHAIRMAN ANDERSON: -- on an extended basis?

MR. GOURIS: Yes, as long as the head of the household is --

MS. CARRINGTON: As long as the head of household meets the definition.

MR. GOURIS: It depends on which senior definition they meet, but yes.

MS. CARRINGTON: We've certainly had some developments where developers have said and committed, and we put that in the blurb on make sure that they don't have that.

CHAIRMAN ANDERSON: Okay.

MR. GOURIS: Not to confuse the issue, I don't think that's what's going on here.

MS. CARRINGTON: We're not confused. No.

MR. GOURIS: I don't believe that's what's going on here. I think this was our --

VICE CHAIRMAN CONINE: I daresay there are seniors that are still going to school

MR. GOURIS: Aren't we all?

MS. CARRINGTON: Now, whether they need after school care is another matter.

MR. GOURIS: The concern about the market study, specifically, it does have a higher than normal
inclusive capture rate, but seniors development is allowed to go over the 25 percent.

MS. CARRINGTON: It can go up to 100 percent.

MR. GOURIS: We allow it to go up to 100 percent. The market area is a little bit larger than you typically see for a family transaction because they're going to be drawing from a larger population area, as senior developments typically do. This market area is particularly large, but it is not unreasonably so.

CHAIRMAN ANDERSON: Okay. I also see that the applicant has applied for city of Houston HOME funds. Is the feasibility of this development contingent on the HOME funds?

MR. GOURIS: As I recall, we went back and forth on that issue. I think in the final version of what we came to, it's not contingent on receiving those HOME funds, but if they do, they need to be in a --

MS. CARRINGTON: Grant form.

MR. GOURIS: -- grant form, exactly. If they don't receive the HOME funds -- my understanding from the developer is that if they don't receive the HOME funds, they don't believe the transaction will go forward -- I think it's still possible for them to defer enough development fee. That's at a zero percent on the
situation. So that the total would make it work, but our requirement was if they get the HOME funds was that they had to be in the form of a HOME grant, or non-repayable, for that period of time.

CHAIRMAN ANDERSON: Thank you. Any other comments or questions?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor -- do we need a resolution? No, we don't need it for this.

VICE CHAIRMAN CONINE: No,

CHAIRMAN ANDERSON: All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: The next item for your consideration, and there isn't a tab, but it's in the same section. So it's right behind the colored map. This is the issuance of tax credits in the amount of $662,566 for a development to be located in Corinth, Texas, with the Denton County Housing Finance Corporation as the issuer on this transaction.

This one is proposed to be an elderly
transaction and it is priority 1(c), which you have seen several of these today. As we've mentioned, it is this new legislative category which allows a priority 1 scoring for developments that are to be located in census tracts with median income that's greater than the median income of the county.

In this particular development, as you look through the market study, you can see that the department had great difficulty with the quality of the market study. As a matter of fact, we are removing this analyst off of our market study list. We'll be working with them to work on the quality and the format, and using the department's laid out, approved, accepted practices, which are in our underwriting rules and guidelines.

We did, after some revisions to the market study, and staff doing a considerable amount of work on this particular transaction, did get to a comfort level to be able to recommend the transaction to the board for the issuance of the tax credits.

VICE CHAIRMAN CONINE: Move for approval.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Any questions or discussion? I do have Mr. Voelker here if the board has questions or the staff.
MR. VOELKER: The only thing I'll say is this is not an elderly development. It's a family development. So I just wanted to clarify that. If you have any questions?

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: 7(d) is a request for two amendments to housing tax credit developments that involve material changes. If it's a material change, the board has to approve.

The first one is for Little York Villas, which was a 2003 allocation. It's located in Houston. They are reducing the size of the clubhouse and increasing the size of the two and three bedroom units. This was redesigned to be more functional and also to meet some requests of the homeowners, to provide a 130 foot buffer between the last building and where the homes start.

The staff is recommending that this amendment be approved. We've noted at the bottom that this change wouldn't have effected the allocation, the application for
an '03 award. If you look right above that, you'll save the time on printing. An evaluation of the Real Estate Analysis division is pending. That analysis has been finished and completed. That analysis did not indicate that there was any change in feasibility or any change in the credits based on this redesign.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

CHAIRMAN ANDERSON: Any discussion or questions?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: The second one for your consideration is actually a bond transaction. So it's a private activity bond and a 4 percent tax credit allocation. It's located in Tyler and there was a necessity for a change in the development's site plan because of a creek that ran through the property. So the number of buildings has been reduced from 14 to twelve.
They've increased the number of one bedroom units and the number of two bedroom units was decreased slightly. The total number of units did not change, however.

An analysis by the real estate division has been completed, and it indicated that this still would have been eligible for the same amount of credits, and would not have effected the award because this was a bond transaction. Staff was recommending the approval of the site plan.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

CHAIRMAN ANDERSON: Any discussion or questions?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: The next item is 7(e). Our qualified allocation plan does require that if the construction loan needs to be extended, that the board must approve that. We have one request for an extension
of a construction loan. The applicant has indicated that they've experienced delays in obtaining building permits and finalizing their partnership agreement documents with the syndicator.

It's Little York Villas, which you just approved some changes for. It's located in Houston. Their current deadline for closing of the construction loan is June 11. The new deadline that was recommended, and is being requested by staff, is July 12, 2004. We are recommending that deadline be extended for one month.

MR. BOGANY: So moved.

VICE CHAIRMAN CONINE: Second.

CHAIRMAN ANDERSON: Questions?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MS. CARRINGTON: The next item for your consideration, 7(f), is a request for a reallocation of returned tax credits for Meadows of Oakhaven Apartments and a request for a waiver of the 2004 qualified
allocation plan and rules for that development. Staff is not recommending the reallocation and the waiver.

Some background on this development, it was awarded an allocation of 9 percent credits in October 2002. It was awarded $407,934. The development was to be located in Pleasanton and it did come out of the rural set-aside. There have been numerous delays in each stage of completion of this development. The board has granted multiple extensions on this particular development.

Staff's recommendation is at the bottom of this page. Our recommendation is to not approve it because required deadlines have not been met and we believe it would set an unfavorable precedent if the board does take this action.

Now, we have given you, as we usually attempt to do, an alternative, or an option, in the second paragraph. If you do choose to grant this request, we would recommend that the waiver of the 2004 QAP also be granted, but that the development would be put on a much abbreviated timeframe.

So basically what the applicant is asking for is to return the credits he received in '02. They would go into the '04 pool. And then those '04 credits would turn around and be reallocated to this development. So
that's what the applicant is seeking today.

VICE CHAIRMAN CONINE: Do you want a motion or can we hear him first?

CHAIRMAN ANDERSON: With the board's concurrence, I think we certainly can hear him first.

VICE CHAIRMAN CONINE: I'd love to hear what he has to say.

CHAIRMAN ANDERSON: Mr. Gilbert?

MR. GILBERT: Well, thank you for hearing me.

This is our fourth transaction. We've been participating in the program for nine years now. We've completed projects in Fredericksburg, Floresville, and just, most recently, in Pasadena, 126-unit senior development which is leasing well. Our other properties are performing and fulfilling their responsibilities as affordable housing developments.

We have encountered problems with a lack of adequate funding primarily. Well, with the first syndicator, it was a low appraisal that produced a loan that was approximately $350,000 short of what the application was for, with Munie Mae Midland.

And then we went into our cost analysis. Our cost analysis proved that it was significantly higher than what we had proposed in our application. So between those
two circumstances, we had a shortfall of about $805,000.

We could not overcome that with Munie Mae. They did not want to raise their syndication price and did not want to go back to the appraiser. So that was terminated in July. We continued to try to work something with them as we moved forward with another syndicator and with another lender, who was the lender with whom we closed our construction loan.

We closed with Stearns Bank and with Alliant Capital as our equity provider. Alliant basically negotiated that transaction with Stearns. The objective was to close in December. As we moved forward into December, the Alliant people discovered by the way they were calculating the numbers that the debt covered ratio during the seventh year of this takeout commitment from Stearns -- which is not intended to be something that you live with, but it's something that you have to try to permit the mortgage that you prefer to have on the property for 30 years -- they found that their debt coverage ratio was inadequate. So they said, We can't do the deal.

That was in January, February. At that point, we were getting short on time to be able to negotiate a new deal with a syndicator, and to get it underwritten and
closed, and get under construction, and meet the
deadlines. Even though that was the case, we still talked
to Bank One and their CDT connection, Community
Development Trust, and also the Richmond Group. They
expressed interest, but they were concerned about the time
to complete the property before year end.

We see now that because MSA for San Antonio is
now going to include Atascosa County, where Pleasanton is
located, and the rents will be significantly higher, that
we have a much better chance of having adequate funding
sources to open up the lender avenues, which would include
HUD in this case. We have done one HUD before. The
property in Houston is a HUD. We're familiar with the
process, and we know how it works. We believe that we
will have the feasibility with the new MSA rents coming
available in '05 to do this transaction and bring it to
reality.

VICE CHAIRMAN CONINE: Mr. Gilbert, does the
property qualify under the 2004 QAP currently?

MR. GILBERT: I don't know what the
qualification for that would be.

VICE CHAIRMAN CONINE: Let me ask, maybe,
Brooke to comment on that. Would the property, in your
opinion, Brooke, does it meet the 2004 QAP?
MS. BOSTON: No, I don't think it does.

MR. GILBERT: Is that the design?

VICE CHAIRMAN CONINE: Yes, I'm talking about design-wise. I'm talking about the design, the units.

MR. GILBERT: It has one bedrooms. The one bedrooms have 750 square feet. It has two bedrooms and three bedrooms.

VICE CHAIRMAN CONINE: Ms. Boston, do you know where it doesn't meet the design? Here's where I'm headed with this, because you've spent a lot of money on architects and engineering and so forth --

MR. GILBERT: I've got about $160,000 invested in this transaction.

VICE CHAIRMAN CONINE: Right. My question is -- for it to meet the 2004 QAP, would you have to go and withdraw them all? Or would the ones you have be usable?

MS. BOSTON: I don't know. I didn't bring the unit mix with me.

VICE CHAIRMAN CONINE: You haven't looked at that?

MS. BOSTON: I didn't bring the unit mix with me, to compare and see if the percentages would meet it or not. I can go check real quick.
MR. GILBERT: If you know what it is off-hand real quick, our two bedroom, two baths have 950 square feet.

MS. BOSTON: It's actually not just the square footage. It's actually the percentage of the units that are ones, twos, or threes, because the '04 QAP now has -- you can't have, I think, more than --

VICE CHAIRMAN CONINE: Do you remember what the unit mix breakdown was, Mr. Gilbert, of the 76 units?

MR. GOURIS: 38 percent, I believe.

MS. CARRINGTON: Mr. Gouris, is that you at 38 percent threes?

MR. GOURIS: Yes, 38.9 percent threes.

VICE CHAIRMAN CONINE: So does that meet the criteria or not?

MS. BOSTON: Let me grab it real quick.

VICE CHAIRMAN CONINE: Just if the board will indulge me, just for a second.

MS. CARRINGTON: His request to us, according to staff's write-up, was a two-pronged request.

VICE CHAIRMAN CONINE: I understand.

MS. CARRINGTON: It was a waiver of the '04. So that leads me to believe that someone had taken a look at that and said --
VICE CHAIRMAN CONINE: Somebody knew what they were doing.

MR. GILBERT: That had been suggested to me, by staff, that we might want to ask for that, ask for a waiver of the '04. I don't think there was any intelligent basis for that, other than, if you don't know, then it meets it after the waiver. I was not aware of '04, the disposition of the quantities.

MS. CARRINGTON: That was new.

MR. GILBERT: The energy requirements are not a problem. As far as the configuration like that, it's not that difficult to change the boxes.

VICE CHAIRMAN CONINE: Well, I guess I was --

MR. GILBERT: I suspect that we probably meet it though.

VICE CHAIRMAN CONINE: I was approaching it from the save bills of the architect and engineer, because I can appreciate the fact that if you've got to go redo this, it's --

MR. GILBERT: Oh, it's not fun.

VICE CHAIRMAN CONINE: -- it's significant.

MS. BOSTON: It would violate on both the two bedrooms and three bedrooms. His percentages exceed the amount permitted in the QAP.
VICE CHAIRMAN CONINE: Okay.

MR. GILBERT: They exceed? I have too many?

MS. BOSTON: Correct. The way it's written in the QAP is that you can't have more than 45 percent twos and you can't have more than 45 percent threes.

MAYOR SALINAS: How much extension are you all looking for?

MR. GILBERT: Well, Ms. Carrington said that it would be an accelerated plan. I don't know to what that accelerated plan would be. In my opinion, we have to be able to get our financing to the point to where the '05 rents come out, with the MSA designation, which is going to give us the rent levels that we need. So we'll be building the project in '05 and we should be able to complete in '05.

From a cost viewpoint -- and as we all know, costs have been significantly rising -- the property would qualify for more tax credits, if it was underwritten today. So the debt picture is important, that we have enough debt funds to provide feasibility. We have 407,000 in tax credits and we'd probably figure somewhere in the neighborhood of 440,000 today.

So it's important for us to get to the '05 window. We're going to attempt to, if we do get the
extension effectively, we're going to go ahead and try to work with the Atascosa County 2004 rents, with HUD, and see if we can make that deal work, so that we can get under construction that much faster.

MAYOR SALINAS: How much more time do you need?

MR. GILBERT: Well --

MAYOR SALINAS: The extension would be, you look at how much, what time? I can understand, you know, that it's a small community of Pleasanton of Atascosa County. Having a project like this, in this area, would be important for this agency, but --

MR. GILBERT: Yes, they have a --

MAYOR SALINAS: -- you don't seem to be moving very fast.

MR. GILBERT: Of course, the impetus from the new automobile plant in San Antonio is going to be helping that area. We have a project in Floresville also, and these small towns really do need some internal growth.

MAYOR SALINAS: I know.

MR. GILBERT: It's hard for them to survive traveling to a metropolitan area. They all have high commuter ratios. And so --

MAYOR SALINAS: I know the staff is not recommending it --
MR. GILBERT: -- there is internal growth there that's going to help it.

MAYOR SALINAS: I know the staff is not recommending it, but we've done this before. How much more time could we extend? I'm not looking at Ms. Carrington at all.

MS. CARRINGTON: Okay.

MAYOR SALINAS: I can understand his expenditures at 168,000.

CHAIRMAN ANDERSON: Ms. Boston, did you have something you wanted to say? Or were you trying to respond to what you thought was going to be a question?

MS. BOSTON: I just wanted to clarify that it's not --

CHAIRMAN ANDERSON: Would you let her approach the mike?

MR. GILBERT: Oh, certainly.

MS. BOSTON: I'm sorry. I just wanted to clarify that technically it's not an extension. Actually, their credits are going to be returned and we're actually giving him a new allocation.

MAYOR SALINAS: Can we do that?

MS. CARRINGTON: The board has the discretion to do that.
MAYOR SALINAS: If the board has the discretion, can we do it? I mean, where is the lead counsel? You all have to take into consideration that this is a small community in Pleasanton. I think this board's obligation is to find a way to kind of help this small community.

CHAIRMAN ANDERSON: I'm reading the last paragraph of the staff request: Regardless of what action the board takes today, these 2002 credits are not lost? They go into the 2004 ceiling that we will make decisions on in June and July?

MS. BOSTON: Correct.

CHAIRMAN ANDERSON: I have a question for Mr. Gilbert. And then I have a question for Ms. Boston. My question for you, sir, is that the staff gives us an option to, if we choose to override the recommendation and approve this request, that we do it on an abbreviated timeline, where you would carryover, by July 30, which is about two and a half months away, commit substantial construction by the end of the year, and be in service by August 31, 2005. Now, do I understand accurately that you have no financing commitment in place today and you would initiate discussions with HUD about that?

MR. GILBERT: That's correct.
CHAIRMAN ANDERSON: Okay. Thank you.

MR. GILBERT: Everything had come to a stop until the credits were a possibility.

CHAIRMAN ANDERSON: Okay. Thank you.

MR. GILBERT: It is the syndicators that have expressed continued interest --

CHAIRMAN ANDERSON: All right.

MR. GILBERT: -- but we do have to get the financing.

CHAIRMAN ANDERSON: Okay. Ms. Boston, my question for you is -- and, sometimes, those of us who are not in this industry don't put two and two together until it sort of happens by accident in a meeting -- but we just approved a request for Little York Villas for an extension of time to close the construction loan. It says it's also a 2002 allocation.

So I'm interested in the last sentence, under Meadows of Oakhaven, that says "the credits are coming back regardless because the applicant will clearly not satisfy 2002 placement in service deadline of December 31, 2004." My question for you is -- is there a typo on this page?

MS. BOSTON: Yes, there is. Little York Villas is a 2003 development.
CHAIRMAN ANDERSON: Oh, it is?

MS. CARRINGTON: It is an '03 allocation, yes.

CHAIRMAN ANDERSON: Okay. Thanks.

MS. CARRINGTON: Thank you for catching that. It was right on the first request.

CHAIRMAN ANDERSON: It just made me ask the question, but that answers it.

MS. CARRINGTON: Yes, absolutely.

CHAIRMAN ANDERSON: Other questions or discussion? Well, we don't have any motion. So I guess that might --

MAYOR SALINAS: I would like to see if we could -- I would like to make a motion that we go ahead, and accept the credits, and give back to him in the '04, and take the recommendation from the staff that he has to have something by July, have some construction and, hopefully, ready in '05.

MR. GILBERT: I didn't have the benefit of seeing the recommendation. Was it completion in '05?

MS. CARRINGTON: It was on our website, Mike. I'm sorry.

MR. GILBERT: Was the completion in '05?

MS. CARRINGTON: What the staff is recommending is carryover by July 30, 2004, commence substantial
construction by December 31, 2004, and then be placed in
service by August 31, 2005.

VICE CHAIRMAN CONINE: Just to be clear,
staff's recommending that as an alternative. Staff's
recommendation is to deny this request.

MAYOR SALINAS: Deny, yes.

MS. CARRINGTON: Correct.

VICE CHAIRMAN CONINE: Mr. Mayor, I
respectfully have to disagree with your motion. I didn't
hear a second on it anyway, but I view this as a dangerous
precedent of what looks to me to be leap-frogging, from
two tax credit years to future tax credit years. There's
probably no one in this room more sensitive to the fact
that you've got a lot of money expended here, because I've
my share of those as well, that for one reason or another
didn't make.

I view the opportunity, though, of rather than
doing this leap-frog routine, between the '02 and the '04
tax credit rounds, I think to resubmit for the '05
allocation, in a normal process, where your normal scoring
would take place, when you have obvious amounts of
substantial investment. That would allow you an
opportunity to recoup your investment, but go through the
competitive process that you need to go through.
There have obviously been reasons why the particular project has not commenced as of this point. In some cases, we're sympathetic to those, but I think the precedent of doing the give-back, if you will, on '04 forward allocation is just not appropriate at this time. So I make a motion to support the staff request to deny it.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: It was one of these two.

MR. BOGANY: Either one. Pick either one.

CHAIRMAN ANDERSON: Any other questions of staff or discussion among the board?

(No response.)

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

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: The motion carries.

MS. CARRINGTON: Next item for your consideration is the report on the housing tax credit inspection fees related to QAP requirements. We have provided a chart for you.
From 1997 to 2002, there was a requirement that construction inspections be performed -- well, there's still a requirement, but for this period of time, it was being done actually in the program area. And then we transferred it over to the financial services area. When we transferred the collection of these fees from the programs area to financial services, there was approximately 203,000 due from developers. Since then, the financial services has billed and collected $826,298.12. We still have $15,598.01 remaining to be collected.

The board may remember that fees do have to be current. All fees of the department have to be current for developers who are participating in either the 9 percent or the 4 percent. So the board had asked for this report, an update, and that's what it is. It's an update for you.

MR. BOGANY: I have a quick question.

MS. CARRINGTON: Yes, sir?

MR. BOGANY: So we requested these monies, but they're still outstanding?

MS. CARRINGTON: On the invoice date, we have a couple of them that are -- yes, sir, they've all been billed. Some of them are, you know, within 30 days. It
looks like we have one that's 120 days.

   VICE CHAIRMAN CONINE: I've got a sneaking
suspicion in about 20 or 30 days, you'll see a mad rush of
these to get paid.

   CHAIRMAN ANDERSON: I want to commend the
financial services division for, you know, putting in
place an ongoing process to keep these billed so that we
bill current and we collect on a current basis. This is a
very different picture than we, the board, saw when we
first started looking at this, what, a year and a half
ago. So I was curious just to see what this report would
look like and am very gratified by what's on this piece of
paper. Congratulations and thank you.

   MS. CARRINGTON: Thank you.

The next item is 7(h) --

   CHAIRMAN ANDERSON: Mr. Dally, is there
anything you just had to say about that?

   VICE CHAIRMAN CONINE: Can we get some coffee
with that money?

   MR. BOGANY: And doughnuts.

   MR. DALLY: No, my comment was I was just glad
to have an opportunity to bring a great report like this.

   Some of the staff responsible, David Cervantes and Ernie
Palacios, are in the back. So I don't do this billing and
stuff, but they are in charge of that and have done a
great job.

ALL: Good job.

(Applause.)

MS. CARRINGTON: Next item for the board's
c consideration is a request for an increase in the amount
of the 4 percent credits on a previously approved bond
transaction. We haven't had one of these in a while, but
it's the Lake West Community Townhomes in Dallas. It's
part of a Dallas Housing Authority redevelopment. It's
part of the HOPE VI. They are requesting, in additional
credits, $38,116, which would increase their total
allocation to 570,370.

There is an underwriting analysis that goes
through the justification for these increases. Their
bids, their hard costs came in more than what was
anticipated. Architecture and engineering turned out to
be a little bit more than they had thought. They incurred
some interest expense and then they had reserve account
requirements that were higher than they had originally
anticipated.

It actually increased their development costs
by $1,315,311, so about 38,000 in tax credits. Since this
does not come out of the competitive ground, staff is
recommending, we're comfortable with their justification. We are recommending this increase.

     MR. BOGANY: So moved.

     VICE CHAIRMAN CONINE: Second.

     CHAIRMAN ANDERSON: Any questions for the staff, discussion?

     (No response.)

     CHAIRMAN ANDERSON: Hearing none, I assume we're ready to vote. All in favor, say, Aye.

     (A chorus of ayes.)

     CHAIRMAN ANDERSON: Opposed, no.

     (No response.)

     CHAIRMAN ANDERSON: Motion carries.

     Now, we will go back and pick up agenda item number 5, which is concerning the meeting and report from the Audit Committee.

     MR. BOGANY: Okay. We had an Audit Committee meeting yesterday, went over several items, the status of prior audit issues, Section 8 self-sufficient program, and the status of the central database. I'm going to ask David Gaines to come up and give us an overview on that particular meeting.

     MR. GAINES: I'm David Gaines, director of Internal Audit. These materials are behind tab 5(a) of
your materials, or the agenda is listed there. As Mr. Bogany spoke of, we spoke to the agenda items listed. I'll just kind of touch on the highlights relating to each of those agenda items.

The first one is the results of the statewide federal single audit for the year ending August 31, 2003. We spoke of the purpose of the audit. We spoke of the results of the audit, which included eleven findings. Nine of those have been reported by management as resolved. The remaining two, one of them is relating to the Family Self-Sufficiency Program, which is a separate agenda item. That is discussed separately. The remaining item was a finding relating to the department's cost allocation plan that management hopes to have resolved by the end of June.

As I go through this, I'll be glad to elaborate on any of this, but I'll be touching at a real high level. So that's all I really had planned on for the full board relating to the single audit.

The next agenda item related to the status of prior audit issues. That's behind tab 5(b). Of the seven issues listed there, five of them are being reported as fully implemented or resolved by management. However, it's probably more appropriate that just three of these be
reported as implemented. The difference of two relates specifically to issues 268 and 269, on pages 2 and 3 of that summary. I believe I need to speak to those briefly.

Both the issues resulted from the fiscal year 2001 audit, conducted by KPMG. During their subsequent year's audit for fiscal year 2002, KPMG cleared these issues. Accordingly, for the most part, that's the reason, in part, that these are being reported as implemented. At that time, management kind of moved them to the back burner, as implemented.

Since that time, HUD, in their follow-up on these issues, which oftentimes can easily be in excess of a year from the original issuance, with a letter dated 3/26/04 and more recently 5/3/04, HUD has indicated that they don't consider these issues fully resolved. They have requested supporting documentation to clear these issues. The corrective actions requested by HUD could be a significant burden on the department. That's something that management is in communications with HUD and working through.

At this point, HUD is expecting a response from the department by July 1, with additional supporting documentation to clear these issues. At that time, HUD will consider the information provided and will get back
VICE CHAIRMAN CONINE: Which program is this, Mr. Gaines?

MR. GAINES: This relates to the HOME program.

VICE CHAIRMAN CONINE: Okay. Thank you.

MR. GAINES: In that respect, in discussions, informal discussions I guess, between HUD and the department, I understand from the director of portfolio management and compliance that one of the issues, which could be a significant concern, burden of the department, there was known questioned costs of 26 -- let's get this in front of me real quick.

MS. CARRINGTON: 29 --

MR. GAINES: Right.

MS. CARRINGTON: 29,400.

MR. GAINES: Right. The known questioned cost was 29,400. In these informal discussions, the director's understanding is that HUD is willing to accept that as the final amount, which would be good news for the department, as opposed to the projected amount; taking that sample, and the resulting 29,000, and projecting that to the total population. Once you do that, the numbers increase considerably. So that's something that the department's cautiously optimistic about. However, to date, that's
been discussion and we haven't seen anything to that
effect in writing.

So I did want to bring you all's attention to
both of those. Potentially, that could be a burden on
this department, if we do have to follow through as
prescribed by the most recent formal communications.

VICE CHAIRMAN CONINE: Ms. Carrington, I know
your meeting with the HUD regional director in the next
week or two. Is this a topic for discussion on that
particular agenda?

MS. CARRINGTON: We are working on our agenda.
We have meeting now. Ruth is pulling out the copy of the
agenda. I would say if we don't have it on there, it's
very possible we need to put it on there.

VICE CHAIRMAN CONINE: Yes, I think so. In the
Programs Committee meeting yesterday, it was apparent to
me in listening to the reports from our great staff that
we're spending an awful lot of time going backwards and
trying to satisfy by the book documentation on a lot of
stuff that I think this agency will readily admit that we
had some deficiencies in during that period of time. It's
also taking a lot of HUD staff time.

I would like, from the viewpoint of really
nothing to lose, I don't think we really have anything to
lose by asking formally, rather than informally, that HUD would come to some quick overall resolution of this issue as it pertains to some period of time going backwards. To me, we're just wasting a whole lot of time.

Whatever that discussion would be, I would appreciate you having that with the regional director's office and getting some sort of feedback. If we need to go to Washington, D.C. and have that discussion with the HUD folks in Washington, then I think we ought to do it, because we could be spending a lot more productive time, with a lot of our great staff, looking forward in this HOME program, as opposed to looking backward. I'd like to get there as fast as we can, while I think the door would be open to some of those discussions. Is that possible?

MS. CARRINGTON: Yes, sir.

VICE CHAIRMAN CONINE: Thank you.

MR. GAINES: I do have those numbers in front of me. There is a significant difference between the actual that they noted and the projected. The actual is 29,000, in which case the best strategy may be to cut HUD a check in resolution, as opposed to the staff time involved in clearing up the projected population, projected questioned costs being 2.3 million.

VICE CHAIRMAN CONINE: Right. I'm in full
agreement that there needs to be some high level negotiations here. I understand, you know, that everybody's doing their job on both sides of the table, under what the rules of the game are, but I'm not sure, in the end, anyone will be well-served by the time and effort that we're going through. I just would like to take a shot at it, if we can.

MR. GAINES: I'm sure management and staff appreciates your comments.

The next agenda item is behind 5(c). This relates to the Section 8 Family Self-Sufficiency Program for Brazoria County. Eddie Fariss, the director of the Community Affairs program, spoke to this issue, going into detail discussing the plan and the timeline involved to resolve this issue.

He also spoke of a wrinkle that had surfaced that may affect the plan. HUD has recently approved Brazoria County as a public housing agency. As such, the county is eligible to deliver the Section 8 program. The department currently is assessing the impact of this recent development. Until that assessment is done, the plan that has been put in place is kind of an iffy plan and we'll have to work through this assessment to fully appreciate the full impact.
VICE CHAIRMAN CONINE: Can we get a report back on this at our next board meeting?

MS. CARRINGTON: Yes, sir.

VICE CHAIRMAN CONINE: Great. Thank you.

CHAIRMAN ANDERSON: It would be good to have that report, perhaps, even as part of the Programs Committee agenda, if that agenda is going to encompass the Section 8 program.

MR. GAINES: The next agenda item, behind tab 5(d), relates to the status of the central database. We discussed the status, where we're at. There are three parts to this. There's the summary project plan status. Following that is an issues risk management work paper, documenting some of the more significant issues that have been prioritized for resolution. And then there's the capital budget rider activity, a discussion of the monies involved in the appropriations.

On the summary, our recent accomplishments have been that we have moved the contract system and CMTS is now into production. We've reclassified that as completed on your summary plan.

We've recently completed the post-implementation review, which was a review conducted by the project team on how well it performed on the
contract system, with the intent to identify opportunities for improvement going forward. The results of this review have been incorporated into the project charter, the document by which the team is operating, defining roles and responsibilities.

The charter has been approved by the steering committee. There were, in going through that charter, a couple of issues where full agreement wasn't reached. Those issues still need to be resolved and they're going to be addressed. We'll be revisiting those in short order. The balance of the charter has been approved.

You'll note at the top of the summary page, immediately following tab 5(d), the first of the three components of the status update, that the CMTS and program monitoring specifications were being done by a contract consultant. It's being reported at 95 percent complete.

The major module that's currently in development is the multifamily module. This provides functionality for the multifamily housing programs including the tax credit program, multifamily properties of the HOME and Housing Trust Fund programs, and the bond programs. The business sponsors of this module include the directors of Multifamily Finance Production division, the Real Estate Analysis division, and the Portfolio
Management and Compliance division.

This is post-award functionality so application and scoring functionality and the tracking of preaward activities and information will be considered for future development, future modules, or future releases of this modules. You'll note on line 15 of this summary that the requirements of the design phase of the module have been completed.

However, also note that the module's design, confirming that design by the business community, doesn't begin until August 13, after the current award cycle. While this seems to be the best we can do from a scheduling perspective at this time, it's not an ideal situation, in that the consultant that accumulated the requirements and built the design will no longer be under contract at that time. So accordingly that increases the risk associated with that.

Yes, sir, Mr. Bogany?

MR. BOGANY: Ms. Carrington, I'd like for us to -- I don't know if it's an action from our end, but I think we need to keep the consultant on until this thing is finished. In our meeting the other day, the gentleman, I guess, the staff that's heading this up thought, well, you know, we've got this. Once he's finished, I think we
can take it on. We've been playing with trying to get this up and running and get it in place. I think just for the safekeeping of knowing you've got the expert right there to you, and get it finished, we ought to keep that person on, that consultant on all the way through until it's finished.

CHAIRMAN ANDERSON: Is there a way to restart, you know, his agreement is going to stop, to sign him to an agreement that's effective September 24? I mean, have you all looked at what might be feasible to retain that expertise?

MR. GAINES: Well, there's been discussions along those lines. Also, in that respect, management has anticipated that risk and they have tried to minimize it by having two of the IT staff work with the consultant during the requirements gathering and the design work. As far as maybe trying to shut down the consultant, have him come back, that's been a discussion without a whole lot of positive response from the consultant's end.

CHAIRMAN ANDERSON: Well, of course. I'm a consultant. I'm going to take the same position --

MR. GAINES: Right.

CHAIRMAN ANDERSON: -- but if I don't have anything to do on September 24, you bet I'd be back here.
MR. GAINES: I believe that's exactly the condition, in that depending on what other projects he may come by between now and then, that would be the big contingency.

CHAIRMAN ANDERSON: I mean --

MR. BOGANY: I mean, he's helped us with this from ground zero all the way up. I just think from whether it's a budget, whether we sign him up again for that date, he needs to put on his priorities, if he doesn't have it on his date now, that he's coming back here on that date that we implement this. I mean, we've paid him money all the way to this point. And now, you know, to walk away when implementation is here, I've got an issue with that.

I think either we arrange for him to pick up at that date, but I just think it puts the department at a disadvantage, when you're implementing something we've not done. We've got a lot of data that's going in, a lot of things are happening, and I just think it puts the department at risk if we don't bring him in. I think we ought to be able to find the money to keep him on or demand that he pick up at that date and come back.

MR. GAINES: I think Mr. Dally here is fixing to respond to that. I'd like to just clarify one issue
first. It's not so much that we'll be implementing at that time, but we'll be confirming the design of the system by the business community. With a confirmed design, then the IT development staff in house will be developing the system.

MR. DALLY: I'm Bill Dally, Chief of Agency Administration. We do have the funds. We do have the money. The last page of the central database will show you what we had in the way of appropriations and capital budget. We are underspent there.

We do anticipate bringing on some additional programming help to build the code once these requirements are confirmed. So we'd be looking to get the consultant to come back and be with our business users, our multifamily, real estate analysis, to go through that final on the requirements before we begin to build, but we do have the funds. However, we would need to explore a new contract or something.

CHAIRMAN ANDERSON: He wouldn't be writing the code is what I hear you saying anyway.

MR. DALLY: No.

CHAIRMAN ANDERSON: The value of having him return would be more around confirming the requirements, getting ink on the paper to sign off on the requirements
and the design. And then the actual coding of the system
he hasn't done in any case, or wouldn't do in any case?

MR. DALLY: No.

CHAIRMAN ANDERSON: He's not a Java programmer?

MS. CARRINGTON: Yes, we have the capability to
do that in house.

VICE CHAIRMAN CONINE: Do you understand what
everybody just said, because I didn't?

CHAIRMAN ANDERSON: Uh-huh.

VICE CHAIRMAN CONINE: I can't -- I agree with
Mr. Bogany's position. It sounds like we need him, but I
haven't heard that the staff agrees with Mr. Bogany's
position.

CHAIRMAN ANDERSON: I thought I heard Bill say
he would attempt to sign a new contract with Russ to use
him in the right role, which is confirming requirements
and design, but not writing the system. Russ is not a
Java programmer.

MR. DALLY: We could do that. It's just that
we've gotten to the point and we really haven't considered
it even internally. Mr. Bogany brought up a good point.
I think now, certainly if that's your direction, then I
think that would be a good use to bring him back.

CHAIRMAN ANDERSON: You all ought to consider
it or maybe tell us why not.

VICE CHAIRMAN CONINE: At our next committee meeting.

CHAIRMAN ANDERSON: Yes, at the next committee meeting.

MR. DALLY: I wouldn't object to that.

VICE CHAIRMAN CONINE: Okay. All right. Good.

CHAIRMAN ANDERSON: I have a related question, which is while we're sort of in this hiatus where we've got the multifamily module parts defined, but they haven't yet been reviewed by the business unit, and can't be, really, until the housing tax credit cycle is over, what is the internal IS resource, what are our Java people doing now?

MR. DALLY: I heard Curtis Howe -- is he here?

CHAIRMAN ANDERSON: No.

MR. DALLY: No? Well, what they're working on are the bugs, fixes, work orders related to the CMTS and to the contract system. So they are working on our implemented systems now, making changes to that. So they are engaged.

CHAIRMAN ANDERSON: Are those changes and bug fixes, did they go through a change control process?

MR. DALLY: Yes, ma'am.
CHAIRMAN ANDERSON: Okay, yes, thank you.
MR. GAINES: I wanted to speak to that.
CHAIRMAN ANDERSON: That's music to my ears.
MS. CARRINGTON: Yes, indeed.
MR. GAINES: Also, the remaining phase of the consultant's contract right now is designing reporting screens and accumulating the reporting requirements and designing the screens, which the IT shop will take and do the development of those screens.
CHAIRMAN ANDERSON: I'd urge us to get that design right so we build them once, and then we don't just continue to --
MR. GAINES: Yes.
CHAIRMAN ANDERSON: You know, we build what we want now, then be happy with what we have.
MR. GAINES: There is also, I understand, some pretty significant Section 8 work. I don't think I have a full understanding of what all that involves, but it's something that's in the pipeline. Maybe you can speak to that, Bill. To me, it sounds like it's going forward in that particular piece. I'm not real familiar with it. Ms. Carrington, maybe you can speak to that, too. I'm not real familiar with that.
MS. CARRINGTON: Yes. As we did our
reorganization, we discovered some significant issues related to how we administer Section 8, with multiple software programs and a lot of inconsistencies in data. So what staff is doing is beginning to work on that area, bring it under one system, and figure out how we can be more efficient, and have numbers that match up.

CHAIRMAN ANDERSON: Okay. Thanks.

MR. GAINES: Thank you, Bill. An additional portion of the status report that we are providing with this meeting, and we'll be doing going forward, are various issues that have been prioritized. These are normally issues that are elevated because the project managers or team leads aren't able to deal with, either due to resource constraints, or lack of authority, or such strong disagreements on how to proceed.

We've been identifying those and prioritizing them. You'll see several listed there. They're all in various degrees of being addressed from one perspective or another. Plans are being developed. Understanding of the issues is one of the first steps. We'll have an issue and not even fully understand it. So we have teams working on those issues.

That was my prepared comments. The very last page relates to the appropriation balances and the
expenditure of funds. At this point, management is okay with the status of those funds.

MR. BOGANY: Madam Chairman, we also went through the personnel evaluation of David. We went into executive session. At this point, I would like to state that we believe that David and his group are performing at a very high standard. At this time, I'd like to move that we vote on his personnel evaluation.

MR. GONZALEZ: Second.

CHAIRMAN ANDERSON: Great. Is there any discussion or questions?

(No response.)

CHAIRMAN ANDERSON: I assume then we're ready to vote. All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

MR. BOGANY: Thank you.

MR. GAINES: If I may, just in that respect, in leading up to my evaluation yesterday, there was a comment made along the lines that we came to agreement on this, there were several things we couldn't agree on, and I encourage each of you to let me know about those
disagreements so I can possibly work on them.

MR. BOGANY: We will.

CHAIRMAN ANDERSON: I have one question and I'm not sure if it's for Mr. Gaines or Mr. Bogany. The issues table that I thought was a good addition to the central database reporting, because it's at a summary level, I noticed that all of those are considered pending issues as of May 4. Did you all talk about setting an expectation about when we'd see that same issues table with proposed action plans?

MR. BOGANY: We talked to David that it was very important that we have a finite date on those. We kind of went over everything and kind of got an idea that the dates were very realistic of what they were trying to do. We tried to make an emphasis with some of the staff that was here, it is very important that we get this thing finished and try to hit these dates.

We went over pretty much all those dates. After the staff explained it, it all seemed very -- part of the plan. It was not, I thought a long time, but based on what they had to say in regards to it, it seems as though it was on the level of completing this project. Even though we thought the dates were a long time out, listening to staff, these dates were needed to get it done.
MR. GAINES: I appreciate the comment. We do have, for each of these issues, key staff identifying who can do what by when. As it fully materializes, we'll bring it back to the board on a regular basis.

CHAIRMAN ANDERSON: Yes, I mean, there are some things like the training on CMTS was inadequate. Well, I'm interested, and I'm sure the rest of the board is, in knowing, what's the action plan to deal with that? When is better training going to be developed? When is it going to be delivered?

MR. GAINES: The last issue on that issues list, by the way, as we look at it further, and further assess, and develop better understanding, we feel that that is more appropriately classified as a change request and it will go through that same process.

CHAIRMAN ANDERSON: Okay.

MS. CARRINGTON: I might suggest that we put another column on this, that has more of the date and the action plan.

MR. GAINES: As those plans are developed and finalized, that will be part of this.

CHAIRMAN ANDERSON: I think my underlying message, if I'm not being explicit enough, is that those
plans need to be built now, not later. I would expect on
a monthly basis to see how we're progressing, and building
the action plans, and addressing these things --

MR. GAINES: I understand fully.

CHAIRMAN ANDERSON: -- because this has been in
development a long time.

MR. GAINES: Yes, ma'am.

VICE CHAIRMAN CONINE: Mr. Gaines, as a former
Audit Committee chairman, I want to thank you for
continuing to do a great job.

MR. GAINES: Thank you for your support. Thank
you, Madam Chair.

MR. BOGANY: Thank you, Mr. Gaines.

CHAIRMAN ANDERSON: Ms. Carrington's executive
director's report is next.

MS. CARRINGTON: There are two brief items.
The first one, I've handed out to the board a chart that
reflects our marketing trade shows, speaking engagements,
from April until August. We are busy. We are out as much
as we can possibly be in marketing the agency.

You all have already heard that we did receive
a letter from the Attorney General's office recommending
that we not score letters from local elected officials.

Our next Urban Affairs meeting is Thursday, May 20. If
any of the board members could come to town that day, we would appreciate, and I think the Urban Affairs Committee would appreciate, having --

MAYOR SALINAS: Is that a Wednesday?

MS. CARRINGTON: It's a Thursday. It's a week from today.

MAYOR SALINAS: Okay.

MS. CARRINGTON: It is posted for 10:00 a.m.

For any of you that come that morning, we have a bonus for you that afternoon because that's the afternoon that Cindy Leon from HUD will be in town. Actually, she's going to be here all day. In the morning, she'll be meeting with the trade associations and in the afternoon, she meets with TDHCA staff. So if we have pressing items that we would like to discuss with our regional director, it's the perfect opportunity.

The charge is interim charge number 3. We are going to be talking about housing need. What was the other one, Mr. Lyttle, housing need and?

MR. LYTTLE: Gap financing.

CHAIRMAN ANDERSON: Gap financing.

MS. CARRINGTON: Gap financing. Thank you very much.

Several of us are heading out to Portland,
Oregon for the NCSHA rental housing workshops. I always like to brag on staff. Byron is going to be on a session on Saturday for HFA round tables, as is Sarah Anderson, and I am now co-chairing the committee on management innovations. I'll be doing that at the EDUs meetings.

And then Sara Newsom is going to be speaking on a panel. Suzanne was invited. Suzanne is going to stay here. Sara is going to go.

About the only that wasn't invited to speak was Eric Pike and we'll work on fixing that. Anne Paddock is also going to be going out there, too. So we have a good contingent of folks going out to Portland.

I think the last thing is we have on the intranet, which I think you all can get to -- I don't believe they can. Bill, can they get to the Intranet? Can the board members get to it?

MR. DALLY: No.

MS. CARRINGTON: Okay. So it's internal. We're calling it the electronic water cooler. It got implemented, I guess, on Monday of last week. It was the brain child of a fellow out of Sarah Anderson's group. Basically, we've got the affordable housing finance article there. We've got interesting things that are going on with staff.
We have one of our staff members in bond finance who made the CBS Sunday morning program because in Buda, Texas, they have a wiener dog race, and Heather Hognet's dog, Mo, came in third. They interviewed Heather, her family, you see Mo. We've got it in streaming video. It's great. We are going to enter it for the NCSHA communication award at the annual meeting in October because it's just a delightful kind of way for staff to kind of see what's going on internally within the agency.

VICE CHAIRMAN CONINE: Die she win, place, or show?

MS. CARRINGTON: She came in third. Mo came in third. Last year, Mo won, but Mo was ripped off, I understand, because there were some "ringers" that were brought in, as opposed to just being the local area dogs. They brought in some "ringers." Anyway, we will end on that note.

CHAIRMAN ANDERSON: Before I forget, we need to go back to agenda item 7(a). We're almost through. This, as you will recall, is the interagency contract between the Texas Department of Housing and Community Affairs and ORCA. Mr. Wittmayer, would you share the results of your conversation that you had?
MR. WITTMAYER: I spoke with Jerry Hill, the ORCA general counsel and he thought the July 7 meeting would be workable. He was going to try and call Chairman Jeter, but he was unable to do that quickly enough for us to have an immediate answer back.

What we could do is, looking at the two sentences in bold type, we could amend them to read, strike out "each year" and just put "on July 7, 2004, the TDHCA board and the ORCA executive committee shall hold a joint workshop" --

CHAIRMAN ANDERSON: Or public hearing.

MR. WITTMAYER: -- "or public hearing, to take public comment, and discuss the proposed QAP. At the workshop, the ORCA executive committee shall provide its input on the threshold of the scoring criteria applied to the applications eligible for the tax credit rural set-aside. Underwriting criteria no longer in the QAP will also be discussed at this joint workshop or public hearing." We'll strike out, "or at a separate joint workshop."

CHAIRMAN ANDERSON: Yes. Now, we have a motion that's in abeyance, right, that's been amendment by Mr. Conine and the amendment has been seconded also to say that the TDHCA board and it's designees --
VICE CHAIRMAN CONINE: And/or.

CHAIRMAN ANDERSON: -- and/or its designees,

yes, sorry. And then I would propose that the suggestions
Mr. Wittmayer's just read, substituting on "July 7" for
"each year" and removing the last six words of the
paragraph, "or at a separate joint workshop," I would
propose that we amend it that way also.

VICE CHAIRMAN CONINE: Why are we putting July
7? I mean, what if it falls on Saturday, Sunday,
whatever?

CHAIRMAN ANDERSON: This is only a one-year
contract.

VICE CHAIRMAN CONINE: Oh.

CHAIRMAN ANDERSON: That is the date that we
have already said, in this board, we're going to have a
public hearing -- I would like it to read public hearing,
not workshop, that's part of my amendment, too. Since we
haven't heard back from Chairman Jeter, then the language
that we send back over to ORCA, I'm proposing the
amendment to make it clear what our intent is.

MR. WITTMAYER: Could we strike the designees
since we're going to actually do it on July 7?

VICE CHAIRMAN CONINE: No.

MAYOR SALINAS: No.
MR. WITTMEYER: Okay.

VICE CHAIRMAN CONINE: It is not an acceptable amendment --

CHAIRMAN ANDERSON: It's not your call.

VICE CHAIRMAN CONINE: -- to the maker of that motion.

MR. WITTMEYER: Message received, sir.

CHAIRMAN ANDERSON: My amendment?

VICE CHAIRMAN CONINE: He did not read the and/or designees phrase in his statement.

CHAIRMAN ANDERSON: No, he did not. We have an amendment. I guess we should vote on that amendment before we amend it again.

VICE CHAIRMAN CONINE: Correct.

CHAIRMAN ANDERSON: Okay. I'm sorry.

VICE CHAIRMAN CONINE: No, you're doing good.

CHAIRMAN ANDERSON: We are now voting on the amendment to add the language, "the TDHCA board and/or its designees." That is the language we're voting on. The motion has been made and seconded. Is there any discussion?

(No response.)

CHAIRMAN ANDERSON: All in favor of the amendment, say, Aye.
(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Okay. The amendment has now been adopted and made part of the made motion.

VICE CHAIRMAN CONINE: Move the amended agreement --

MR. BOGANY: Second.

VICE CHAIRMAN CONINE: -- with ORCA, the killer whale.

MR. WITTMAYER: Including the recommendation made by the board's chair of July 7 and public hearing?

VICE CHAIRMAN CONINE: Yes, to include your statements.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Okay. All in favor?

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Okay. The motion carries.

We've got it clear on what needs to go into the document that goes back to ORCA?

VICE CHAIRMAN CONINE: Now, I'd like to make another motion, if I might?
CHAIRMAN ANDERSON: Yes, sir.

VICE CHAIRMAN CONINE: I'd like to move that the board chair have the authority to designate either the entire board or a subgroup of this board for that July 7 meeting.

MR. BOGANY: So moved; second.

CHAIRMAN ANDERSON: Discussion or questions?

(No response.)

CHAIRMAN ANDERSON: All in favor of the motion?

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries. Are there any other motions?

VICE CHAIRMAN CONINE: Not on that subject.

MR. BOGANY: To adjourn.

CHAIRMAN ANDERSON: Sir?

MR. WITTMAYER: As a last item, I didn't know if the board wanted to take up the internal auditor's performance evaluation. You have that --

VICE CHAIRMAN CONINE: I think we did that.

CHAIRMAN ANDERSON: You were out of the room.

MR. WITTMAYER: Okay. Thank you.

VICE CHAIRMAN CONINE: Ms. Carrington, Mr.
Bogany mentioned something earlier today that might merit some further discussion while we're here. That's the structure of the TEFRA hearing, the exact structure and the way the things are led and facilitated. Can you just enlighten us if there are any programs, or policies, or rules in existence, in place that are in existence today that either we need to take a look at in the future? Is that something that would be an internal discussion that the department could take care of?

MS. CARRINGTON: There's no federal kind of policies and procedures, other than the federal law requires you to have the TEFRA hearing, Tax Equity and Fiscal Responsibility Act hearing. So we do that. The issuer is the one that's responsible for doing that.

We have made some changes based on some comments that the board has had, probably over the last year or so, in that what you look at a transcript of a hearing, what you'll see first is that there's more of a general discussion before staff calls the hearing to order and says, Okay, now we're going to call it to order as such and such a time and here are the witness affirmations form I have.

That's been in an effort to give the developer an opportunity to get in front of the citizens and show
drawings. Some of them do show drawings. They bring renderings. In some of our hearings, that's turned out to be the most of the conversation. And then when staff actually calls it to order, there's not very many people who actually come up and testify.

I can't say that it's worked out as well as we would have liked it to. Some of the developers will come early and have their renderings out there. So I think we are certainly open to any suggestions that the board might have. We've sort of struggled with the format.

I mean, you have to have it. We have a court reporter. People are going to be on the record. What happens sort of around that is certainly something that we think could be improved.

VICE CHAIRMAN CONINE: Does it fall within the, I guess, the public open meetings act, or whatever, where we produce an agenda, let's say for the TEFRA hearing, seven days in advance and have that agenda be somewhat more structured than what we're currently doing today? Is that possible? Do you want a chance to look into it?

MR. WITTMAYER: I believe it's possible, but we'll confirm that it is and look at having a set agenda that meets all the federal requirements plus additional items to make it more user-friendly and function better as
an opportunity to engage the community.

VICE CHAIRMAN CONINE: Well, let's get some comments back from the three public hearings on our multifamily rurals, I think, that are going out to the three cities, on some structure of that TEFRA hearing. I think that would be some good feedback to get from the development community as well as the interested citizens.

CHAIRMAN ANDERSON: Could we use, you know, some E-mailing list we have, or something? I question how much you want to encourage public comment, but I don't want to discourage it either. Is there some way the department can publicize it that not only are we having these public hearings, but we're interested in all kinds of comments, up to and including comments on how to improve the TEFRA hearing process, just so they know we're looking for that?

MR. BOGANY: I think once you have it, and then you send it out to the neighborhood leader, just as you send the notice out, when they come in, they'll know how it's going to be run, so it doesn't, in my opinion, get out of hand. This is the way it's going to be done.

I would encourage that working group that you had before, you know, when we were working on QAP, maybe invite them back in and throw this out to them. How do
you think that it should be run? Get some give and take from that private-public sector, the people here on staff who are there, who actually go there and see how it's coming out, and then throw it out on some suggestions, and then come back to us with some sort of plan.

MS. CARRINGTON: I think we thought that the TEFRA hearing for Pinnacle was a kind of controversial public hearing. We've had one that's been worse since then. Ironically, the name of it is Tranquility Bay, but it was, staff tells me, the worst public hearing that they've ever been to.

MAYOR SALINAS: How many people were there?

MS. CARRINGTON: I don't know because I haven't seen the transcript yet, Mayor.

VOICE: Where was that?

MS. CARRINGTON: It was in Houston.

MAYOR SALINAS: Public hearings are to define the objection to projects and listen to people, you know. Where we're getting where we have a public hearing and you have 200 people there, and 198 are opposed to what we're doing, and two are in favor, and then we come here and approve the project, so what's the need for a public hearing? The people that were opposed were not actually listened to.
You know, public hearings are supposed to be for us to hear the public and how they feel about what we're doing in their area. You know, I voted for this project in Houston today. I mean, I saw that there were 212 people and there were only two people in favor. I mean, in Katy, there were 2,000 people, nobody in favor, but here today, we had --

MR. BOGANY: Well, but --

MAYOR SALINAS: Well, let me get it out. Public hearings, and I go through that all the time, so I know, if we are going to have public hearings, then we are going to have 100 percent of the people against the project, and then we come here and we don't take that into consideration, so are we just doing it to abide by what they're telling us to do? Or why are we doing it?

MR. BOGANY: I'd like to respond to that. I think the public hearing is for us to take part and take in recommendation of what the public says, but I also think I have to use my own brain. When I read through a public hearing, I hear lies, and innuendos, and things that are not true, and people making emotional statements based on what some neighbors told them, or something that has happened, or how they grew up in a public housing format.
You know, I've got to make a decision based on facts and not fiction. I think unfortunately when we're doing this, the fiction is so much out there. You know, we get these little white signs that we set up in the neighborhoods, that says, public housing, look, small writing. Automatically, I know there's a public housing project coming up. Why don't the little signs have a picture of a family or a policeman or a fireman sitting in these? I just think the way we do it is not from a marketing side. It's from, I hope they don't read the writing. It's real tiny.

I personally believe -- when I read through these comments, I didn't see one comment that was justified. It's all based on people with emotion and not having any idea. You know, when you look at these projects -- I take Katy, for example, right down the street from the one we voted against, they're putting in an apartment complex right there. I don't see anybody protesting. I don't see anybody walking out, not saying it's too many, but they're building right there.

So how does the public sector have that ability to do that and we can't put a nice housing project close to the school, where this project, you have no sidewalks, you've got to go a ways to the school? I'm just --
MAYOR SALINAS: I can understand you because you have a big problem in Houston. We do not have the problems, you know, we have a way of taking care of those problems. My problem with these public hearings is that we have to listen to everybody in Houston where other elected officials that are there are not even listening to people. You know, those county commissioners, those city councilmen, and everybody that looks to Houston should take care of this problem --

MR. BOGANY: Right.

MAYOR SALINAS: -- but we hear it here and I'm very opposed to that. We have to take care of your zoning area in Houston.

MR. BOGANY: Well --

MAYOR SALINAS: I'll tell you one thing. Everybody here in Austin goes through a process, a public hearing. If those elected officials do not follow the public hearing, they get voted out, you know, because we have a process. The only time I think that we have this kind of public hearings with problems is the city of Houston. I mean, anybody can go ahead and say, Well, 212 people went to the public hearing and there were only two people in favor, but when we went ahead and approved it anyway --
CHAIRMAN ANDERSON: My opinion is I did consider that public comment.

MAYOR SALINAS: Okay.

CHAIRMAN ANDERSON: I read that. I think Shad did. You're hearing his words that he did, too. I think that this board has demonstrated time and time again that we do hear the public comments, whether it's in the transcript or from people that -- I mean, I'm really proud, and think the department ought to be proud, of all the time we give to public comment, and the investment in time that we take to read it.

MAYOR SALINAS: All right. So --

CHAIRMAN ANDERSON: So it doesn't mean that we vote the way the preponderance of the people at any given public hearing express their preference; it doesn't mean that we vote that way, but we consider it. That's what our obligation is to do --

MAYOR SALINAS: I understand.

CHAIRMAN ANDERSON: -- I think, on the public hearing, is to consider it.

MAYOR SALINAS: I understand, but when they come here -- we had a public meeting from San Antonio the last time. They go ahead and call the mayor a bunch of names and everybody on the council and everybody and their
friend. Well, we had a recommendation from the city and
the planning and zoning, and it was so easy for us to go
ahead, and tell them no, we are going to go with the
recommendation of those elected officials that made the
decision for us.

Here, it's so difficult for us, in Houston.
Those elected officials in Houston are not taking any of
the B.S.

CHAIRMAN ANDERSON: The citizens have no other
recourse.

MAYOR SALINAS: They have no other recourse.

CHAIRMAN ANDERSON: Yes.

MAYOR SALINAS: So that's like --

MR. BOGANY: Madam Chairman, can I make a
comment?

CHAIRMAN ANDERSON: Sure.

MR. BOGANY: Let's take the two projects that
we just voted on today. One was in the middle of an
industrial park, office buildings around it. Whoever goes
to school there is going to have to walk a ways. There
are no sidewalks, no comment.

If you look at the public comment, anything
close to a neighborhood, we get public comment on. If
it's out somewhere in the field, if it's out somewhere
around industrial, people don't care. It's only because they know that it's near our neighborhood and the thought process is that it's going to bring my property value down. That's probably the number one issue with most of these people.

There are no facts out there that I have seen yet -- and I have seen several studies -- and I don't see why at these TEFRA hearings we don't talk about those studies, and start off the meeting. I believe you give your point, then let the public giving it. You can defuse a lot of anger by first coming and marketing it right. That's the thing.

The developers owe it to us to do their part. I don't think they really do their part to do this. I listened to one today talk about, you know, he took E-mails and he didn't really look at it. If I was a resident, I would have been upset with that, because I felt like I didn't get a fair shake from him. I just think, at some point, we need to tell these developers, you have to do this. You can't rely on us to be your police and be the righteousness, the conscience, of the community. You have to do that.

It's very frustrating to me because these people really, really don't know. I look at every project
that we've had public opposition on and it's because it's near a neighborhood, every one of them. They all say the same thing. It bothers me.

Why can't we, when we do TEFRA hearings, start off saying, How many homeowners in here? Everybody raise their hand. Do you believe that all of you guys own subsidized housing? You know, why not bring that point to them? We never think about it. I just think it's a marketing side, that we need to spend time with a marketing person to help push this issue out.

If you look at all the opposition, everything is near a neighborhood. If it's not near a neighborhood, it's a problem. We just did one in Katy. Nobody said anything about it in Katy. It was out in a field, off of 99. If you look at it, it's out there all by its lonesome. Nobody said a word, but when you go down the street, near a school, where in my opinion, it should be, everybody's complaining. I just think we really need to look at that in the development.

The last point I'd like to make is we forget these people vote, too. It's some thought that these people do not vote and they do vote. I made a comment when I lived down in Rosenberg. I said, Why don't you all have the voting polls at these projects?
You could get the community to come in, see how
nice it is. You get the people in the area to come in and
vote, the people that live in the apartments. Then you
have a situation where then the representatives say, Oh,
they vote, too. Why not have the polling places at these
nice clubhouses we're putting in, you know? Let them see
what's going on in these complexes.

I expect that these developers -- these people
do vote and they seem to believe that they don't vote.
Most of the people that come up here don't even think they
work. Most of them -- you know, I read the stuff on
Pinnacle and I'm, like, why would I want to live in that
neighborhood? They have no medical facilities. They have
no sidewalks. Why would I want to live there myself? Why
would I want to go sell a house over there? There's
nothing going on over there, but it's not that that's
right.

I think it's all built on emotion. I think
it's up to the development community, TSAHC, to diffuse
this. It's not our job to do this. I think it's up to
them, because they are the end result. They make the
money, not us. I just would like to see this group come
together because it's all thrown up on us.

Everybody's getting mad at Patrick. I mean, I
read the stuff in El Paso. I mean, come on. The biggest place we need affordable housing is El Paso, but it's all thrown back at him because everybody expects us. I think it's up to TSAHC and the development community to make those decisions. These people vote and we seem to think they don't.

To me, as I told the developer at Reading on the Park, why don't you get a polling place? You call the Democratic Party. You call the Republican Party. I said, Why don't you have a polling place right here in this clubhouse that has computers and everything here. You know --

MAYOR SALINAS: The incumbents that are there do not want to make them accessible to vote because they are the incumbents.

MR. BOGANY: I'm just saying, it's a thought.

MAYOR SALINAS: You know, I would tell you, I would keep them away. I would keep the polling place away.

CHAIRMAN ANDERSON: I think Mr. Bogany raises a lot of excellent points, some of which have been the content of discussion in the past. I would, I think on behalf of the board, urge your creativity as you go into this public comment period on the multifamily bond rules.
As these public hearings are scheduled, try to find a way to do some outreach in the development community and among, as Mr. Bogany suggested, the community, the people that have been part of the public input committees, and so forth.

Let's try to really sort of drum up some comments that give us some insight. There are people, Mr. Jack, for example, in the audience today, who have a point of view that would probably be very helpful to us. So let's try to encourage our constituencies to use this public comment period to bring us some creative solutions to address this problem. Is that fair?

(No response.)

CHAIRMAN ANDERSON: Is there any other business to come before the board?

VICE CHAIRMAN CONINE: I'm sorry I brought that up. At one of the next board meetings, for one of the next couple of months, could someone -- because I'm a tad confused on how many meetings we're having and when?

MS. CARRINGTON: Two June and two July.

There's an early June, a late June, an early July, and a late July.

VICE CHAIRMAN CONINE: So we've got two in each of the months?
MS. CARRINGTON: Two in each of the months, yes.

VICE CHAIRMAN CONINE: Okay.

MS. GRONECK: I had a June 10. I believe that's a correct date.

MR. BOGANY: June 10?

MS. GRONECK: I believe it's June 10.

MS. CARRINGTON: Well, let's don't go with believes.

CHAIRMAN ANDERSON: I tell you what. Can we please, today, send out, Ms. Groneck, or tomorrow morning, an E-mail with the dates as of today and asking all the board members to respond immediately if they have conflicts? Ask those board members, then, to propose alternate dates. There are a couple of these meetings that have to be 30 days apart.

And then I would just ask each of the board members to double check. You know, these are very important meetings the next couple months. Please double check your calendars, make sure you don't have a conflict. If you do, we'll all work together to resolve any conflicts so we can get this locked down very quickly.

VICE CHAIRMAN CONINE: We just added one today, too, with this ORCA thing.
CHAIRMAN ANDERSON: No, it was already there. It's a public hearing that was already on the calendar for July 7. Is that the right date?

MS. CARRINGTON: Yes.

VICE CHAIRMAN CONINE: I guess my point is, unless you designate otherwise, the full board is expected to be there, now, based on --

CHAIRMAN ANDERSON: It's a public hearing. There will be no business done by the board at the meeting. It is truly, if I understand correctly, a public hearing to hear public comment on the proposed 2005 QAP before a draft rule is developed and published.

MS. CARRINGTON: I would imagine what you will be hearing will be many of the reports or positions out of the QAP working group.

CHAIRMAN ANDERSON: So it is a public hearing. It is not -- but it happens to be the day before the July 8 board meeting, which we have to have because we have some 4 percent deals.

VICE CHAIRMAN CONINE: Well, let me just ask a question then.

CHAIRMAN ANDERSON: Okay.

VICE CHAIRMAN CONINE: If we're signing an agreement with another state agency, that the TDHCA board
will be there, and we're not calling it a board meeting, are we in default of that agreement if we don't call a board meeting?

CHAIRMAN ANDERSON: No, we're calling it a public hearing, not even a --

VICE CHAIRMAN CONINE: I know what you're calling it, but my question is related to the document that we're now getting ready to sign.

CHAIRMAN ANDERSON: Well, we've just amended the contract language in the document. So now, they haven't signed the version we're willing to sign. I mean, I hear your point.

VICE CHAIRMAN CONINE: It still doesn't answer my question.

CHAIRMAN ANDERSON: Well, I think the way --

VICE CHAIRMAN CONINE: Would we be in default of that document, if both parties signed it, if we leave it as a public hearing and none of the TDHCA board members show up on July 7?

MAYOR SALINAS: Well, she's going to assign somebody to come.

CHAIRMAN ANDERSON: I think if it's a public hearing.

VICE CHAIRMAN CONINE: Well, we gave her that
authority and she hasn't exercised that authority yet.

    MR. WITTMAYER:  As I was saying, the way you
amended the contract, it would include the board designee,
the board or a designee.

    VICE CHAIRMAN CONINE:  Okay.  So I guess my
point is, she needs to do that.

    CHAIRMAN ANDERSON:  We could send you, yes.

    VICE CHAIRMAN CONINE:  She needs to do that.

If she doesn't, if she chooses not to do it, then my point
is, contractually, the TDHCA board is supposed to show up.

    MR. WITTMAYER:  If she doesn't designate.

    VICE CHAIRMAN CONINE:  If she doesn't do
something.  So what I'm trying to do is not get in a
catch-22 here with the contract versus what is being
called a public hearing and none of us show up.

    CHAIRMAN ANDERSON:  I think, we were asked --
this is, you know, one more meeting on the calendar.  We
were asked this year, by members of the development
community, to provide a time prior to the publication of
the draft rule, for the board to hear directly comments
from members of the QAP working group or others in our
industry, their comments about the QAP before a draft rule
is published.  And so adding this public hearing was an
effort to honor that request.
It's certainly, absolutely, totally, my intent, and plan, and decision, that I will certainly be there for that public hearing. So we will not be -- I mean, unless I'm in the hospital or something, we will not be in a position where there is no board representation at that public hearing.

MS. CARRINGTON: Might I ask about the board meeting on July 8 and what we're going to have on that agenda? Is it possible that our public hearing could be in the morning of July 8 and then have the board meeting in the afternoon? It would be a very long day, but that might be preferable.

CHAIRMAN ANDERSON: The board members still could choose whether or not -- I mean, at what time they arrive. I mean, it's still a public hearing. Would anybody object to that as an alternate approach?

VICE CHAIRMAN CONINE: No.

CHAIRMAN ANDERSON: It doesn't change the fact that the morning session is a public hearing, not a board meeting. There's no business transacted at a public hearing.

MAYOR SALINAS: We could do it in the afternoon. Do we have to act on anything?

CHAIRMAN ANDERSON: Well, that is the other
alternative. We could do the board meeting in the morning and the public hearing in the afternoon. I don't know how long we've had that July 7 date publicized and if that's going to create problems in the development community.

MS. BOSTON: Since I was still waiting to get confirmation that that was acceptable to the board, we have not rereleased the timeline with a firm date yet. So we haven't, it would still work out.

MS. CARRINGTON: The agenda for that board meeting, Brooke, is?

MS. BOSTON: Mostly going to be, I would imagine, on the multifamily component, at least, it's primarily going to be appeals --

MS. CARRINGTON: Appeals.

MS. BOSTON: -- and some bond deals, probably.

VICE CHAIRMAN CONINE: I guess my point was, Madam Chairman, was just please appoint somebody. If you don't, my fear is that we'll be in default of the contractual obligation.

CHAIRMAN ANDERSON: All right.

MAYOR SALINAS: I'll be here on the 7th if you need me.

CHAIRMAN ANDERSON: Duly noted. Now, I'd like to get a sense of the board about the suggestion that Ms.
Carrington made, about instead of doing it over two
different days, having the public hearing on the morning
of the 8 and the board meeting on the afternoon, or having
the board meeting of the 8 and the public hearing in the
afternoon. Does that work?

VICE CHAIRMAN CONINE: That works.

CHAIRMAN ANDERSON: That's the sequence?

VICE CHAIRMAN CONINE: Yes.

MS. CARRINGTON: Which means, of course, that
you would need to change the date, which, of course, you
could.

MR. WITTMAYER: You've approved an agreement
for July 7 with ORCA.

MR. BOGANY: Let me ask you a question.

VICE CHAIRMAN CONINE: We could reconsider.

MR. BOGANY: What's the problem with it the way
it's already set up now? You're going to be there. If
you're not going to be there, you're going to assign Mr.
Conine to be there. Right?

VICE CHAIRMAN CONINE: No, I'm not going to be
there.

CHAIRMAN ANDERSON: It does take less of the
other board members time. If you wanted to come to the
public hearing, then it doesn't stretch you over two days
like we did this month. You could fly in and fly out in one day.

MR. BOGANY: I don't see anything wrong with the way we've got it set up. You're going to designate. If you can't make it, you're going to designate one of us to go. And then the next day we have a board meeting.

MS. CARRINGTON: I would like to encourage as many of the board members as possible. I'd like to set a schedule that would facilitate as many of the board members being at the public hearing as possible. One of the things that staff has heard is that the board does not have an opportunity to hear all of the varying interests, discussions, recommendations, that what you all see is staff's interpretation of what the QAP ought to look like in the draft QAP.

Now, we provide that very good, I think, reasoned response, that says, These groups have this comment, but we have heard, over the last several months, that the development and, I think, the legislative community is really very interested in knowing, in having some assurance, that the board has had an opportunity to hear from all of these various groups as we grapple with drafting a QAP.

So I would like for you all to set a schedule
that facilitates as many of you being there as possible. It is very important to this department. It's very important. We really, really need to do this well.

MR. BOGANY: I don't mind being there, at this point, but I have to check my schedule for July 7. My thought is that I don't mind being there, Beth, and being there, but once I check my schedule to make sure, but to come up and stretch is for two days --

CHAIRMAN ANDERSON: It's hard.

MR. BOGANY: -- it's hard, you know. To be here today, to be here all day, an then to have to go back and work is very difficult.

CHAIRMAN ANDERSON: Mr. Wittmayer, do we have an option, that is consistent with open meetings, where we can, even though we've handled that agenda item, make a motion that maybe it's as simple as saying July 7 or July 8, or changing it to July 8? Do we have that option while we're still in session here?

MR. WITTMAYER: I think you need to reconsider that agenda item and substitute on or about July 7 or 8.

VICE CHAIRMAN CONINE: Move to reconsider.

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Discussion or questions?

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

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Motion carries.

VICE CHAIRMAN CONINE: Can we amend the ORCA document to say on or about July 7 or 8?

CHAIRMAN ANDERSON: That's what you did.

VICE CHAIRMAN CONINE: All we did is a motion.

MR. WITTMAYER: Yes.

CHAIRMAN ANDERSON: Oh, we just moved to reconsider. Now, we have to change the document.

VICE CHAIRMAN CONINE: Yes, you do.

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

MS. CARRINGTON: I'm already there, too.

CHAIRMAN ANDERSON: I'd be lost without you.

VICE CHAIRMAN CONINE: It's Robert's Rules. I'm going to keep you in between the mailboxes.

CHAIRMAN ANDERSON: Did someone second that?

MR. BOGANY: Second.

CHAIRMAN ANDERSON: Any discussion or
questions?

(No response.)

CHAIRMAN ANDERSON: Does everybody understand what we're voting on?

(No response.)

CHAIRMAN ANDERSON: All in favor, say, Aye.

(A chorus of ayes.)

CHAIRMAN ANDERSON: Opposed, no.

(No response.)

CHAIRMAN ANDERSON: Thank you. The motion carries.

MR. BOGANY: I have one question. On this public hearing, how many hours is this? It could be, if we listen to everybody, we could be there all day.

VICE CHAIRMAN CONINE: Two minutes.

MS. CARRINGTON: I think we probably envision about a four hour public hearing. Certainly, we can limit time.

VOICE: Four hours?

MAYOR SALINAS: So the meeting would be on the --

MS. CARRINGTON: Well, the QAP working group met on Tuesday of this week. They started at 10:00, and they finished at 5:30, and they resolved not a whole lot.
MR. BOGANY: Well, that's my whole point.

MS. CARRINGTON: The whole point, Mr. Bogany, is we're listening and we're providing the opportunity.

CHAIRMAN ANDERSON: I would love to have staff's -- as we think ahead to that meeting, how to structure that meeting beyond just limiting time. Does it make sense -- now, I know it's a public hearing, but does it make sense to take comments in some order, you know, by QAP section or something? If you all would think through it, you don't have to tell us now, but just think through how we might do that. So if you think about the board that doesn't hear these issues all the time, what's the way to present it to us so that we hear everything related to signage at the same time, or everything related to the --

MS. CARRINGTON: We can put that on the witness affirmation form.

CHAIRMAN ANDERSON: And then we can shuffle them.

MS. CARRINGTON: You know, do you want to talk about threshold? Do you want to talk about scoring? Do you want to talk signage?

Mr. Lyttle will be communicating with each of you to see how many of you can come back to town on May
MR. BOGANY: May when?

MS. CARRINGTON: May 20, for the Urban Affairs Committee meeting.

MR. BOGANY: Oh, they want us all there, too?

MS. CARRINGTON: Well, there was a comment at last session about wanting to see more of you all's smiling faces. Ms. Anderson attended.

CHAIRMAN ANDERSON: Part.

MS. CARRINGTON: We would like to see more of you.

CHAIRMAN ANDERSON: Mr. Conine, particularly, as the vice chairman, I am going to be out of the continental, lower 48 on the 20th.

MS. CARRINGTON: And HUD's coming to town that day, Mr. Conine.

VICE CHAIRMAN CONINE: Can I go with you?

MS. GRONECK: The mayor is part of our 20th meeting.

CHAIRMAN ANDERSON: Good.

VICE CHAIRMAN CONINE: June 20?

MS. CARRINGTON: May.

VICE CHAIRMAN CONINE: The Urban Affairs Committee in Austin?
MS. CARRINGTON: Yes.

CHAIRMAN ANDERSON: Okay. Is there any other business to come before this board?

(No response.)

CHAIRMAN ANDERSON: Hearing none, I'll entertain a motion to adjourn.

MR. GONZALEZ: Motion to adjourn.

CHAIRMAN ANDERSON: We're adjourned. Thank you all very much.

(Whereupon, at 1:30 p.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: May 13, 2004

I do hereby certify that the foregoing pages, numbers 1 through 207, 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.

5/24/2004
(Transcriber) (Date)

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