TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
BOARD MEETING

8:30 a.m.
Wednesday,
July 27, 2005
State Capitol Extension Auditorium
1100 Congress
Austin, Texas

BOARD MEMBERS:
BETH ANDERSON, CHAIR
KENT CONINE, VICE CHAIR
SHADRICK BOGAN
VIDAL GONZALEZ
NORBERTO SALINAS

STAFF PRESENT:
EDWINA CARRINGTON, EXECUTIVE DIRECTOR
BROOKE BOSTON
TOM GOURIS
JENN JOYCE
PROCEDINGS

MS. ANDERSON: Good morning. May I call to order the July 27 meeting of the Texas Department of Housing and Community Affairs governing board. The first item is to call the roll. Vice Chairman Conine.

Mr. Bogany.

MR. BOGAN Y: Here.

MS. ANDERSON: Mr. Gonzalez.

MR. GONZALEZ: Here.

MS. ANDERSON: Mr. Gordon.

Mayor Salinas.

MR. SALINAS: Here.

MS. ANDERSON: We have four members present. We do have a quorum. It's my understanding that there's some delays in flights out of Love Field this morning. American Airlines is trying to get involved in that somehow. So Mr. Conine will be with us shortly.

As is our comment. We welcome public comment. As a matter of fact I want to welcome all of you all that are here with us today for what is traditionally our best attended meeting for the year for some unknown reason. And so we welcome public comment at the Department.

So we take as our practice public comment both at the beginning of the meeting, or if the witness

ON THE RECORD REPORTING
(512) 450-0342
prefers, at the agenda item after the staff has made its
presentations to the Board. So we'll begin this morning
with public comment. And the witness affirmation form I
have is from Representative Herrero.

REPRESENTATIVE HERRERO: Good morning. I'm
Abel Herrero, State Representative of District 34, which
encompasses Nueces County, Corpus Christi and Robstown.
I'm sure that you know that that's in Region 10. I'm
obviously here asking for the favorable recommendation and
approval of two projects that are pending before your
review.

Those are the Figueroa Apartments in Robstown,
reference number, project number 05024 and Navigation
Point in Corpus Christi, project number 05127. I'm here
to speak because of the great housing need that exists in
this region, specifically in Robstown and in Corpus
Christi and in the district that I represent.

Previous to me being a state representative, I
was a city council member. So I know about the housing
needs in the City of Robstown. Since becoming state
representative I've met with several individuals in the
Corpus Christi region and became aware of the housing need
that exists there as well.

So the lack of housing, the lack of affordable
housing, the lack of projects being used to develop are needed in this area. And that's why I find it extremely important for me to be here to ask for your favorable recommendation on these two projects. And I urge you to please approve them.

MS. ANDERSON: Any questions?

(No response.)

MS. ANDERSON: Thank you, sir.

REPRESENTATIVE HERRERO: Thank you. Let me just add -- in the full amount, please, as requested.

MS. ANDERSON: You're well prepared this morning. Thank you, sir.

REPRESENTATIVE HERRERO: Thank you.

MS. ANDERSON: Representative Martinez.

REPRESENTATIVE MARTINEZ: Good morning, Madam Chair, members. It really is a pleasure to stand before you today. I am here in reference to project number 05094, the San Juan Village Apartments project. And I am in full support of this project.

Being a member of the Appropriations Committee, I know how important it is to secure the funding for our area, the under-deserved area in the Rio Grande Valley, being that -- and I have mentioned before -- that I rank number two in my district in the poverty level.
And it's very, very important that we do allocate these funds for this area -- being that the poverty level is so high -- that we can bring them this much needed housing for the area. With that in mind I ask you to please allocate this funding for fulfilling a new home for people down in our area.

And yes, I believe, 05241 is a project number that I was just given. But I request your full support on this issue and hope that we can have the full funding, as my colleague also mentioned. Thank you very much and have a great day.

MS. ANDERSON: Thank you, sir. Any questions?

(No response.)

MS. ANDERSON: Thank you for your testimony.

I want to extend a special thanks to Senator Frank Madla, who arranged for our use of this wonderful auditorium this morning. He's also, as Chairman of the Senate Intergovernmental Relations Committee, someone that we work with closely. We appreciate his courtesy this morning in arranging the use of this room. Mr. Vaughn Zimmerman.

MR. ZIMMERMAN: Vaughn Zimmerman from Springfield, Missouri. And I yield my time to Paul Holden.
MR. HOLDEN: Good morning. My name is Paul Holden. I'm with Wilhoit Properties, and I'm here in Austin, Texas. I'm here to talk about 05184, the Hampton Place Apartments in Palestine. The thing that I wanted to bring to the Board's attention is that currently within Region 4, after the recommendations were made, there are 526,918 credits remaining unused within that region.

We're requesting something slighter over that. Within the City of Palestine the mayor, city council and city manager have all been very supportive of our project, simply because they continue to tell me that the number of three-bedroom units available is that city is at a deficit.

And they continue to say, Paul, we need more housing, particularly three bedrooms. And we'd love to see this project go. There's a short gap between you have left available in Region 4 to allocation and what we have requested. We would consider taking a reduction in credits, if necessary, if that will help the Board.

But I think it's very important in the City of Palestine to consider this project simply because their housing needs there. They haven’t had a project awarded in Palestine in quite a number of years. I would like for the staff and the Board to consider either a commitment
this year or a forward commitment for the Hampton Chase
Apartments in Palestine, Texas. Thank you very much.

MS. ANDERSON: Thank you, sir. Mr. R.J. Collins.

MR. COLLINS: Madam Chairman, members of the
Board. I'm glad to be here to speak today. My name is
R.J. Collins. I'm the president of Tejas Housing, reside
at 8455 Linden Lane here in Austin, Texas. I rise to
speak on TDHCA 05176, which is in Region 6. The name of
the development is The Villages.

There are two issues that I'd like to bring to
the Board. Number one -- Huntsville exceeds 20,000
people, but it's classified as a rural. I would like to
point out that a couple of allocations in the non-rural
area had a lower score than we did. I would like your
consideration on that issue.

Also as it relates to the rural, if you look at
that region all of the funds that were allocated to that
region for rural is being used by either USDA or at-risk
developments. And it's awful hard for a new
development to compete when all the funds is going to that
set-aside. I'd like that to be taken into consideration.

Huntsville -- this is the second year we've put
this development in. The same thing happened to us last
year that's happening this year on the recommendations. We really feel like -- and I spoke to this in a public meeting in comments for the 2006 QAP -- that there needs to be some kind of change on the acquisition.

We have set-asides taking up all the funds and the small regions with minimum allocations, especially in the rural areas. My last request is -- please consider this development for an allocation for a forward commitment for 2006 if possible.

Huntsville really needs the housing. I have full support from city council. Matter of fact, if were to review all the city council's agendas, this is the only item on the agenda that you get 100 percent support out of the council members. And I appreciate the consideration. Thank you.

MS. ANDERSON: Thank you. Senator West.

SENATOR WEST: Madame Chairman, members of the Board. Excuse me for my entire, but we're working on public school finance today. I come to this Board this morning to express opposition to project number 05613. My opposition to this project, Providence at Mockingbird, which is seeking tax credits as well as bond amounts.

The proposed development is at the intersection of Harry Hines Boulevard, Mockingbird Lane in the 23rd...
Senatorial District. The development includes about 251 units, of which 115 are designated for seniors, and the remaining 96 marketed to families.

According to the executive director, whom I have a great deal of respect and admiration for and work very closely with concerning housing in the state, this development is the first in the State of Texas to request financing from the Texas Department of Housing and Community Affairs that incorporates both designated seniors and family units in the same development.

When this project was first brought to me attention by the developer, it was designated as a senior housing development on the site of an existing hotel. I enthusiastically supported the use of that particular site for seniors only.

The reason that I did that was because of its accessibility to the hospital district and, needless to say, the transportation that was there. That would have accommodated the senior living there and provided them accessibility to the much-needed medical facilities that oftentimes seniors need in the twilight of their life.

After my initial support of the project it was changed. The developer at that point wanted to change it to seniors and also that of market. I expressed my
concern to the developer then. I express my concern to this Board now.

Given the vulnerabilities of seniors to crime -- and I don't think it takes a rocket scientist to understand -- that seniors are the most vulnerable to crime than any other segment -- save and except children -- in our society to different types of petty offenses, burglaries, robberies, et cetera, et cetera.

Not saying that would in fact happen at that development, but I just don't believe that it's good public policy to begin a process of developing "mixed use" developments of that nature that are basically untested and basically untried experimental housing developments. And for that reason I oppose the development.

I oppose the development if it's going to be a mixed use. If it's going to be seniors only, then we should in fact provide credits for it. It would have my full support. I would not support it if it decided to be just a market development.

And the reason I wouldn't is because in my mind, when I travel the northeast -- and many of you obviously have a great deal knowledge, more that I, as relates to housing. It's a hotel. If it ended up being just a market-driven, we would have a vertical project
that we're developing there, similar to what we see in many northeastern cities that they're trying to get away from, based on some of the latest information that I've received.

Members of this body, you have the authority to approve or disapprove this particular request. I've appeared before this Board -- not the current configuration -- once before in the 13 years that I've served as a state senator to oppose a project.

I didn't do it because it was an issue that I just didn't want to have it done. I did it because of a rational basis. And the same reason that I used then or the rationales that I used then, is the same rationale that I bring to this Board today.

It is not a development that should be -- we should use tax dollars or tax credits in order to support because it's untried. We're talking about a vulnerable population that's being mixed in with the market rates. So from that standpoint I would ask to seriously consider opposing the recommendation of staff.

I understand staff has different things they have to go by, try to take a lot of things out of the process. But the fact of the matter is that this is a development that I do not believe that should be funded as
the state senator of Senate District 23. I ask you not to fund the credits for project number 05613.

If you have any questions I'd be more than happy to answer.

MS. ANDERSON: I have a question for you, Senator.

SENATOR WEST: Yes.

MS. ANDERSON: Since you expressed your opposition has the developer attempted to meet with you, to understand your concerns and to look at what you suggested -- just doing the seniors part of the deal. Have you had communication with the developer?

SENATOR WEST: Let me give you the methodology that I use for all tax credits. When I get notice of tax credits, what I immediately do is to have a staff person to number one, meet with the developer, understand exactly when the development is, what the configuration is -- the architectural design, et cetera, et cetera -- and also to determine whether or not there's community support for the various projects.

One we do that, if I'm opposed to it at any particular stage, I will personally meet with the developer to explain what my opposition is. I met with the developer early on in the process, expressed support
for the use of it as a seniors-only development.

I subsequently met with the developer and expressed my opposition to it being used as a seniors and mixed-market development and gave him the rationale for my opposition. And it's the same today as it was when I met with him before -- that I opposed it because it's an untried, untested experiment that the developer's asking to be funded.

To answer your question, yes, I have met with him on numerous occasions and expressed my opposition to what he's attempting to do.

MS. ANDERSON: Thank you, sir.

SENATOR WEST: Are there any other questions?

MR. SALINAS: How about the public sector there?

SENATOR WEST: I'm sorry.

MR. SALINAS: How about the neighborhood? How do they feel?

SENATOR WEST: Well, you know, some of the community is in support of it, and some is in opposition to it. So I think it's kind of a mixed signal that we're receiving from the community. I know that this particular development was delayed on numerous occasions by the City of Dallas, specifically the city councilperson that
represents that particular area.

But ultimately I believe that it was approved by the City of Dallas.

MR. SALINAS: City of Dallas City Council approved it?

SENATOR WEST: I believe so.

MS. ANDERSON: Any other questions?

MR. SALINAS: What is the staff recommending on this project?

MS. ANDERSON: They're recommending approval. And it's down on our agenda, you know, that we'll begin to take up after public comment, that they are recommending approval.

MR. SALINAS: 05613?

SENATOR WEST: 05613. That's correct. It's my understanding that obviously there are certain objective criteria that the staff has to look at in terms of making its evaluation and recommendation.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Thank you, Senator.

SENATOR WEST: Thank you. I'll be in the building if you need me.

MS. DELEON: Good morning. My name is Sylvia DeLeon, and I'm representing the Brady Garden Neighborhood Association in San Antonio, Texas. Thank you for your time this morning. In May 2001 San Antonio Housing Authority Representatives Ramiro Maldonado and Frank Halso [phonetic] made a presentation of the San Antonio Housing Authority master plan to our Brady Garden Neighborhood Association.

The master plan included single-family units, demolition of dwellings to increase density and improve emergency services access and a green space with a walking trail. I'm going to be including in the packet their master plan.

SAHA has not followed their own master plan in the San Juan Housing project 05159. Instead of thinning out the units, more units have been added in Phase I and Phase II. According to the SAHA representatives that we have met with on July 7 and July 26, we were informed that the existing units, that are 240 with Phase I and II, will be 385 units will be built.

The higher density that is proposed will contribute to overcrowding and higher crime rates. The successful formula that SAHA did use in the past on the west end of South Zamora and Brady was to thin out the...
units from 100 units to 84 units and added play areas for the youth.

This brought the crime rate down in our neighborhood, according to our local safety police officers, and eased the traffic parking problems. Since the thinning out formula was at 84 percent to a lower density, we believe that that should be applied to the San Antonio Square project, and that only 120 units be approved, and not the proposed 143.

SAHA has built single-family housing in several areas around our neighborhood but not in our neighborhood. Pictures will be enclosed of those developments. Our neighborhood seems to be singled out to only include large number of multifamily units.

Local crime statistics show a high rise in crime due to the high density usage and overcrowding of the Las Villas de Merida Apartments about three blocks from the proposed San Juan Square project. Las Villas de Merida has been in operation for 15 months. The original intent was to also have mixed-income housing.

Yet when the fair market rents did not materialize, a very high percentage of low-income and Section 8 rents were used in reality. This resulted in contributing to higher rates of crime, suggest as
robberies, gang activities, assaults and other disturbances, according to local police records.

The most vulnerable will be the senior citizens at the Charles A. Gonzalez Senior Apartments right next to the San Juan project. And as a previous speaker said, when you mix the elderly with multifamily housing you will have problems.

The other thing is that right next to it is an elementary school, another vulnerable target. Therefore we are asking that we try to protect the senior citizens and elementary school students from the higher crime rates due to overcrowding and the misuse of sound urban-planning strategies.

We implore your help by not supporting San Juan Square Apartments at a level of 143 units, yet instead have 120 by utilizing a formula that has worked in the past. The people of the San Juan housing project and surrounding neighborhood deserve better treatment than a plan that contributes to overcrowding and crime.

Please help us to protect the elderly and the children in our neighborhood. Thank you for the opportunity to speak today and your review of this matter.

Sincerely, Sylvia DeLeon, secretary for the Brady Garden Neighborhood Association, on behalf of Oscar San Miguel,
president of the Brady Garden Neighborhood Association. I will be including the pictures also.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: I have a question, Ms. DeLeon. What are the boundaries of your neighborhood association relative to the development?

MS. DELEON: They're within our neighborhood association. Our neighborhood association encompasses the west end, the thinned out San Juan projects. And right across is the proposed.

MS. ANDERSON: Okay. And so we have a provision, when we're going through the application process called quantifiable community participation, where we ask neighborhood associations to comment. The records I have indicate that we didn't receive a letter of opposition from you during the scoring process.

MS. DELEON: Okay. At that time we were not made aware that this was going on. We did send out a letter.

MS. ANDERSON: Were you notified of the development?

MS. DELEON: We were notified. We were given paperwork that was very -- it was not quite was being
proposed -- until we met with the San Antonio Housing Authority and have voiced our concerns also. And we did send a formal letter in July to your committee.

MS. ANDERSON: Thank you. Robert Joy. I haven’t imposed a time limit today. I mean, I hate -- this is a big day. We want to hear you out. We don't have Delores back there working the buzzer. But I ask you to be mindful about the need to keep your comments relatively brief. Thank you.

MR. JOY: Good morning. I'm Robert Joy with the Encinas Group addressing 05241, San Juan Apartments, and actually a more global issue. When making the recommendations in prior years the staff has taken into consideration which subregions would have the highest over-allocation, if it were awarded an additional allocation, as well as the subregions that have the highest under-allocation percentage.

This year staff only took into consideration which subregions had the highest under-allocation. This method has resulted in subregions receiving allocations almost double their 2005 regional allocations.

MS. ANDERSON: Sir, can you tell me what region the development you're speaking about?

MR. JOY: Region 11:Urban.
MS. ANDERSON: Thank you.

MR. JOY: Subregion 7: Rural is being allocated 83.9 percent more in credits than the subregion allocation formula came out with. Region 1: Rural will receive 73.64 percent more. I provide you a schedule that sorts the subregions by an amount of over allocation if they had been awarded one more development.

Using this analysis there would have been four subregions awarded allocations that were not -- 3, 11 and 6: Urban, Exurban and 11, Rural. Five subregions would not have been awarded additional allocations under this formula. Both methods are valid methods of allocating additional funds.

While I would like to receive a 2005 allocation, I'm now requesting that you discard the recommendation staff. However we are requesting that you award forward commitment to the next development in each of the four subregions that were negatively impacted by the method used by the staff. Any questions?

MR. SALINAS: I think the state representative made a mistake here. He was recommending -- he came to speak to you -- it was about this project.

MR. JOY: Right. 05241. He misspoke. He was talking about San Juan Villas. He meant San Juan
Apartments. One other thing I would like to point out is Region 11 -- there were $660,000 left over in funds between rural/urban and urban/exurban that was taken out of that region.

Region 11 is one of the most needy regions in the entire state and can ill afford to have the funds transferred to other regions.

MR. SALINAS: Can you [indiscernible] steps staff recommended?

MS. ANDERSON: May we do that when we get to that agenda item. We're looking at the waiting list. These are the calculations that determine why they drew the lines where they drew them in each of the regions. I have questions for the staff at that point also.

MR. JOY: And I'll certainly be available if you have any questions for me at that point, too.

MS. ANDERSON: Thank you. Robert Davison.

MR. DAVISON: No comments.

MS. ANDERSON: Thank you. Demetrio Jimenez.

MR. JIMENEZ: Good morning, Board. I am Demetrio Jimenez. I'm addressing you today regarding Mission Palms, 05153. Mission Palms is a rural tax credit project located in San Elizario, Texas. San Elizario has one of the worst concentrations of colonias in El Paso
I ought to know. I helped identify them in my tenure at Texas Department of Housing and Community Affairs in the Office of Colonia Initiatives. As an employee of TDHCA I helped identify these colonias. I helped prioritize and act as a liaison between a lot of the nonprofit and community development organizations located in those areas.

San Elizario is a community full of subdivisions or was a community full of subdivisions without the basic infrastructure. Thanks to USDA, the EDAP program and TDHCA that problem has somewhat been rectified.

During my stay at TDHCA, like I said, I developed a lot of relationships with nonprofit. And every time I meet with them, anytime I have a conversation with them, they always ask me to develop affordable housing within these colonias.

So I made it my mission to do so, both in the nonprofit I ran, the Greater El Paso Housing Development Corporation, and now convincing my associate to build in San Elizario. Tropicana Building Corporation made a financial decision to buy land and develop in a much needed market.
To date there hasn't been any tax credit projects located in San Elizario, which is a much needed market. Many of the colonia households or generations living under one roof. Our development of only 76 units will provide some relief to these low-income families, providing a safe, sound and affordable home or apartment.

I implore you as soon as a board to put Mission Palms on the forward commitment list for 2006 allocations.

Thank you.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Bobby Bowling.

MR. BOWLING: Good morning, Madam Chair, members of the Board. I am addressing you today regarding Mission Palms, a rural tax credit development proposed for San Elizario in El Paso County. It's number 05153. San Elizario, as Mr. Jimenez just informed you, has never received a tax credit development before.

There's a tremendous need of new, safe and affordable housing. San Elizario is one of the largest concentrations of substandard or colonia housing in the state. One of the biggest problems that stems from the fact that the township has been developed with little or no subdivision or building standards is that every time it
rains heavy in the area -- once or twice a year -- a huge part of the residents are flooded out of their living arrangements.

County Commissioner Miguel Teran cited this as a major obstacle to living conditions in San Elizario, when he spoke in favor of Mission Palms at County Commissioners Court and emphasized the tremendous need for new, safe and affordable housing in El Paso County's lower valley, especially in San Elizario.

According to figures compiled by Senator Elliot Shapleigh, the San Elizario Independent School District has the lowest per capita amount of taxable property base in the State of Texas. Much of the housing there is valued below the state homestead exemption of $25,000 for school districts.

Ninety-three percent of the school district's money comes from outside state and federal sources. This part of San Elizario, where Mission Palms is proposed along San Elizario Road, is in a state designated historic district. Mission Palms is designed to incorporate the historic State of Texas Mission Trail.

The design's accommodation of need for San Elizario and the track record of Tropicana Building Corporation as successful LIHTC developers have led to
unanimous support from the elected officials in the area, including the entire County Commissioners Court, the county judge, State Representative Chente Quintanilla and State Senator Frank Madla, along with the San Elizario Independent School District.

I understand and agree with their criterion used and values placed on applications by staff this year in the 26 different subregions for the state. However, the recommendations in your Board book today show an under-funding of 14 subregions and an under-funding of just over 26 percent in rural Region 11.

I hope that the Board will consider forward commitments this year for these under-funded regions and where the situation warrants, grant forward commitments for some of the subregions with the largest disparity of funding between what is recommended and the goal under the regional allocation formula.

I realize that forward commitments have been frowned up in the past due to the fact that typically the QAP has legislatively mandated changes each year. Because of that in the past it created a very high administrative burden for the staff to basically trying to fight two sets of rules from two QAPs that affect a project approved through two funding cycles.
However, from the preliminary 2006 QAP meetings held by the Department, I was left with the impression that the QAP probably will not change much from 2005 to 2006 as a result of no legislative changes mandated from the Legislature this year.

So the administrative burden of applying to QAP to a forward commitment is much reduced or even possibly eliminated this year, pending the final approval of the 2006 QAP of course. It is for all of these reasons that I'm asking the Board to give strong consideration to making forward commitments in all under-funded subregions of the state.

For the specific reasons and for the specific reasons for San Elizario that I have presented, I'm asking for favorable consideration of a forward commitment for Mission Palms. Thank you for your time and consideration of this request.

MS. ANDERSON: Any questions?

(No response.)

MS. ANDERSON: Bernadine Spears.

MS. SPEARS: Good morning. Bernadine Spears, 12040 Second Street, Odessa Housing Authority. I'm here before you asking for mercy considering Key West Senior Village, 05117. We are in the process of redoing our
waiting list, we have a waiting list growing number. This will be a phase II if it's granted. And I'll I ask for is your consideration. And if you have a forward commitment we'd like to be put on that list. We're addressing a much-needed population of those that are persons with disabilities and seniors, who've already paid their dues.

Because of that we ask for your consideration. I'd like to thank you in advance for any consideration that you will give us. And remember -- 05117. Thank you.

MS. ANDERSON: Thank you.

I have a witness affirmation form for Mr. Gary Gum. It's not clear to me if you want to speak now or when the item is presented.

MR. GUM: I'd like to do that later.

MS. ANDERSON: All right. Thank you, sir.

That concludes the public comment for the opening public comment. We have additional public comment as we go through specific agenda items. The first item on the agenda is presentation, discussion and possible approval of possible tax credit items.

We have some tax credit amendments to be taken up first. Ms. Carrington.

MS. CARRINGTON: Thank you, Madam Chair. For
the Board's consideration this morning there are three tax credit applications. They're all 2001 transactions that are requesting amendments that staff has determined are material changes to the applications.

The first one is the Village at Meadowbend Apartments located in Temple -- again a 2001 application. What was originally proposed was 12 one-bedroom units and 80 two-bedroom units. What ultimately got built was eleven one-bedroom units and 81 two-bedroom units.

There was no change in the three-bedroom units.

Staff is recommending approval that this would not have materially impacted the development in a negative way. All three of these are at cost certification time and inspections. So that is why staff is bringing these to your attention now.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.
MS. ANDERSON: Motion carries.

MS. CARRINGTON: Next for your consideration is Ewing Village Apartments. It's located in Dallas -- again a 2002 transaction. What was originally approved on this transaction was 32 three-bedroom/two-bath apartments and 48 four-bedroom/two-bath apartments.

What was ultimately built instead of the 32 three-bedrooms was 35 three-bedrooms. And instead of 48 four-bedrooms it went down to 45. They have indicated to us that the topography was more challenging than they had thought and that that ultimately resulted in a change in the original building plans. Staff is recommending the approval of this change.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)
MS. ANDERSON: Motion carries.

MS. CARRINGTON: The last one of this group for your consideration is Rancho de Luna Apartments. It's located in Robstown. The application on this transaction -- what was originally approved was 12 one-bedroom/one-bath units, 40 two-bedroom/two-bath units and then 24 three-bedroom/two-bath units.

At cost certification time and at final inspection what was ultimately built was 12 one-bedroom/one-bath units, 40 two-bedroom/one-bath units, zero two-bedroom/two-bath units and 24 three-bedroom/two-bath units.

The total number of units stayed the same. But instead of building their two-bedroom/two-bath units, what was ultimately built was two-bedroom, one-bath units. They also have some additional bases that they're eligible for, additional credits that they would be eligible for that they would like to utilize, because it is too late for these credits to go back to the national pool.

So along with the modifications on the two-bedroom units they are also requesting that the market rate units be reduced from 19 units to 17 units in order to create basis to support the additional credits that were allocated to them.
The square footage on the two-bedroom did stay the same. Staff is recommending since this development is built that this material change be approved.

MR. BOGANY:  So moved.

MR. GONZALEZ:  Second.

MS. ANDERSON:  Discussion.

MR. CONINE:  Ms. Carrington, are they going to put like some portable showers for the second bath? I'm a little concerned about our processes internally. These having come about four years ago, the credits would have expired in '03, I presume, and we're just now catching this. Can you illuminate a little for me on this one?

MS. CARRINGTON:  This is at cost certification time and at a final inspection, and we asked the same questions, Mr. Conine, of this particular developer. As I was reviewing that staff did call. This is an experienced developer, who evidently had used a two-bedroom, one-bath plan in development in another state, and this was built.

And basically it sounds to me like they were asleep at the wheel.

MR. SALINAS:  So when they made the presentation to us, they made it two-bedroom/two-bath.

MS. CARRINGTON:  Yes. What was approved was two-bedroom/two-bath units. What was actually built was
MR. SALINAS: And then three years later they come in and tell us that's not what they built. I'm going to agree with Mr. Conine. Where does this stop?

MR. CONINE: Is the applicant here?

MS. ANDERSON: Are you with the applicant?

MR. SMITH: I'm representing the developer.

MR. CONINE: I'd just like to hear the story, if nothing else.

MS. ANDERSON: If you'd state your name for the record.

MR. SMITH: Tim Smith. I'm a representative for Barron Rush and Barron Builders and Management. At the time of the award there were a couple other tax credit awards. A new employee was brought on with the developer to oversee all construction and development, someone who was very experienced in architecture and formal construction although not very versed in tax credits.

The actual architecture contract that was signed and given to the architect was for two-bedroom/two-bath units according to the application. When this new person came on plans were -- we had used this architect for two other tax credit developments in the State of Louisiana, and he used the same floor plans that had been...
done very successfully before, which included two-bedroom, one-bath.

So when he submitted it, it was two-bedroom, one-bath. The new employee was in, saw that it was the same plans we built very successfully twice already, didn't think anything of it. They worked well for construction. They worked well on market absorption. So no red flags were raised.

This person was not versed in the intricacies of tax credit applications. This was a mistake that slipped through the lender, they syndicator and the developer. Nobody caught it. It was brought up only after sheetrock was up on the walls.

The management team was coming in reviewing the application for rental set-asides, amenities, services, making sure all their marketing plans were in process, and said, where's the second bathroom. As soon as we noticed that we began to backtrack, find out what happened, and we immediately notified staff and began a discourse trying to work through this.

It has not impacted the leasability of this development. It was a very successful design used in the past, and it was one that did slip through.

MS. ANDERSON: Questions?
MR. CONINE: When was this project constructed?

MR. SMITH: I started with the company -- let's see, we were awarded in 2001 -- the construction loan had closed by the time I had come on board in 2002. So it would have been built during 2002, around that time.

MR. CONINE: So you're saying you noticed it when the sheetrock went up in 2002, yet we're dealing with it in 2005. You would have thought that someone would have connected a little quicker than that.

MR. SMITH: I don't know when -- I know the construction loan was closed. I don't know when -- at that time if it did carry over into 2003. I did know that towards the end of '03 this problem was brought to my attention.

As I'm more in new development and in tax credit, the management team, everybody was getting together. The development team said, uh-oh, what happened. And as we talked with staff we let them know. They said, well, you can't go change it at this point. But let's wait, see how the cost certification is coming out.

Staff was very helpful in walking us through the process of what we needed to do. And we were following staff's recommendations. To disclose, we worked
with people, said, hey, what do we do here. Staff said, we're going to have to review it and bring it before the Board.

MS. ANDERSON: Thank you.

MR. CONINE: So what happens now?

MS. ANDERSON: Can we ask someone from staff to take the podium and talk about your recollection of the sequence of events?

MS. CARRINGTON: It would be Ms. Boston or Mr. Gouris or a combination of both, since this is at cost certification time.

MS. BOSTON: Neither one of us remembers discussing this with them or encouraging them to wait two years.

MS. ANDERSON: So are you saying that when this came in at cost certification it was news to that they were one-baths, not two-baths.

MS. BOSTON: First time I learned of it.

MR. GOURIS: Yes. It may be that someone on staff had talked to them and said, hey, there's not really much we can do about it. Let's take care of it at cost certification. But I'm not personally aware of who that might have been or if that occurred.

MR. SALINAS: What happens if we just don't
approve this today and we say, well, you just didn't meet -- the project that you told us that you were going to do in 2001 or 2002 -- you're missing a bathroom. So what are we going to do?

    MR. CONINE: You know, it's a little more understandable though, Mayor, because I can understand that people in Louisiana don't take as many baths as people in Texas.

    MS. ANDERSON: That was helpful. Go ahead, Mr. Mayor.

    MR. SALINAS: I'm done. But I just don't think that it's right for us to approve a project, when other people just didn't get their tax credits and they get the tax credits, and they just don't follow through on the project, the way they're supposed to.

    MR. CONINE: I'm a little uncomfortable about this at the present time as well, especially the move to lower the market-rate units in order to pick up some more bases. So I'm going to move to table this to the August meeting.

    I want to do a little more investigation, come back and see what we can do.

    MR. SALINAS: I'll second that motion.

    MR. CONINE: Thank you.
MS. ANDERSON: All in favor of the motion to table.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries. Okay. Item 1(b) is some housing tax credit extensions. Ms. Carrington.

MS. CARRINGTON: Thank you, Madam Chair. We have four requests for extensions to close the construction loan. All of these are 2004 allocations of tax credits. The first one is the Fenner Square development, and Fenner Square is located in Goliad.

This is the second extension for the request for [indiscernible] of the construction loan. And what the applicant has told us it was due to a delay in receiving the loan commitment from USDA. They received the conditional commitment. However, USDA had not issued the final commitment.

The applicant has also notified us that they have applied for funds through the Texas State Affordable Housing Corporation, but actually USDA funds. It's a program called a 538 program. Staff is recommending that this construction loan be extended to October 1, 2005.
But we are recommending it with conditions. And that condition would be that there is a confirmation of an award or no confirmation of award or lack thereof from the Rural Housing and Economic Fund, which is the USDA program. It's a 538 program.

And then once that is confirmed or not confirmed, then there would be a reevaluation of this transaction for feasibility prior to the construction loan closing. So staff is recommending the extension with this condition on the extension.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: I have public comment on this item. Mr. Driggers [phonetic].

MR. DRIGGERS: I was just available for any questions.

MS. ANDERSON: I have a question of the staff. Ms. Carrington, when you speak of the reanalysis of the feasibility, once we know whether this Rural Housing and Economic Fund -- does that include -- since we approved housing trust funds for this transaction last month, or earlier this month -- that's sort of a bottoms-up reevaluation.

So we determine based on the other sources of
funds that the applicant has -- what amount of credits
might not reduce the trust fund loan, but the trust fund
loan might reduce the amount of credits.

MS. CARRINGTON: It will be an analysis of all
of the financial sources for the transaction, sources and
uses. Yes, a thorough analysis.

MS. ANDERSON: Okay. Any other discussion?
(No response.)

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

(A chorus of ayes.)

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

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The next request for the
Board's consideration is South Plains Association. This
transaction is located in Lubbock. They are requesting
approval to extend their construction loan until November
1, 2005.

They are working with a HUD 221(d)(4) program.
Also they want to maintain their housing assistance
payments contracts on a portion of the units. They are
requesting a private letter ruling from the Internal
Revenue Service concerning a change in the land seller's ownership that occurred in 1999.

So there is indeed a possibility that, depending on what the private letter ruling says, that if that does constitute a change in ownership, that this development would not be eligible for the credits. So they believe if they have until November 1 of this year, that they will have that private letter ruling.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion. Ms. Carrington, if we give them until November 1, does that give us time to -- since they're 2004 credits, what are our options on November 1? They become part of the 2006 pool?

MS. CARRINGTON: Yes.

MS. ANDERSON: Okay. Thank you. Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.
MS. CARRINGTON: The next one for the Board's consideration is Primrose Highland Apartments. This is a Dallas transaction. The current request for the extension for closing of the construction loan is due to delays in the construction lender's underwriting and final loan commitment.

They have requested September 30 of this year. Staff is recommending September 30 for their extension.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The last one in this group for the Board's consideration is Towne Park Fredericksburg II Apartments. This property will be located in Fredericksburg. They are requesting this extension because the syndicator is not allowing the applicant to
close on the construction loan for phase II until the permanent loan for phase II has been closed.

There it means that the participation of the permanent loan of phase I will be closed by August 1. So they are requesting October 1, 2005 on the extension for the closing of the construction loan on phase II.

MR. GONZALEZ: Move for approval.

MR. SALINAS: Second.

MS. ANDERSON: Discussion.

MR. CONINE: Do we know where the lease-up is in phase I here, what stage they're in, what percentage occupied?

MS. ANDERSON: The applicant's here. Would you like to -- the development?

MR. CONINE: You bet.

MS. ANDERSON: Okay. If you'd just fill out a form for me afterwards, Mr. Kilday.

MR. KILDAY: I sure would. Thank you. I'm Dick Kilday, Kilday Realty Corp. It's probably been a week or two since I've looked at a report. But I believe our occupancy is probably around 95 percent. So we're full. We've stayed full -- basically full.

So now we're doing phase II that we think will complement phase I perfectly. And you all were nice
enough to grant a change on that to all one-bedroom units. So we're thrilled with where we are and think everything is as good as it could be right now.

MR. CONINE: What year was the phase I -- what were the phase I credits? Do you remember?

MR. KILDAY: Maybe 2002. '01 perhaps.

MR. CONINE: '01 credits. And we still haven't closed the permanent loan yet. It sounds --

MR. KILDAY: That's right. Because they were all two-bedroom units it took a year -- good question -- took a year-plus to lease up. So that's why we wanted to go to all one's on two's. So we have a balance there of about 50/50.

MR. CONINE: Okay. Thank you.

MR. KILDAY: Thank you.

MS. ANDERSON: Other questions?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.
MS. ANDERSON: Item 1(c) are appeals for the 2005 housing tax credit program cycle. Before we go to that, Ms. Carrington, if I may, welcome some guests that we have with us this morning. We have Mr. Mike Gerber from Governor Rick Perry's office.

We have Scott Sims from Speak Tom Craddick's office. Christine Gibson from the office of Urban Affairs Chairman, Robert Talton. And we have Don Jones from the office of Representative Jose Menendez. We welcome you all. Thank you.

MS. CARRINGTON: Thank you, Madam Chair. Item 1(c) -- there were four appeals listed on your agenda. The first three -- San Juan Village, Villa San Benito and Santa Rosa -- have withdrawn their appeal. So the only one is --

MR. CONINE: I'm sorry. Could you repeat that again? I was worried about my coffee cup. Which ones?

MS. CARRINGTON: The first three. San Juan Village has been withdrawn. It has been resolved. Villa San Benito has been resolved. Santa Rosa has been resolved. So the one for the Board to consider under the appeals for the 2005 housing tax credit program cycle will be Olive Grove which is in Region 6.

I will ask Jenn Joyce, backed up by Ann
Reynolds to provide the Board information on this item.

MS. JOYCE: Jenn Joyce with the Multifamily Finance Production Division. You have already heard this appeal -- or an appeal relating to this item in the May 26 meeting, as well as an allegation that we gave you at the last July 14 meeting.

I'm going to give you a quick history, just because it's a little bit complicated when you look at the appeal and the allegation together. Hopefully it will be just a little more clear going into this. In the May 26 Board meeting, the Board approved an appeal for this application to consider the letter for QCP eligible from the Pine Trails Neighborhood Association.

It was originally included -- or determined to be ineligible, because it was received late due to an error with Fedex. After the Board approved the appeal and we received the letter, we awarded 24 points for that letter.

Prior to the last Board meeting we received an allegation from Joe Lopez and his attorney, asserting that the neighborhood organization did not properly annex its boundaries according to the bylaws and covenants. He further stated that he would not have an issue with this letter, if the Department had evidence that the annexation
was done properly.

I then called the neighborhood organization and asked for evidence that it was annexed appropriately and received an affidavit stating that it did annex according to its bylaws and covenants. Because we often allow certifications as evidence, we accepted this and reported to the Board on July 14 that it had been resolved.

Since the last Board meeting we received further allegations from Mr. Lopez asserting that the evidence was insufficient, because the covenants and other evidence submitted by Mr. Lopez are clear that the annexation was done improperly.

He requested that we look further into this in the investigation. One of the main assertions is that the annexation was done incorrectly because the bylaws and covenants require a two-thirds board member and member vote. He asserted that only two-thirds of the board voted for this item for annexation.

I see you moving in your Board books. I wanted to kind of point that they're two sections for this. One is the appeals section; the other is the allegation section. So if you're looking for the covenants themselves, unfortunately I'd include that in the allegations section, because it was part of the
allegations, not the appeal.

So I contacted the neighborhood organization to give them an opportunity to further refute Mr. Lopez's allegations beyond that certification that they provided to us. I spoke with Amy Benedict from the organization on July 19 about Mr. Lopez's allegations.

She confirmed that only the board voted to annex. She said that this was how they'd always annexed and that she thought that it was legal. When I pointed to the covenants, she said that she was quite surprised and would consult with the attorney and get back with me later that day. She never got back with us.

For the Department the bottom line is that our reading of the covenants requires a two-thirds majority vote of the members and not just the board. This is in the Pine Trails covenants from 1975. We have reviewed all other allegations from Mr. Lopez and determined that it does appear that the annexed area was not recorded in the deed records, as was required as well.

For these reasons we now consider the letter to be ineligible, and we reduce the score from 24 to 12. They're appealing that score reduction.

MS. ANDERSON: For the Board's consideration I have several people that would like to make public comment
on this item. So we can do that after a motion or before.

    MR. CONINE: Go ahead.

    MS. ANDERSON: Okay. We'll take the public comment on this item. I have several people. Ms. Bast.

    MS. BAST: Good morning.

    MR. CONINE: Good morning.

    MS. BAST: I'm a Cynthia Bast of Locke Linell Sapp. We represent Olive Grove Manor Limited with respect to this tax credit application 05198. We are here to appeal the staff's determination that the application is not eligible for the 24 points for its letter of support from the Pine Trails Community Improvement Association.

    I have just handed each of you a copy of our appeal letter to the executive director. Because of the last-minute nature of this situation, it was not available for the Board book. As noted by Ms. Joyce and in the materials and the allegations section of today's agenda, this appeal does stem from allegations raised by a competitor that the neighborhood organization's letter should not be eligible for these points.

    Over the past month TDHCA staff has confirmed at least three times in writing that the letter would be eligible for the points. Yet on July 19 the staff reversed its position and rescinded the points. And as a
result of this change of events, when the Board book was posted the next day, the competitor's application was recommended for an allocation, and Olive Grove was not.

A chronology of these events is included as Exhibit A to the letter that I have just given you. To give you a little bit of background, when this applicant was preparing the application it did become aware of the existence of the neighborhood organization.

It approached the neighborhood organization to discuss the development and seek ways that the applicant could work with the neighborhood organization in a positive manner. The neighborhood organization was excited about this project for elderly individuals and volunteered to offer its support.

The board of directors of the neighborhood organization voted to include the project within the neighborhood organization's boundaries. Having expanded its boundaries to include the development cite, the neighborhood organization submitted a letter to TDHCA stating its support, seeking quantifiable community participation points, and those points were awarded.

But now, based on these allegations, TDHCA staff has concluded that the board's action to include the Olive Grove site within its boundaries was insufficient.
Hence the site is not within the boundaries of the neighborhood organization as required by the statute in the QAP, and therefore it cannot be scored.

We disagree. The Pine Trails Community Improvement Association was created in 1975 as a homeowners association for the Pine Trails subdivision. The purpose of this organization is for the betterment of the citizens of the Pine Trails community.

This subdivision contains approximately 549 acres and was developed by one developer. The subdivision was developed in sections -- ten of them. Each time a section came on line the developer filed restrictive covenants in the real property records to govern that particular section.

Each restrictive covenant document was specific to that section. And there were ten different restrictive covenant documents filed -- one for each section. These are restrictions on the property. The job of the neighborhood organization is to administer those restrictive covenants, which is an important distinction.

So as Ms. Joyce told you, staff has reviewed these restrictive covenants for perhaps one or more of the sections of the Pine Trails subdivision and found language that says that a vote of two-thirds of the members of the
neighborhood organization is required to annex land that is adjacent to the subdivision.

And as she stated, because no evidence has been provided that the members voted to annex the Olive Grove site -- rather just the board voted -- the staff concludes that the Olive Grove site is not within the boundaries. We contend that the Olive Grove site is not adjacent to the subdivision.

The word "adjacent" is capable of interpretation. Many courts have interpreted that to mean contiguous. The Olive Grove site is not contiguous with the subdivision, therefore voting of the members is not required, and this annexation decision does fall within the purview of the board of directors, which has broad authority to take all actions that it deems would benefit the neighborhood.

Staff goes on to argue that even if the Olive Grove site were properly included within the boundaries of the neighborhood organization, that the restrictive covenants currently on file prohibit the development of multifamily housing.

However this prohibition is specific to the lots within the subdivision that are governed by those restrictive covenants. In fact the restrictive covenants

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also permit that certain properties can be designated reserved and that those properties designated reserved can be used for multifamily housing.

So the existing restrictive covenants do not impact the Olive Grove site. If the Olive Grove project is awarded tax credits and moves forward, it will file its own restrictive covenants.

So we believe that the staff has misread the implications of these current restrictive covenants and that they do not prohibit the applicant from developing a multifamily project on its site, while at the same time being considered within the boundaries of the neighborhood organization that administers these covenants.

The neighborhood organization has followed the QAP. It is actually gone above and beyond the QAP, because of the higher level of scrutiny that this application has been given and this letter has been given. It did everything that it needed to do to submit the letter and have it scored.

It confirmed both orally and in writing that it had followed appropriate procedures to include the Olive Grove site within its boundaries. The applicant followed the QAP. It identified a neighborhood organization. It worked with that neighborhood organization to allow it to
participate in the process.

This is troublesome, because these allegations that have been raised have caused TDHCA staff to hold Olive Grove to a standard that is higher than its competitors. In virtually all other instances staff has relied upon a statement of the neighborhood organization that the proposed development site was within the neighborhood organization's boundaries, along with a map.

It did not try to determine whether the organization voted properly. It did not try to interpret the organization's documents. In fact staff previously said that it would not hold this applicant to a higher standard than its competitors. And that is why the neighborhood organization's letter was scored in the first place.

Then the position changed on July 19, and as a result Olive Grove is not recommended for credits. The fact here is that these restrictive covenants are subject to interpretation. The board of the neighborhood organization has interpreted its documents to permit them to do what they have done.

TDHCA has second-guessed them and made their own interpretation. The neighborhood organization has said repeatedly -- and you have as Exhibit B to my letter,
their written confirmation -- that the Olive Grove site has been properly included within the boundaries of its organization.

Its board voted in accordance with its authority. The restrictive covenants for the subdivision do not prohibit the development of multifamily housing on the Olive Grove site. And this applicant should not be held to a higher standard than its competitors because another applicant is effectively trying to cross appeal.

For all these reasons we ask that you reinstate the QCP points for this neighborhood organization's letter. And as a final note I want to acknowledge that I understand that this situation has been very difficult for the staff to address and that this Board give the staff guidance as to how to deal with these kinds of situations in the 2006 QAP.

But don't hold this applicant to a different standard this year. Please reinstate the points. Thank you very much. Feel free to ask me questions.

MR. BOGANY: I have one question.

MS. BAST: Yes, sir.

MR. BOGANY: Is it a map showing where this land sits next to the subdivision?

MS. BAST: Yes, sir. I have one. Would you
like to see it?

MR. BOGANY: Yes, I would.

MS. ANDERSON: Can Richelle Henderson approach the podium?

MS. HENDERSON: Richelle Henderson, Harris County Authority. I yield my time to Cynthia Bast.

MS. BAST: Well, I'm not lying, Mr. Bogany.

Here it is.

MS. ANDERSON: Ms. McDonald.

MS. BAST: And that is the same map that was submitted by the neighborhood organization.

MS. MCDONALD: I also yield my time to Cynthia Bast.

MR. BOGANY: I have another question for Ms. Bast.

MS. ANDERSON: okay.

MS. CARRINGTON: And ditto for Mr. Gunter, if you have his --

MS. ANDERSON: Yes.

MR. BOGANY: Ms. Bast, looking at the map, you know, it's in the vicinity, but it's not like next door. You've got some other land to get to. Is your premise that it's not next door to it and it's not continuous? Is that your premise?
MS. BAST: It is not contiguous. You are correct. And the restrictive covenants say that a two-thirds vote of the members, which we acknowledge -- there was not a vote of the members. But a two-thirds vote of the members who are the property owners in that subdivision is required to annex adjacent land.

"Adjacent" has been interpreted in a variety of ways. I can say that because I read numerous court cases over the weekend. Very frankly, you know, courts have had different interpretations in annexation kinds of situations.

But particularly in municipal annexation cases they have said that adjacent means contiguous. So what I'm saying here, Mr. Bogany, is that if the land is not adjacent, and if that means contiguous, then this vote of the membership is not required, and it's within the discretion of the board to take this on, because the board is empowered to do things to better this subdivision.

They think this will embetter their subdivision. The property is going to provide grandparent mentors. It's an elderly property. It's going to provide grandparent mentors to this subdivision and things like that. And that's why they're excited about it, and they think that they want that to be part of them.
It will pay assessments and overall benefit their neighborhood. And they think that's an appropriate thing for their association to do.

MS. ANDERSON: Any other questions?

MR. SALINAS: So the association is saying, no we don't want to annex this. Or they didn't vote on this.

MS. BAST: The association is saying is that they properly annexed. If you look at the letter at Exhibit B, it says that we included this land within our boundaries in a proper fashion.

MR. SALINAS: And our staff is saying that you didn't. I'd like to hear from the staff.

MS. ANDERSON: The staff's not arguing that. The staff is saying that for various reasons their recommendation is that the letter not be scored. We have more public comment, so we probably shouldn't be debating it as a Board until we --

MS. JOYCE: The staff's assertion was that the letter is ineligible because the development site is not included within the boundaries because it was not properly annexed. Before it was annexed it was not part of those boundaries. After annexation, had that been appropriate, then it would have been within the boundaries.

MS. ANDERSON: Thank you.
MR. BOGANY: One question for staff. Would you explain that again to me?

MS. JOYCE: Sure. I will explain it simply. And if you would like more detailed information about all of the covenants and annexation law, then Ms. Reynolds would be happy to come up and do that. If you consider the annexation to have been done properly, then the development itself would have been within the boundaries of the neighborhood organization.

That is a requirement of 2306 that QCP letters -- the neighborhood organization -- decide the development must be within the boundaries of the neighborhood organization.

MR. BOGANY: So are we saying that this is not within the boundaries?

MS. JOYCE: If the annexation -- we are asserting that based on our interpretation of the covenants after Mr. Lopez's allegations, the annexation was done appropriately. So therefore the boundaries are now reduced. We're not considering that annexation. With the reduced boundaries the development is not within them.

MR. BOGANY: Okay. So they could not be a part of this subdivision is what you're saying.
MS. JOYCE: Correct. With the annexation they would be; without the annexation they would not be.

MR. BOGANY: All right. So are we saying the annexation was improper?

MS. JOYCE: Yes, we are.

MR. BOGANY: Why are we saying that?

MS. JOYCE: Based on Mr. Lopez's assertions we investigated the documentation that he provided.

Ms. Reynolds, I don't know if you would like to chime in here.

But one of the reasons, as we have stated before was it requires, according to our interpretation, a two-thirds vote of all of the members. They did not do that. It was of the board only.

And would like to elaborate on the actual deed restrictions?

MS. REYNOLDS: There are different interpretations governing the association. We believe that you can only annex properties adjacent. The property was not adjacent, and Jenn has testimony from the secretary of the association saying they did not have the two-thirds vote of the members that was required to annex.

Since all basically due to interpretation in the covenant -- and there can be legitimate differences of
opinion in terms of how the covenants are interpreted.

MR. BOGANY: Well, I guess when you say adjacent and it's not adjacent -- but does that mean that if the association wanted this part of their neighborhood organization -- which is definitely in walking distance of their neighborhood -- but is not touching or connected, could that be interpreted as they have the board have the right to do that without being the membership?

MS. REYNOLDS: We believe they could only annex if the property is adjacent. Since this property was not adjacent, they couldn't annex it. It was not with the neighborhood organization, therefore the letter of support is ineligible.

MR. BOGANY: Okay. So you're saying they didn't have the right to bring this in to the neighborhood.

MS. REYNOLDS: That's our interpretation.

MR. CONINE: Which section of the Internal Revenue Code does this association --

MS. REYNOLDS: None whatsoever. This is state law that says that the site needs to be within the boundaries of the neighborhood organization for the letter of support to be eligible.

MR. CONINE: Is this a 501(c)(3) neighborhood
organization? What is it?

MS. REYNOLDS: I don't know.

MS. BAST: Mr. Conine, it is organized as a nonprofit corporation. It's articles of incorporation do not include specific 501(c)(3) organization language.

MR. CONINE: I just think it's a real dangerous precedent for us to assume --

MS. ANDERSON: Let's please not debate this until we hear the rest of the public comment.

MR. CONINE: Yes.

MS. ANDERSON: Mr. Gary Gum, do you wish to make public comment on this topic.

MR. GUM: [inaudible].

MS. ANDERSON: I mean, you have 1(c) on your form. I'm not sure what you're here to talk about. Mr. Barry Palmer.

MR. PALMER: My name is Barry Palmer, and I represent the applicant that's competing with this development that has raised the issues about whether this was a proper annexation or not. I think that the covenants are clear that a membership vote of the homeowners are required in order to bring additional property in.

All of the homeowners relied on those covenants
when they bought their house, that it would take a two-thirds vote of the homeowners to bring additional property into the neighborhood association. It's hard to imagine that they envision that they would get to vote if the property were adjacent to their land, but they wouldn't get to vote if the property were half a mile away or a mile away.

I think the common sense interpretation of that adjacent property reference is the one that the legal counsel for the Department has made is that the only authority that the organization has is to bring in land that's adjacent to the association.

So if it's not adjacent, it can't come in at all. But if it is adjacent, it requires a two-thirds vote. And there was no two-thirds vote, so it was not a valid annexation. If it were a valid annexation, I mean, it's either in the neighborhood or it's not.

If it is in the neighborhood and it's subject to the restrictive covenants, then you can't build multifamily. So those are our interpretations of the restrictive covenants. Thank you.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you.
MR. CONINE: Is that all the public comment?

MS. ANDERSON: That's all the public comment.

MR. CONINE: Again I think it's a dangerous precedent for us to assume the proper or improper operations of a 501(c)(3) corporation in the State of Texas. I'd feel a little better about it if one of the members was complaining -- of the association. But it's not. It's somebody from the outside.

And I would argue that there are 501(c)(3) corporations all over this state that operate in pretty loose manners without adhering directly to the bylaws or adhering directly to Robert's Rules. And for us to make that determination -- when there is an obvious difference of opinion -- to me sets a dangerous precedent for this Department. So I move that we grant the appeal.

MR. BOGAN Y: Second.

MS. ANDERSON: Discussion.

MR. SALINAS: How far away is it from the adjacent? Is it right next door or half a mile?

MR. CONINE: Pretty close. You can throw a rock and hit it.

MS. ANDERSON: I share Mr. Conine's concern. And I have a blotter issue. First I want to commend the staff for the evolution of our QCP process from last year
to this year. Some of you may remember that last year in the QCP process we had a settle of Department-developed rules that made it very difficult for a neighborhood letter to clear all the hurdles and get scored.

There were not 20 letters scored last year. The Department, in the QAP and in our supporting rules, created a process this year that allowed many more -- about four times as many neighborhood -- the vast majority of the neighborhood letters were eligible for scoring one way or the other this year.

What that let to -- and Olive Grove is a good example of it -- is developers picking apart the letters of other people's deals in their region. And I guess I shouldn't be naive; I should expect that kind of behavior. So we have put the Department in this position because we had about 35 different sets of allegations or letters written complaining about one development or another and was the neighborhood organization eligible and so on and so forth.

So then the Department has been put in this position of having both staff and Board just sort of use our best efforts to make determinations on these things. While this Board does not shirk its responsibilities in any setting and takes those responsibilities very
seriously, I want to challenge the development community, because I find this behavior corrosive.

I think it's damaging to your industry that I'm not a part of -- just one day a month. But I'm repeatedly hearing stories during this cycle of people hiring other people to read every syllable of somebody's other application.

I just don't think that -- I mean, I understand why you want credits, you know. But I don't think that's good for your industry. So we've got a lot of great developers in this state. This Board and staff has a policy of awarding credits based on set-aside region and score and to try to have a very fair and transparent process.

You kind of know what you have to do to get the score to be in the hut. So I would just -- I personally hope that we will see a sort of dialing back a couple of notches of this sort of level of allegations that we find ourselves in this cycle. Thank you for hearing me on my soapbox. I think it's something worth thinking about.

Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

MR. SALINAS: No.

MS. ANDERSON: Motion carries. The appeal is granted.

MS. CARRINGTON: The next item on the agenda is the Sphinx at Albury. And this appeal has been withdrawn from the agenda. So the next group of items for the Board's consideration are items behind 1-D. And this is discussion and possible action on information relating to allegations of five tax credit transactions that are in the 2005 cycle. This is tab 1-D of your Board book.

At the July 14 meeting the Board was provided with an allegation log that reflected 15 allegations that were made against applications. On those original 15 staff had resolved all of them and then provided a spreadsheet that indicated how they had been resolved.

Since that meeting on July 14 the Department has received additional evidence and/or allegations on six applications. The attached spreadsheet that you have reflects the allegations that have been received into the Department after July 6, 2005.

As you turn over to the spreadsheet and as I
ask Ms. Joyce also to come up to the podium, I would like
to make one notation for the Board. That is on your first
page, Saddlecreek Apartments, 05260. On the far right we
say, QCP letter is ineligible, but application is
eligible.

This QCP letter is eligible as we do state in
our writeup that it is eligible. So we have six for your
all's discussion and consideration.

MS. JOYCE: I'm prepared to speak on each of
them, if you'd like. But if not, I can just answer
questions as well.

MR. CONINE: We need a recap.

MS. JOYCE: Recap of each of them.

MR. CONINE: Yes.

MS. JOYCE: The first allegation is 05051,
Longview Seniors. Since the last Board meeting we
received more allegations from Mr. Opiela relating to this
item. In his allegations it was asserted that the
neighborhood organization is ineligible because the
boundaries are too big and the applicant may have been
involved with the development of the neighborhood
organization.

In the assertions we were asked to call the
Longview police department to substantiate these claims.
In an interview with Sergeant Russell that I had with her over a two-day period -- I can actually read a quote that would, I think, sum up the very end of it.

She's basically saying that she doesn't have any evidence to be able to substantiate any of these claims. So we still consider the letter eligible. Would you like me to read that? It's not in your Board book.

MR. CONINE: No. Move on.

MS. JOYCE: 05027, Timber Village. Mr. Opiela again is asserting that the neighborhood organization letter is ineligible and points to an affidavit from a Mr. David Simpson, a principal from the area. In that affidavit he asserted that he has no knowledge of the neighborhood organization's meeting taking place and questions the existence of the neighborhood organization.

He asserts that has several contacts in the area who would be able to say the same. The letter and Mr. Opiela's assertions do not provide any hard evidence substantiating any of the claims. So we are unable to investigate that in any way. Therefore we still consider the letter eligible.

The next is 05260, Saddlecreek. A Ms. Rosemarie Shelton is a resident of the area and now questions the eligibility of the letter, because not
everyone in the area knew of the neighborhood organization or any meetings.

However, again no hard evidence was provided to us for any kind of investigation. So we still consider that letter eligible. 05198 is Olive Grove, the allegations from Mr. Lopez. I want go over that again. You've just heard those.

05118 is Mr. David Marquez. This was also in the July 14 meeting. You heard Mr. Ron Anderson testify relating to this item as well in the past. This application had its QCP points rescinded from 24 to 12 because it was established that Mr. Anderson was a part of the development and the formation of the neighborhood organization, something that he does not deny.

Mr. Marquez asserts that this should be reason for termination and points to the Green Briar application that we had at the last Board meeting, where we terminated that application in addition to the two points being rescinded because of material misrepresentation in the application.

We feel that this is actually a different situation, because this is a neighborhood organization letter and is not part of the application. Plus we also feel that Mr. Anderson, as he testified and provided
documentation, he's adequately established that HUD --
because this is a HUD development -- it has requirements
where the owner is involved in the neighborhood
organization.

So we do agree that the letter is ineligible,
because he was a part of the formation of it. However, we
don't agree it's material misrepresentation. The last is
05020. It's a bit different from the others. It's
Hereford Central Place.

It's an allegation by Mr. Rick Brown. The long
and the short of it is the Department provided guidance
for him prior to the application cycle that certain
funding sources would not be counted for the 18 points
under 5(a) of the QAP selection criteria.

During the application we then changed our
opinion, and we did accept that as an item for its
substantiation of the 18 points. He's asserting that he
would have been able to get those points had he known that
it was going to be eligible and has since actually gotten
evidence to substantiate that claim.

However, because he did not request these 18
points in his self-score initially, we cannot award them.
So staff's hands are kind of tied on this one.

MS. ANDERSON: Thank you. I do have
individuals prepared to make public comment, though they may or may not choose to. I have a witness affirmation form from Mr. John Boyd deferring time. Is that correct?

MR. BOYD: We are available for questions.

MS. ANDERSON: Mr. Rick Deyoe.

MR. DEYOE: No comment. Just available for questions.

MS. ANDERSON: Mr. Opiela, your witness affirmation form, I think, is referring to --

MR. OPIELA: Timber Village.

MS. ANDERSON: Yes.

MR. OPIELA: Olive Grove. And it didn't --

MS. ANDERSON: Yes. Your witness affirmation form indicates that you want to talk about 05198. Do you care to make comment on --

MR. OPIELA: No. I'm here for Olive Grove, and you all already decided that. It was listed under two places in the agenda.

MS. ANDERSON: Okay. Thank you. Mr. David Marquez.

MR. MARQUEZ: Good afternoon, Madam Chair, Board. How are you doing? I believe there's others that are going to give me my time or give their time.

MS. ANDERSON: Get started.
MR. MARQUEZ: Okay. Let me hand this out here.

MS. ANDERSON: We don't have a time limit. But we're asking your good judgment.

MR. MARQUEZ: Well, my name is David Marquez. I'm here on behalf of Urban Progress. Mr. Acuna, our board chair is here today. I guess I've been dealing with this agency since '92 or '93. And I've only had two complaints: one last year -- and I'm not anonymous. I'm 260 pounds. You can see me.

Southwest Housing we had a complaint with in October. We filed that with Chris Whitmayer. I think that's public information. And the other one is against Vista Verde, which we started working with originally, had conversations with them, even acted in some behalf as maybe their technical advisors. It never happened.

But one of the things I would like to say is that Urban Progress and Vista Verde Housing and Community Services, they kind of office together. So it's kind of incestual, but it's San Antonio, so it's another issue. Okay. So what I'd like to do is, if you could refer back to page 3 and 4 and 6 and 10.

If you could look over those for a minute and then I'll kind of go through this. My wife told me to keep the emotion out of this, Mr. Conine, so I'm reading.
I'm not used to reading anything. Okay.

Within the 2005 housing tax credit application the applicant for Vista Verde I and II, TDHCA 05118 certified on the development owner's certification that the information within the application was true and complete, and that any misrepresentation and/or fraudulent information would result in automatic rejection of the application.

Our contention is that the application should be terminated for the following reasons. The applicant for Vista Verde I and I was aware of the rules for the QCP both from TDHCA website and previous discussions and workshops.

With the knowledge the applicant was still the initial registered agent on record with the Secretary of State's office for Vista Verde I resident counsel filed February 3, 2005 and Vista Verde Apartments resident counsel filed December 22, 2004.

If you refer back to 6 and 10 it'll show you where they are the registered agent there, and I understand that they've admitted that. We feel that with full knowledge of the Texas Department of Housing and Community Affairs Quantified Community Participation rules describing the acceptable procedures on setting up
resident counsels, the applicant still established the resident counsels.

Although the applicant did not sign the QCP letters from the resident counsels, he did know that the letters were going to be submitted for points towards new sections. And knowing this he still signed the development owner certification.

On June 27, 2005 the applicant testified that HUD allows for the owner/manager for a property to set up resident counsels. However, HUD rules do not supercede the Texas government code or the qualified allocation plan.

Additionally, as you have in front of you a copy of the pages from the consolidated financial statements of their organization, this shows that the applicant was involved in Vista Verde II Limited at least since then, since 2001-2002.

If they were not filing solely to receive the 24 points under the QCP, why did they wait to file during the 2005 application round? If they had established the resident counsels under HUD's acceptable procedures any time between the dates you have in front of you and October 2004, we would understand that this was a legitimate mistake.
Based on the Texas government code and the qualified allocation plan and rules, what seems to be clear-cut by many appears to be up for interpretation by others. But in light of the current climate, QCPs and so forth, and scrutiny that this program is undergoing, there should be some level of consistency.

The reason I bring that up is because last year as Las Palmas -- we were negligent, oversight, whatever -- our chair signed the letter, and we took our punishment. I want to kind of review what you said in there, or what the staff made a recommendation.

Due to the violation in the Department's allocation round in October 6 of this year -- I'm sorry -- environmental assessment. I'm sorry. Due to the violation in the Department's environmental site assessment rules and guidelines, which states that the environmental site assessment shall be conducted by a third-party environmental engineer, the application was terminated.

The ESA application was prepared by George Azuna, who also signed the application for tax credits as a representative with the authority to execute documents on the applicant's behalf. Mr. Azuna was also listed as the nonprofit, managing general partner in control of the
The Department does feel that this is a worthy development that was awarded credits. But in the continued review the ESA was not completed by a third-party, so the application was terminated. Ms. Anderson stated that this is a clear violation of a very clear, black-and-white Department rule, and the Department has these rules for reasons.

Mr. Salinas stated that the rules do need to be followed. But this is one of the projects that he hates to see not get credits. I'm not saying this is not a project that shouldn't get credit. What I'm saying, like everybody else, we should follow the rules. Thank you.

Any questions?

MS. ANDERSON: And so, Mr. Marquez, Mr. Azuna, Ms. Martinez and Ms. Martinez have yielded their time to you.

MR. MARQUEZ: Yes.

MS. ANDERSON: Okay. Thank you, sir. Mr. Rick Brown.

MR. BROWN: I'm Rick Brown. Thank you, Madam Chair, members of the Board. Appreciate what you do here. We were going to prepare a 1,000-page summary, but we saw you already had 1,000 pages today. So we shortened it to
the one page that you see before you.

Basically we did request of the Department counsel at that time, which was in December, if we could use the Housing Finance Corporation as a source for the local community financial support in our area. And we were told in writing by them at that time that, no, you could not. So we submitted accordingly.

Later after everything was imaged online, we saw that our competitors had used the Housing Finance Corporation that we were told we couldn't use. So we questioned staff, and they said, oops, we changed policy. So we said, what we do.

So here we are. We did provide documentation at the last Board meeting when this topic was discussed. In fact it's been discussed at the last two Board meetings. Ms. Carrington discussed it at the meeting before last. And we had to provide documentation that, were we allowed to use the Housing Finance Corporation, it took us 24 hours to get those funds.

I've worked with them since 1985 in our area, which is why we had approached early on and said, hey, here's a source. Can we use it. We were told, no. We would simply ask that we be given the points that we would have gotten had we not been given information that we
couldn't use that source that apparently others were
allowed to use. Are there any questions?

MS. ANDERSON: Thank you. Mr. Chris Rhodes.

MR. RHODES: No additional comments.

MS. ANDERSON: Thank you. That's all the
public comment on this item.

MR. BOGANY: Based on this one page memorandum
that we have, why was this one denied and this other one
okayed, based on those assertions?

MS. JOYCE: I don't have what you were looking
at. Is that the one from Mr. Marquez?

MR. BOGANY: No. This is on Hereford Central
Place.

MS. JOYCE: Actually the points were never
denied to this particular application. He did request
them, which is the issue. You must request the points in
order for us to award them. He didn't realize until mid-
cycle that we had changed our interpretation.

He's now saying, I could provide you the
evidence. I guess now would be a good time to note that,
had he provided the exact evidence that he's given us now,
we would have had some conditions placed on those, that if
a commitment were ever awarded, that he would have
subsequent documentation to provide to the Board. Same
thing with underwriting.

MR. BOGANY: Is it too late at this point? Or just that because he never requested that Housing Finance Corporation?

MS. JOYCE: It's too late for the staff. If the Board were to decide to either award the points now, then we could incorporate it into this score. And I'll let our general counsel finish.

MS. REYNOLDS: This issue was discussed at the Board meeting on July 14, but this project was not on the agenda. It is on the agenda now. So if you wanted to take action, you could do that.

MS. ANDERSON: Ms. Reynolds, as the acting general counsel of the Department is it your interpretation that the Board has the authority, should it choose, to in effect grant these points to this applicant?

MS. REYNOLDS: Yes, ma'am.

MS. ANDERSON: Thank you.

MR. BOGANY: I'd like to make a motion.

MS. REYNOLDS: As a forward commitment.

MS. JOYCE: Either way. We can award the points or do a forward commitment.

MR. BOGANY: I'd like to make a motion that we grant the points based on the evidence that's been
provided to us today.

   MR. CONINE: Second.

   MS. ANDERSON: Discussion.

   (No response.)

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

   (A chorus of ayes.)

   MS. ANDERSON: Opposed, no.

   (No response.)

   MS. ANDERSON: The motion carries. At this point we are going to take in many ways a needed break and also proceed with an executive session. So I am guessing will probably be in recess for approximately an hour.

   Thank you for your patience with that.

   So I will now read into the record on this date, July 27, 2005, at a regular meeting of the governing board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed Executive Session.

   As evidenced by the following, the Board will begin its Executive Session today, July 27, 2005 at 10:45 a.m. The subject matter of this Executive Session deliberation is as follows: 1) Board may go into Executive
Session, close this meeting to the public on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551. 2) Consultation with Attorney Pursuant to 551.071, Texas Government Code with respect to pending or contemplated litigation styled Hyperion, et al v. TDHCA of the District Court of Travis County, Texas.

The Board may also go into Executive Session, pursuant to Texas Government Code 551.074 for the purposes of discussing personnel matters, including to deliberate the appointment, employee evaluation, reassignment duties, discipline or dismissal of a public officer or employee or to hear a complaint or charge against an officer of TDHCA.

So we are in recess.

(Whereupon, at 11:00 a.m., the meeting was recessed, to reconvene later this same day, Wednesday, July 17, 2005.)
AFTERNOON SESSION

12:25 p.m.

MS. ANDERSON: As we reconvene, just a note to my colleagues on the Board, I understand that people in the audience at times have difficulty hearing us. So I just ask this afternoon that we be sure we're directing our comments into these mikes for the benefit of those in the audience.

The Board has completed its Executive Session of the Texas Department of Housing and Community Affairs on July 27, 2005. The Executive Session actually was completed at 11:45 a.m. Action taken: none.

I hereby certify that this agenda of an Executive Session of the Governing Board of the Texas Department of Housing and Community Affairs was properly authorized, pursuant to Section 551.103 of the Texas Government Code.

The agenda was posted at the State of Texas's office seven days prior to the meeting, pursuant to 551.044, the Texas Government Code, and all members of the Board were present with the exception of Pat Gordon. That this is a true record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551 in the Texas Government Code.
The next item on the agenda is agenda item 1(e), discussion and possible approval of recommendations by Department staff for the issuance of commitments for allocations of 2005 Housing Tax Credits. We have a number of items of public comment on this.

After we hear the staff's presentation, then I'm going to limit the public comment for witness to three minutes. Ms. Carrington.

MS. CARRINGTON: Thank you, Madam Chair. The Board was provided an eight-page memorandum outlining our process and our methodology for allocating tax credits for 2005. What I'd like to do is provide a summarization of some of the important points of that memorandum.

Also there a couple of items I will bring to your attention that was not in the write-up that went to the Board in the Board book last week. We are asking at this point for three actions from the Board.

We are asking the Board to approve staff's recommendation of final commitments for the allocation of housing tax credits, a limited award of HOME CHDO Funds on recommended tax credit allocations and a weighting list for 2005.

The Board is required by statute to issue final commitments of allocation of tax credits no later than
July 31 of each year. The Board is also required by statute to establish a waiting list of additional applications that are ranked in score in descending order of priority based on set-asides and regional allocations.

The Board received three binders related to this particular item on the agenda. One volume is the volume that has the recommendations from staff. It has the list; it has the recommendations only.

You will note as we did last year, that when you look over to the left-hand side of the list we have put an "A" for those applications that have been recommended or they're active or recommended, and then "N" for those that are not being recommended.

We have several lists for you in the book. Your first list is those that are being recommended only. The second list is those that are in the nonprofit set-aside. Then we list our recommendations by region. And then we provide you a summary of all applications, including those that are terminated and what the particular set of circumstances were for that application.

You also have a volume for the real estate analysis, for the underwriting analysis of the transactions and also portfolio management and compliance. We had 223 pre-applications in our round this year.
Those total over $156,000,000.

We had 166 full applications. Those totaled a little over $100,000,000. And today we have a total of 144 applications that are competing for credits. Our credit ceiling has increased since the list that the Board looked at in late June. Our credit ceiling for this year is $42,575,593.

This is increased by almost $703,000. That's a function of two items. One of them -- we were eligible for the national pool. Those national pool credits were about $531,000. We also had some returned credits to us at cost certification time that we were able to roll into the 2005 allocation. Those amounted to $172,000.

So that is what has provided the increase for us. We used our regional allocation formula, as we're required by statute, set-asides and scores. And this was consistent with the methodology that we used in June. There possibly are some impacts to the list that the Board will be looking at today.

Those would be in the appeals that the Board had granted that would change a score. It's very important to note that all of the applicants today that will receive commitment notices perhaps have some outstanding evidence that they are required to submit to
this Agency.

So all awarded allocations must provide a commitment fee, evidence of zoning and substantiate any points that they've requested under three particular items of the QAP -- 5(a), 5(b) and 22 -- at the time the commitment notice is issued. We have determined that this will probably be around or about August 15 of this year.

So to the extent that any of those items are outstanding, they must be proven up at the time the deadline is issued on that commitment notice. And if they are not proven up, then those applications will be terminated. And there is no opportunity for an extension on those requirements.

The number of applications that's being recommended today is a total of 74. In addition to that 74, there are four rural rescue forward commitments that the Board has already issued. You issued those. You actually awarded those in 2004. That was done under the rural rescue policy that the Board adopted.

So what we have today is a total of 78 developments. Those 78 developments total $42,081,963. And that does leave a balance that we are not recommending allocation of at this point of $493,620. The waiting list -- the Board is required to do this by statue.
We are recommending that the Board consider the waiting list to be composed of all applications that have not been approved by the Board for a commitment of 2005 credits and have not been terminated by the Department or have not been withdrawn.

So this includes all of the 144 applications that are still considered active. In summary -- and this is actually over on probably on page 8 of your memorandum, if it is in your Board book -- is requested Board action.

So its approval of recommendations to issue commitments for allocations, approval of the waiting list, the zoning and local funding that we've already talked about.

Then we do have an item number 4 that we will be requesting your approval of a HOME CHDO award. It's for Windvale. That application number is 05189. It did receive -- we're requesting an allocation amount or loan amount of $1.5 million. That was in your Board write-up.

What we did leave out of your Board write-up is that they are eligible for $75,000 in CHDO operating funds. So Windvale is a transaction that was not on the Board list when we approved the tax credits. It is now. They have requested HOME funds. So $1.5 million in HOME funds and $75,000 in operating.

Also another item that is not in your write-up.
This is Hacienda Santa Barbara, which is being recommended for an allocation of credits. Due to administrative error it was approved previously for $57,851 of HOME CHDO funds. It should have been recommended for $172,650.

So staff is asking for this increase of $114,799 for Hacienda Santa Barbara. Again it has been approved previously. We had the wrong recommended amount, so we are requesting approval of this increase.

MS. ANDERSON: Should we take public comment at this point?

MR. CONINE: Please.

MS. ANDERSON: Thank you. Mr. Robert Kelly.

Please be mindful of the three-minute time limit. The next witness will be Ronnie Hodges.

MR. KELLY: Thank you, Madam Chair and Board. I'm Robert Kelly with Hunt Building Company out of El Paso, Texas. I appreciate this opportunity to come up and offer my public comments. My comments will be in opposition to an allocation of credits for Cathy's Pointe in Amarillo, Texas.

Hunt Building Company is the majority member of the general partner of a tax credit project that is located next door to the proposed location of Cathy's
Pointe. North Grand Villas was awarded an allocation. I believe it was in 2001.

We completed construction in February 2004.

The project is still not quite stabilized. There was a market study done for Cathy's Pointe of course. It shows a couple of items in there. One of the most important things that it talks about is the expected absorption of the project in that market.

They expect an absorption rate of about 220 units a year, I believe. Our actual experience next door is that the market absorbed 130 of our 144 units over a 12-month period. I have an exhibit here I'd like to show you, if I could.

That basically shows our physical occupancy over the last 17 or 18 months since we completed construction. It not only shows that, but it shows our economic occupancy as well. You can readily tell by that exhibit that we have not stabilized. We still have a construction and a bridge loan outstanding to date.

That is basically our point here today is that the staff has recommended an allocation of tax credits for a property next door to a property that has not yet stabilized. It appears that this project was recommended to avoid a shortfall in the credits for that subregion and
not necessarily because it's standing on its own merits. I guess the long and the short of it is -- the long-term financial health of either of these projects, I believe, if Cathy's Pointe is constructed next door to North Grand Villas -- in that we're competing for the same pool is tenants -- is highly unlikely. So I respectfully request that you do not allocate the credits to that project. Thank you.

MS. ANDERSON: Ms. Hodges. And then the next witness will be Gary Robinson.

MS. HODGES: I have a handout. Good afternoon, Madam Chair and members of the Board. I'm Ronnie Hodges representing Handback [phonetic] Limited regarding the Tuscany Court Townhouses, 05178 in Hondo, Texas. I'm sorry to make a pest of myself, but we have a very small tax allocation of only $58,000 that we need to complete this project.

Today I have given you a letter from the City of Hondo and the county judge urging the allocation of this tax credit, and also Handback Limited's partner is here to speak on behalf of Tuscany. The letter's there -- especially the one from the mayor -- does speak to the fact that the city was unable to fulfill their portion of the recommended expenses to the site.
I did buy the property from the City of Hondo. So also Senator Frank Madla and Stacy King support this allocation. We all realize that the scoring was hard to -- it was extremely hard to score very high in both 2003 and 2005, since many of the QAP requirements have been adjusted.

However, we were -- until the USDA set-aside we felt pretty comfortable that we could obtain the highest score. Staff did recommend that apply for the 2005 QAP. We decided really to go the extra mile, and we spend over $20,000 to request these few tax credits.

The money that we spent really could have been spent on the extra on-site costs which we had incurred. But it's really ironic that in 2003 the TDHCA underwriting recommended a higher amount of tax credits than we had originally requested.

We did receive our request. But their recommended amount of almost the same as we are requesting today. So today our 76 units require -- today, based on the 2005 cost, the 76 units are requiring about $550,000 tax credits to build, while we have received only $465,000 tax credits for our 76 units that have townhouses and also have garages.

So we feel like that we have really
accomplished a lot of things with our limited amount. I just wanted to point out there are two other areas in your manual which allows this discretion. Since there are $400,000 additional which have not been allocated, would you please pull 05178 into your round, since I have to deliver these tax credits this year.

    Thank you very much for the opportunity.

    MS. ANDERSON: Thank you. Mr. Gary Robinson, and then Mr. Joseph Zimmerman. Mr. Robinson.

    MS. GUERRERO: He may have stepped out.

    MS. ANDERSON: Mr. Joseph Zimmerman.

    MR. ZIMMERMAN: I no longer wish to speak.

    MS. ANDERSON: Thank you, sir. Mr. Brad McMurray.

    MR. MCMURRAY: Hello, Madam Chair, Board members and Ms. Carrington. My name is Brad McMurray, and I'm with the San Antonio Housing Authority. I'm here to represent the Housing Authority and also our president and CEO, Henry Alvarez.

    It's important for us at the San Antonio Housing Authority to be good neighbors, good citizens and good members of the community. So we're here to respond to the comments that you heard earlier for Ms. DeLeon representing the Brady Gardens Neighborhood Association.
I just wanted to respond to some of her main points, one of those of which regards the location of our project that's before you, the San Juan Square Apartments, which is number 05159. Based on the City of San Antonio Neighborhood Association borders, our project is actually outside of their neighborhood association.

However, because we do want to be good neighbors, we did notify them. And they had no objection to the project that's before you. When we were made aware of the Brady Gardens' concern about the project, we met with them, and upon meeting with them learned that we have this first phase that's before you, and then we have some other development that we'd like to on the site through the Hope 6 program, which is separate from this particular application.

In that, that seems to be their main concern. Now they mentioned that we had provided a 2001 master plan that we were not following, and there's good reason for that. The original master plan was to be funded with HUD capital grant funds, which are no longer available.

Therefore we had to modify our plan. Our new master plan involves using tax credits if awarded and Hope 6 funds if awarded to redevelop some of our most dilapidated public housing. Now she referenced that we
were very successful in taking 100 units and reducing
those to 84 units. We did do that.

As a result of that the crime in the area based
on statistics that I'll provide has actually decreased.
They want to ensure that that continues. We do as well.
That's one of the reasons why we're building units, but
we're reducing the concentration of very low income
housing units.

So she had recommended -- and we have
experience doing this with our Refurio Place Apartment
Homes, which is also a tax credit development that was
funded previously. We've actually closed on permanent
financing ahead of time. It's a Hope 6 project as well.
So we've got a demonstrated capacity in this area.

Now she partially supported our project in
saying that she wanted 120 units instead of 143. We think
we're meeting the spirit of their desire, because there's
only going to be 46 units that are public housing.

So in an effort to ensure that the crime is
reduced, I have a letter here from our president and CEO
that demonstrates that crime statistics or the crime rate
has actually gone down in the particular area by 8
percentage points from 2003 to 2004.

So we feel that this will continue in the
direction in our current master plan in supporting that
improvement in the neighborhood.

MS. ANDERSON: Thank you, sir. Debra Guerrero.

MS. GUERRERO: I no longer wish to speak.

MS. ANDERSON: Thank you. The next witness is
Donald Pace, and after that will be Ron Anderson.

MR. ANDERSON: I no longer wish to speak.

MS. ANDERSON: Okay. Thank you, Mr. Anderson.

MR. PACE: Madam Chair and Board. My name is
Donald Pace, and I'm talking for Cathy's Pointe, 05097, in
response to Mr. Kelly's being against the development as
HUD building North Grand Villas. I am a 20 percent owner
in that development.

The reason why I went back there was that our
market study showed that the city needed housing in that
area. Not only that the amenities in the area were just
exactly what was called for in the QAP. We did not go
after these units until we knew that the North Grand
Villas were leased up at 96 percent.

Why they haven't gone for the permanent loan is
one of the questions I have as the minority owner. But
they have not. They have townhomes. We built townhomes
there with garages. We're building apartments with one-,
two- and three-bedroom. Those are three- and four-bedroom
units.

We're no competition for those. We're just trying to get the people that need the one-, the two's and three's housing to live in. If you've got a question for our market study, I have Darrell Jack here with apartment data. He said he didn't fill out one of the forms, but he said he'd be glad to speak for us.

That's what I have. The staff recommended us.

So I would take their recommendation any time. Thank you very much.

MS. ANDERSON: Thank you, sir. David Diaz. The next witness will be Rachel Beers and then Kelly Hunt.

MR. DIAZ: Madam Chair and Board. My name's David Diaz. I'm the director for the Midland Community Development Corp in Midland, Texas. We are a 501(c)(3) nonprofit. We currently have two other contracts with TDHCA.

We are a performing CHDO, and in opinion, we perform well and do justice to TDHCA's programs. We also submitted application project number 05101 for Midland Villa del Arroyo. It is the highest scoring application in Region 12, yet it has not been recommended by TDHCA staff to receive an allocation of housing tax credits.

The closest competitor scored seven points less
than Midland Villa del Arroyo. In many regions this point differential would be considered a landslide. The problem in our region is the housing tax credits have gone to an at-risk project.

I plead here before you. We've done everything that could be asked of us with regards to TDHCA, the Legislature. We're the perfect example of TDHCA and the Legislature would like. We attend the briefing seminars, workshops that TDHCA puts forth. We are encouraged to apply.

But bottom line it's very discouraging that when you win the scoring application hands down, you still aren't recommended by the staff for allocation. And I can understand. Their hands are tied. So that's my case to you today. I would like to read a letter of support to you from the Speaker of the House, Tom Craddick, whose district this project is in.

It states, "A situation has come to my attention that significantly affects many residents in my legislative district. On April 1 you were provided with a letter of support from my office regarding the Midland Villa del Arroyo housing tax credits application."

"I am a strong supporter of the Midland Community Development Corporation and their efforts to..."
improve Midland community. I was pleased to see that
organization participate in the housing tax credits
program."

The letter goes on and on. But he has
submitted two separate letters of support strongly
supporting this application. I stand here before you. We
don't know what else to do to be able to get an award. As
I said, we've done everything that's been asked for us,
and we won the scoring round.

So that is my case. Thank you very much for
your consideration. Any questions?

MS. ANDERSON: Thank you, sir. Ms. Spears.

MS. SPEARS: [inaudible].

MS. ANDERSON: Thank you. Kelly Hunt. The
next witness is Gary Gum.

MS. HUNT: Good afternoon, Madam Chair and
Board. I actually filled out two witness affirmations,
essentially intended to defer part of my time to Mr. Diaz.

So I'm not sure what you have in front of you. But I
also am speaking regarding another application.

MS. ANDERSON: You have three minutes to speak.

MS. HUNT: My name is Kelly Hunt. I am a
member of the general partner of both the Creek Crossing
Senior Village, application number 05101, and the Terra
Blanca Apartments, number 05100. Honestly, when I was filling out my witness affirmation, I was not really sure whether to say for or against.

Obviously I'm for you guys approving my applications and against doing anything that would take them off the list. Before Executive Session when you approved the instatements of points for the Central Place Apartments in Hereford, I am the impacted application at this point because of that.

Now amazingly enough I don't actually disagree with you on instating Mr. Brown's points. Our applications, as many other people ahead of time, we received the same answer that Mr. Brown did regarding the Housing Finance Corporation issue.

We respectfully disagreed with that. Like many other developers we knew the rules. So we went ahead and included that as a potential funding source and then continued to argue the point. Staff worked great with us, and we finally came to a compromise.

We, too, have been before the Panhandle Regional HFC board. And while we do not have our final approval, they wanted to wait until we received an allocation before they voted on that. We have every reason to think that we will be approved.
What we'd like to ask you to consider doing today is -- your decision to instate points for Mr. Brown was right. But don't let that impact our applications either. The Texas panhandle has just seen a tremendous housing problem over the years.

Hereford as one community is seeing an unprecedented boom right now. Our market study analyst is here and has offered to provide you information if you want. The addition of 112 units to the little City of Hereford, Texas will not even remotely come close to meeting the need of the community.

They have thousands of new jobs coming in over the next years and literally nowhere for these people to live. Sixty percent of the teaching population commutes. No obviously a lot of teachers are not going to qualify to live in our property.

But it's our feeling that if we can free up some of the current rental housing for the lower income workers, then that's going to be a benefit to the entire City of Hereford and free up some of the housing as well. Additionally much of the current stock of the rental housing in Hereford and Canyon is just completely substandard.

Additional housing is definitely needed. In
addition to considering the tremendous need in these two communities, two other things to keep in mind. Conversations with the city manager and the mayor of Hereford indicate that they would like to see both applications funded.

The city manager's on vacation right now, so I can't tell you that I talked to him today to tell you that, but I can tell you previous conversations. They would love to see both applications funded. The Panhandle Regional HFC is also prepared to fund all three of our applications.

They realize that that was a potential. So when they decided to do this, they're prepared to fund all three applications in the local political subdivision money. So what we'd like to ask you to do is leave the current staff recommendations as is, so that those applications are funded, then issue a forward commitment for Mr. Brown.

I'm prepared to answer any questions.

MR. BOGANY: What project is yours?

MS. HUNT: I have two that are on the recommended list in Region 1:Rural.

MR. BOGANY: The one that you were just talking about.
MS. HUNT: Hereford is number 05100, the Terra Blanca Apartments.

MR. BOGANY: Okay.

MR. CONINE: What's causing the population explosion?

MS. HUNT: I'll tell you what, they have an economic development guide there who's an ex-football coach. That guy can talk anybody into anything. He's just amazing.

MR. CONINE: Football coaches have been known for that.

MS. HUNT: Feedlots are their primary industry there. But they have dairies. They have ethanol plants coming in. They have a big, new Wal-Mart that employs about 320 people, if I remember my numbers correctly. It's amazing.

I mean, that little town has not seen growth in 20 years. It's just absolutely booming. It's great to see, because we don't see that in the panhandle that often.

MS. ANDERSON: Thank you. Gary Gum. Then the next witness will be Tammie Goldston and then Granger MacDonald.

MR. MACDONALD: Thank you, Madam Chair and
members of the Board. My name's Granger MacDonald representing Landa Place Apartments, 05012, a seniors development in New Braunfels, Texas. I come to you today to bring to your attention an area that's fallen through the cracks in the Department's current policy of allocating tax credits.

According to the property inventory posted on the Department's website, there are no tax credit units whatsoever in New Braunfels or even in Comal County. The Housing Tax Credit Program has been in existence for 16 years and has reached almost every community in Texas.

However, the citizens of New Braunfels continue to get shorted. This is not for a lack of trying either. Over the years there have been several applications submitted for credits in New Braunfels, and none have been awarded. In fact this is our third consecutive for this same request.

This year two applications have been submitted but have managed to score every single possible point that could be gotten by either of the applicants. However, it's meaningless because they're both overwhelmingly outscored by the urban applications in San Antonio.

This year we were outscored by two applications of the housing authority and one at-risk project. There
is no for-profit developers receiving any allocation in Region 9 this year. The non-rural and non-metropolitan areas in New Braunfels are at a steep disadvantage under the current rules.

They neither have the benefits set-asides of rural applications, nor do they have the benefit of additional points from neighborhood organization and local financial participation such as HOME funds. Because these towns do not have organized neighborhoods or the ability to get these sources, we're just stuck.

We're not like San Antonio, which is our biggest competitor. Our third application for this project on the property -- and we get the same response every year. Go be present at the QAP hearings, try to change the QAP.

We've done this from year to year. We can't do anything else, and we can't continue to hold the property. We're going to have to be looking at alternatives for commercial development. We've got a doctor who's very interested in our property and interested in us building a clinic there.

Most for-profit, not for-profit developers would have given up on this a long time ago. But we believe in the need for affordable housing for this
community. And we believe the system can work for those who need it the most. The seniors in New Braunfels are those people.

Again I ask that the Board help these underserved area that have never received a credit like New Braunfels, and stop giving away more credits to the big cities which are already overbuilt in many ways. In your last meeting the Board expressed concern over concentrating tax credits in a single community or a single neighborhood.

If you truly feel this way, please reconsider the recommendation on this application. I ask you to take note of the three San Antonio deals that are in front of us. They both have had people comment on them today in a negative way. We ask you to consider New Braunfels, because it's never had a project.

MS. ANDERSON: Questions. I have a question. It seems to me that one of the barriers -- it seems to me, Mr. MacDonald, it would be more prevalent for some reason in this region -- I mean, I see deals in the Dallas region that are coming of Clayburn and other places that get up on the list.

But in this case in this region -- if I hear your right -- the lack of QCP points because you don't
have neighborhood organizations and the lack of local funding hurt your scoring relative to San Antonio.

MR. MACDONALD: Exactly.

MS. ANDERSON: Those are statutory requirements we're dealing with. So if somebody's just telling you to go to the QAP forums, I understand your frustration, because the Department's very limited with what it can do on the QAP to address a statutory situation.

So I guess my question is have you gone to the Legislature to point out the kind of barriers that these statutory scoring elements create in the geography you're talking about?

MR. MACDONALD: You're kidding, aren't you?

MS. ANDERSON: I'm just trying to illustrate that there's some --

MR. MACDONALD: The answer to that question is yes, we've been to the Legislature. We sit in about the same situation as school finance is today. I know it's within you all's power to do forward commitments for projects or for areas that can't be reached.

That's what I'm asking you for. I'm not asking you to knock off one of the San Antonio deals or to do anything like. I mean, they've earned their spot. But I think you all have got to use discretionary powers. And I
think it's in with your discretion to do a forward commitment for an area like this.

MR. BOGANY: Question. Other forward commitments is there any other way to solve this problem?

MR. MACDONALD: I think if the QAP was changed so that there was some sort of a rotating system where you took every fourth -- you do your urban area, your bigger urban area, but when you have an exurban area that's not rural, maybe every fourth award goes to one of these intermediate-sized cities.

That'd be the only way you could do it. The forward commitment sure worked today.

MS. ANDERSON: Ms. Goldston and then Justin MacDonald.

MS. GOLDSTON: Madam Chairperson, Board. My name's Tammie Goldston. Thank you for this opportunity to speak to you today on behalf of application number 05100, Terra Blanca Apartments in Hereford and 05101, Creek Crossing Senior Village in Canyon.

Both of these applications were recommended for funding by the staff in Region 1. However, as a result of you actions earlier today, that may change. And if it does change because of your decision regarding 05020, Hereford Central Place, we'd request that you give us the
same opportunity to increase our local political
subdivision points as you did him.


MR. MACDONALD: I think he said enough.

MS. ANDERSON: Thank you, sir. Gary Robinson, are you back in the room with us?

(No response.)

MS. ANDERSON: Okay. That is all of public comment on this particular item.

MR. CONINE: Can we go ahead and get, I guess, some of the changes that are made from what we have in the Board book by our actions this morning?

MS. JOYCE: Can I go get Brooke real quickly?

MR. CONINE: Yes. You can grab her if you'd like.

MS. BOSTON: I apologize.

MR. CONINE: That's quite all right. We just want to know what the revised list is based on what's happened so far.

MS. BOSTON: Okay. So far based on the appeal that you heard in Region 6, Olive Grove would have had 12 points added. That's project number 05198. By that action it should be added. That would move it back up above the line, so to speak, and to be recommended.
That in turn would drop back off Town Park phase II which is 05217. You'll note that the one below that is an at-risk, so that would stay on. The affect of that -- to kind of precursor this a little bit, you probably recall from your write-up that talk about percentage under.

That was one of the ways that we had decided which deals to add back. So as we were looking at the implications of the actions earlier today, we were checking to see if that percent under would change significantly to the point that might altered what we had added back.

In this particular case there is no impact based on that percentage. Then in Region 1, based on the added points for the Central Place, if you were to add that, that's Region 1 rule. You would add the 12 points back, which would give that application 05169. That would make it the highest scoring in the region.

So that development would be $280,145. Based on what's going on in that region, that would cause Terra Blanca, as Ms. Hunt pointed, to fall off and be not recommended. Those two actions together, between Region 6 and Region 1, would no give us a balance of credits of $862,000 roughly.
So even though we've already added a deal back in each of those, you wouldn't add an extra deal back in either of those, because the percentage under is not significant. So what we would do is -- if you actually look at page 5 of your memo -- we have a table that shows you which regions are kind of next in line based on the percentage under.

And we would be able to do the next one, which Region 6:Rural, project number 05179, the Villages at Huntsville for $589,000 in credits. We'd be able to add that one back -- or add that in as well.

MS. ANDERSON: I'm sorry. Could you give us the name of that development again?

MS. BOSTON: Sure. It's Villages at Huntsville, Region 6:Rural.

MS. ANDERSON: The Villages at Huntsville.

MS. BOSTON: Yes. And that would be added to the recommended list for the amount of $589,000, pending underwriting of course, as all of the ones that we would add into today would be conditioned on final underwriting.

MR. CONINE: And that leaves you with a balance of what?

MS. BOSTON: About $300,000.

MR. CONINE: It's close enough for me.
MS. BOSTON: And the next person you can see on the list of regions who would be next -- the next application down was for $575,000. So we could not go and do the next application.

MR. CONINE: Okay.

MR. BOGANY: In the rural what did you knock off? Region 6:Rural?

MS. BOSTON: Region 6:Rural is where we'd be adding Villages at Huntsville.

MR. BOGANY: Yes. I have a couple of questions, Brooke. Earlier in the public comment someone made a statement about that it seems like some of the regions are under-subscribed and there were tax credits that were available that were not being given out.

I heard one gentlemen -- which may have been the Villages at Huntsville -- that he was willing to take less tax credits to make his project work. Why is there some that we are under-subscribed? Can we just move those over to where we need to take them? Or is that against the rules?

MS. BOSTON: That is actually what we're doing. If you look at page 5, the table I was just referring to, what we have done is look at all 26 of the regional pots, so to speak. We say, here's what our regional allocation
formula says we should give to that region.

If we went under in each region -- just to be fair, let's say we went under everywhere -- how far under would we be as a percentage, because we don't want just play favorites on dollars to the big regions. So we look at the under percentage, and we put that in descending order in this table on page 5.

We said the places where we are the most under, those are the regions who are the most under-subscribed. Those are where we really need to make sure those credits get placed, so that we're as close to meeting our regional allocation formula as we can be, based on the reality of developments don't apply for the exact right amount.

That being the case, we've gone down and added in all the places we can until we've pretty much don't have many left.

MR. BOGANY: So based on the information that you've given us, is there any region that has tax credits left?

MS. BOSTON: No. They've all shifted elsewhere at this point. The balance of roughly $300,000 would be the only money left at this point.

MR. BOGANY: Okay. One other question. You know, we've changed the QAP to help exurban, smaller
cities that are near urban areas. Well, what happens when 
you have a city -- I'll use Huntsville as an example -- 
that's over 20,000.

But it seems as though now we use an ex-rule to 
help them for the cities that are just above that amount. 
I'm just wondering how -- I know it's not going to be 
perfect, and I think developers realize that. But is 
there any way to deal with people like Huntsville, just as 
we did -- where they are being caught in between the rule 
there?

And then you get a city like New Braunfels, who 
are missing points because they just don't have it there. 
How do we help those cities that have never gotten a tax 
credit deal versus the ones who continue to get them?

MS. BOSTON: Well, I mean, essentially, 
obviously it would be through next QAP when we would try 
to make some remedies. And actually Mr. MacDonald made 
very similar, compelling comments at our working group 
session that we had.

We've definitely taken that into consideration 
and have been trying to look at some ways of trying to 
equalize that and come up with ways where points might be 
attainable or some other method where those areas are not 
having this happen.
We're doing some research before we put the QAP out. But I don't have a super quick solution today.

MR. SALINAS: What's going to happen to Sierra Blanca on Hereford?

MS. BOSTON: Based on the recommendation that I just made to you from the actions earlier today, Tierra Blanca would not be recommended.

MR. SALINAS: Would it be eligible for forward commitments for --

MS. BOSTON: That's purely at your discretion. Anyone on the list that's eligible is technically eligible for a forward commitment.

MR. BOGANY: I have one more question.

MS. ANDERSON: Sure.

MR. BOGANY: Like the City of Hondo, we got $58,521. Can we find where we can find $58,521?

MS. BOSTON: The balance right now of unspent credits statewide is roughly about $300,000. It is not enough to do the next deal on the kind of impacted list. But the Board definitely can use that $300,000 however they would determine.

MR. SALINAS: You've got the application at San Juan Apartments in Region 11. Is that recommended?

MS. BOSTON: San Juan Apartments in San Juan --
MR. SALINAS: Yes.

MS. BOSTON: -- is not recommended. That's correct.

MR. SALINAS: So what are they asking for?

MS. BOSTON: They're asking for $800,000.

MR. SALINAS: That would credit. Right?

MS. BOSTON: They did not have a competitive enough score right now.

MR. SALINAS: Would they be eligible for forward commitments?

MS. BOSTON: Again any application on any of the lists is technically eligible for forwards.

MR. SALINAS: How about Tierra Blanca, Hereford?

MS. BOSTON: Same thing.

MR. SALINAS: What were they asking for?

$615,000.

MS. BOSTON: Yes. Tierra Blanca's $615,000.

MS. ANDERSON: I think what Brooke's saying is the Board has the discretion to grant forward commitments, not required to grant forward commitments. And those forces, if granted, come out of next year's buckets in those regions. So it means there's less money in that region next year.
MR. SALINAS: How about in Dallas area, what do you have that's coming off?

MS. ANDERSON: In the changes she just described there were no changes to the Dallas region. The changes she described are because of the appeals that we did this morning in Hereford and Olive Grove in Houston. So those were the regions that were impacted, plus the rural portion of 6, which became the next one in line to get an allocation on the current list, the way it sits.

MR. BOGANY: I have a question.

MS. ANDERSON: Yes, sir.

MR. BOGANY: Brooke, could you explain to me -- I'm in Region 13 right now, and I'm just curious. Just to help me -- that you have at San Elizario 05153 is not competitive in region and has a 167 score. But then you got with North Mountain Village which is 05060.

And it says, significant regional shortfall, and it's 164. It's a lesser score. Why would it not help San Elizario, which definitely probably -- they both probably need housing. But I'd probably say San Elizario is probably in more need. Why would that score not be above that one?

MS. BOSTON: That's a good question. We look at each of the subregions as 26 pots of money. So after
the legislation came through that said we had to look at
the urban/exurban and rural portions, San Elizario falls
in the rural Region 13. And North Mountain Village falls
in the urban/exurban Region 13.

So technically they almost look at that as two
totally separate pots of money.

MS. ANDERSON: And the shortfall was greater in
the urban piece.

MS. BOSTON: Correct. If you were to look back
on page 5, Region 13. If we had not done North Mountain
Village, that region would have been 40 percent under-
allocated. So that's why we added it.

MR. CONINE: Madam Chair, if I could. I
realize there's not a motion on the floor yet. But I want
to see if I can amend the list that we're currently
looking at. I know a lot of people may or may not be
aware of what's going on in Dallas, relative to some of
the issues regarding the housing programs there.

Under our desire to make sure that we have
credits and units available to people in Dallas in
affordable housing as quickly as possible, I'd like to
move that we have development 05171, Fairway Crossing
removed from the staff-recommended list, under the QAP
4910, allowing for the Board to not solely rely on the
points, but apply discretion that the Board currently has.

But however I want my fellow Board members to understand I don't want to stop this very good project completely. I'd like to ask that we take it up for consideration when we get to the forward commitment discussion a little later on today. So I make a motion we remove 05171 from the staff-recommended list.

MR. SALINAS: I'll second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. CONINE: Now how does that affect us?

MS. BOSTON: Okay. What will happen is in Region 3 we would add 05168, Lakeview Park, for $463,334 in credits. Even though that's a significant difference, it would still only cause that region to be under by 11.5 percent, so we would not add the next deal in Dallas.

However, that does free up enough in credits
that we then could go back to page 5 of the memo and --

MR. CONINE: Which one did you add now?

MS. BOSTON: Lakeview Park. And so then you
would go to the chart on page 5, and we could add in
4:Rural the next highest scoring deal there, which is
05184, Hampton Chase, for $575,000.

MR. CONINE: What region are we in?

MS. BOSTON: 4:Rural.

MR. SALINAS: It would be a regional 4?

MS. BOSTON: Yes.

MR. CONINE: Okay. And now how much does that
leave us?

MS. BOSTON: That leaves us, after all that
action, with $100,287. Hold on just a second. I
apologize. It would actually leave a balance of $435,142
in credits, which is not quite enough to do what would
have been the next region which is 13:Rural. 13:Rural
according to the chart on page 5 would have been the next
place we would do a deal.

However, the next application there is for
$587,000, plus or minus a little. And since we only have
$435,000, it's not quite enough.

MR. BOGANY: I'd like to make a motion that we
use some of those credits for the Hondo project.
MR. SALINAS: Second.

MR. CONINE: How much is the Hondo credits?

MS. BOSTON: Let's see. It's rural Region 9, Tuscany Court, $58,521.

MS. ANDERSON: And that's, as everything, subject to underwriting to verify the amount.

MS. BOSTON: Correct.

MR. BOGANY: So we don't have enough money yet to help the City of San Elizario.

MS. ANDERSON: You've got a motion on the floor for Hondo. Is there any more discussion or questions on that motion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. CONINE: Now we're down to like $375,000 probably.

MS. BOSTON: Yes. $376,621.

MR. BOGANY: One small question. Can I go back
to -- the City of San Elizario -- we still don't enough to do that. But if something falls out, they would be next line in based on what you said earlier.

MS. ANDERSON: Mr. Bogany, would you speak right into the microphone. Thank you.

MR. BOGANY: I'm sorry. In case that -- we don't have enough to do the San Elizario project at this point. But they are next in line. If something fell out, then they would move up.

MS. BOSTON: To clarify, yes and no. It would depend where the credits fell out from. If we were to get back returned cost cert credits, let's say, that were kind of statewide -- tiny bits here and there -- that adding to the $376,000 that we still have as a balance, got you up to what the applicant is underwritten at in San Elizario. Yes.

If however credits came back -- let's say in Region 3:Urban -- those credits would be reallocated in Region 3:Urban. They would not go to Region 13.

MR. BOGANY: Okay. One last question, then I'm through. Is it possible for say like a project like this, that the developer goes back and looks at and say, I'll take those credits that you can give me, and I think my project would work?
MS. BOSTON: Conceptually, yes. We tend not to -- historically we have not done that for several reasons. I think if you made that argument, then in each of these regions where we just went under and over, you probably could have the next person on the list saying, oh, I'd have scaled back if.

So it kind of starts this huge, trickle-down affect.

MR. BOGANY: All right. Thank you.

MR. CONINE: Madam Chair, I'd like to make a motion that we approve the amended, recommended list to issue commitments for allocation of housing tax credits to application under the 2005 application cycle.

MR. GONZALEZ: I second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. CONINE: Madam Chair, I'd also like to move
that we approve the waiting list for the 2005 application cycle that would be the balance of those that were submitted as applications under this particular cycle.

    MR. BOGANY: Second.

    MS. ANDERSON: Discussion.

    (No response.)

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

    (A chorus of ayes.)

    MS. ANDERSON: Opposed, no.

    (No response.)

    MS. ANDERSON: Motion carries.

    MR. CONINE: And we also need a motion to approve the HOME CHDO application 05189, Windvale Park in Corsicana for $1,500,000.

    There was a second one, I believe, Ms. Carrington.

    MS. CARRINGTON: $75,000 in HOME CHDO operating funds.

    MR. CONINE: $75,000 in HOME CHDO operating funds. What about the Hacienda one?

    MS. CARRINGTON: And then the Hacienda Santa Barbara, an increase in the amount of HOME CHDO funds, anc
increase in the amount of $114,799 for a total of $172,650.

MR. CONINE: I so move.

MR. SALINAS: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. CONINE: Did we need any action on the zoning and financing contingency one? That's just normal, isn't it?

MS. CARRINGTON: We don't -- I'd like to read it into the record, because when I went through it, I did not mention --

MS. ANDERSON: All right, you all, please leave quietly so the transcriptionist can get everything on the record. Thank you.

MS. CARRINGTON: We would like to put this statement on the record that in situations where local
financing and/or zoning is not substantiated by the
required deadline, approval to grant commitment notices
without first bringing the decision to the Board for
approval, but conditioned upon ratification of that action
by the Board at the next subsequent meeting.

This will ensure that the subsequent awardee
being allocated has time to proceed.

MS. ANDERSON: So read,

MR. CONINE: Duly noted. Can we take a five-
minute break?

MS. ANDERSON: Yes. Actually I told our
wonderful host with GMAC and Neuman Capitol [phonetic] and
everything -- they have milk and cookies at 2:00. But we
can take a break. We'll never do it in five minutes. But
let's say ten.

We'll really limit it to ten, and then we'll be
back with you. Thank you.

(Whereupon, a short recess was taken.)

MS. ANDERSON: We will take up 1(f) on the
agenda, discussion and possible approval of the issuance
of forward commitments for allocations of 2006 housing tax
credits from the 2006 ceiling. We'll have staff
presentation, and I do have public comment on this item.

Ms. Carrington.
MS. CARRINGTON: Board may consider to make forward commitments.

MS. ANDERSON: Nice to see staff presentation perfect. The first witness will be Annette Pegram and then Monica Poss and then Rachel Beers.

MS. PEGRAM: Good afternoon, Madam Chair, other Board members. My name is Annette Pegram, and I'm here on behalf of Parkway Housing, application number 05128, Rhias Oaks Apartments. During the May 26 meeting I read into the record denoting the unfair treatment of our application number 05128.

This allegation has gone unresolved without a formal response from the TDHCA staff. That letter reads as follows, and that's the letter that I presented again. It was addressed to Ms. Carrington.

"I would like to comment on a Department's decision that resulted in the unfair treatment of my application in the 2005 90 percent tax round. I am very concerned about the Department's treatment of applications regarding the scoring of quantifiable community participation from neighborhood organization.

"The Agency has permitted an upward adjustment in applicant's score after the submission deadline. The QAP clearly states the requirements for applicants to
receive the allotted points for each scoring criteria. On April 24 the Agency issued application 05029 a score of 13 points for quantifiable community participation with no noted deficiencies."

Included in that letter was the attachment that showed that the applicant was awarded the 13 points. "On May 12 the Agency reissued the applicant 05029 a score of 24 points under this scoring criteria.

"49.9(g)(2) of the QAP states that three reasons of support must be provided by the neighborhood organization by the submission deadline, in order for the applicants to receive the full 24 points. Neighborhood organizations receiving two reasons of support would yield 18 points to the applicant.

"And a neighborhood organization submitting only one reason would result in 13 points to the applicant. All indications are that the neighborhood organization supporting applicant 05029 only submitted one reason with his initial application, which warranted the 13 points initially received by the applicant and not the full 24 points that were reissued on May 12.

"Unfair treatment of applications jeopardizes the integrity of the application process. My application 05128 is not receiving a priority review as a result of
this unfair treatment. It is my belief that all applicants should be held to the same standard.

"If applicant 05029 felt he was deserving of a better score, it appears to me that he should have gone through the formal appeals process. But under no circumstances should he have been arbitrarily given the additional points.

"The treatment of applicant 05029 has resulted in my application not receiving consideration as a priority application and ultimately may impact its recommendation by the Board. It is our hope that going forward, the Board will restore our initial status and give our application every consideration for an allocation of tax credits.

"Thank you in advance for your help in resolving this issue. We look forward to any corrective steps that the Board may take to ensure the proper ranking of our application." It was signed by our general partner, Ron Pegram.

Although the TDHCA staff posted to its website resolutions of other allegations and indicated to the Board that all allegations had been resolved, the unfair treatment of our application remains unresolved with no formal response from the staff.
Just as we predicted in the May 26 letter, as a result of this unfair treatment application 05029 has been placed and awarded the credits. And our application has received no further consideration. The decision to arbitrarily upwardly adjust the score of application 05029 without a formal appeal puts the integrity of the application in jeopardy and is an injustice to our development team.

While we feel our application is deserving of an allocation of credits this year, we are requesting that in light of this decision, we be issued a forward commitment in 2006. Thank you. Are there any questions?

MR. BOGANY: What's your application number?
MS. PEGRAM: 05128.
MR. BOGANY: What region is that?
MS. PEGRAM: Region 3.
MR. BOGANY: And what was the one that you were saying there needed to be -- 052-?
MS. PEGRAM: 05029, Cimarron Springs.
MR. BOGANY: Okay. In the same region.
MS. PEGRAM: In the same region.
MS. ANDERSON: Mr. Bogany, if you could put your mike right in front of you? Thank you.
MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Thank you. Ms. Poss and then the next witness will be Rachel Beers.

MS. POSS: Thank you. I'm Monica Poss. I represent the National Farmworkers Service Center. It's a national nonprofit building for Latino communities. I'd like to address the way the staff allocated the last few awards, specifically with regard to looking at under-allocations.

This year the staff looked only at which regions were most under-allocated with funds in deciding which other developments to fund. I know there's no simple way of looking at it, but that was a simplistic way of doing it.

We believe that the staff should also look at over-allocations in regions. This year the way the allocations were done, the last few developments resulted in two regions being over-allocated, almost double the amount of the initial recommendations for those regions -- one region by 84 percent more than the recommended amount, and one region by 74 percent more than the recommended amount.

If a different approach had been taken and
over-allocations had been taken into account as well as under-allocations, there are four regions that would not have been affected adversely. My specific concerns are with regard to the Rio Grande Valley, because Region 11:Rural and Region 11:Urban/Exurban were both affected adversely by looking at only under-allocations.

So I'd specifically like to request forward commitments for a project that I represent, which is Casa Edcouch in Edcouch, Texas, Region 11:Rural -- that's number 05191 -- as well as the other development in the Valley that was impacted in San Juan, San Juan Apartments, Region 11:Urban/Exurban. And that project number is 05241. Thank you. Questions?

MS. ANDERSON: Thank you. Rachel Beers. The next witness is Ron Anderson and then Barry Palmer.

MS. BEERS: Good afternoon. I'm here representing Rafino Contreras Affordable Housing. I'd like to thank you for the opportunity to address the Board this afternoon. I'm here to speak in support of Casa Edcouch which Monica Poss just addressed. And that's number 05191.

Edcouch, Texas is in Region 11:Rural, and it is a community that is in great need of housing for families. Almost half of the community's families live below the
poverty level. The median household income for community
is less than half of that as Texas as a whole.

Since 1998 no family rental housing units have
been added to the area, with the exception of Delsa
Estates built in 2000, adding 64 units to the rental
housing market. Meanwhile the population of Edcouch has
grown by almost 1,200 since 1998.

Looking at household growth, it is estimated
that more than 300 units will be needed over the next year
to fulfill the demand. Casa Edcouch will contribute to
finding the solution to the area's affordable housing
shortage.

So please consider a forward commitment for
this development in Edcouch, Texas. Do you have any
questions?

MS. ANDERSON: Mr. Anderson and Barry Palmer,
then DeePak Sulakhe. Thank you, Mr. Anderson.

MR. ANDERSON: Good afternoon. My name is Ron
Anderson. Members of the Board and Ms. Carrington. I
come here this afternoon to speak on project number 05119,
Las Palmas Gardens, which is located on the west side of
San Antonio in Region 9.

Their application was for rehab of this at-
risk, 100-unit, 35-year old property. The property serves
extremely low, very low and low-income families. And it's unique in that it holds a Section 8 contract, and it's got a 20-year commitment in the Section 8 contract. You'll be able to continue to service those families for that period of time.

Our nonprofit housing and community services is familiar with urban progress. The nonprofit owners of Las Palmas Gardens, they have the same mission as ours, which is the preservation of existing at-risk Section 8 housing. This afternoon -- you all are aware that the Region 9 applications were very competitive.

The score for Las Palmas may make it the highest-scoring, non-recommended, at-risk property in the state. So all I'm saying is that should once everything falls out and is settled -- should there be funding available for at-risk projects, I think this one is very deserving of your consideration.

If there is not anything left for at-risk projects, I would speak in favor of a forward commitment for this project. They are a good group of folks and deserving of your recommendation, consideration. Thank you.

MS. ANDERSON: Thank you, sir. Mr. Palmer.

MR. PALMER: My name is Barry Palmer, and I'm
here to speak on behalf of number 05171, Fairway Crossing in Dallas, which was on the recommended list until it was taken off recently. It has been on the recommended list for some time now all along -- a very high-scoring deal with a tremendous amount of support from the city and from the city council.

It received approval from city council. Presumably the reason it was taken off relates to the controversy regarding Southwest Housing and the fact that their offices were subject to a search warrant by the FBI in connection with an ongoing investigations of the FBI's Public Corruption Unit.

But it's important to note that Southwest Housing has not been charged with any crime, have not been notified that they are a target of any investigations. And the QAP really deals with the issue of ineligibility of project developers.

That would be if the developer were convicted of something wrong. Merely being subject of a search warrant and have some newspaper stories written about it is not grounds for being ineligible under the program. We would respectfully request a forward commitment. Thank you.

MR. SULAKHE: Madam Chair and the Board, I'm
DeePak Sulakhe with Southwest Housing. I'd like to thank you for giving me this time to talk about project 05171, Fairway Crossing. I just want to present some facts that this is a much-needed project.

It had scored the full points for the neighborhood support as well as for the elected official support. We also have soft funds commitment from the City of Dallas, which was approved by city council. We have city council approval for twice the state average. This is a much-needed project, as evidenced in the application.

It will go a long way in revitalizing the neighborhood as we have presented. That project is completely shut down right now. We are going in there to do a substantial rehab of that project. As of now it has a lot of crime and prostitution which we are in the process of cleaning up.

We would strongly recommend that the Board look at this favorably and we be given a forward commitment on this project. Thank you.

MS. ANDERSON: Last witness Mr. Robert Joy.

MR. JOY: Good afternoon. I'm here to speak specifically on project 05241, San Juan Apartments. Prior to this year the City of San Juan has never received an allocation from TDHCA. That's the only city in the valley
area of more than 20,000 population that has never received one.

It's one of only 36 cities in the State of Texas with more than 20,000 people that's never received an allocation. This year you've awarded an allocation to a rehab project for 86 units. However, this goes nowhere need they have for affordable housing.

Part of the reason they've never received an allocation is the number of applications have been limited, because the QCT area does not include any area where there is already services. This year's QAP allowed us to put in an application with 60 percent units and were able to put together a feasible project.

With the addition of those 86 units, they will still only have one housing tax credit unit per 280 residents, compared to one per 80 average for Pharr, Weslaco, Edinburgh, Mission, Mercedes, Alamo -- all of the cities immediately adjacent to the City of San Juan.

The City of San Juan has supported this throughout as evidenced by last month there being representatives from city council. They were not able to be here today, because they had a meeting with the state comptroller yesterday in San Juan. So they were unable to be here.
Representative Martinez has consistently supported this project. We respectfully request a forward commitment for $800,000 for San Juan Apartments 05241. Tk.

MS. ANDERSON: That includes the public comment for this agenda item.

MR. BOGANY: I have a question. It's in regard to staff. The young lady on 05128 that said she had dropped off a letter. I just wanted to hear staff's response on that. I should have mentioned it then.

MS. BOSTON: We definitely have had no communication on that one. To be very candid between Anne and I we don't have any recollection of having a letter making that allegation. Had we, we of course would have handled it as a formal allegation, as we did with all the other ones.

That being said, we responded to their email. The explanation of this is one that -- in their original QCP letter -- we sent them a scoring notice saying, you've been scored a 13 -- so one point above the average. In turn they [indiscernible] neighborhood, came back and said, we actually think you misread our letter.

We think it was three reasons. Please rescore it. So while it wasn't a formal appeal under our appeals
process, it was the right avenue for the neighborhood to take. So I think the right process was followed. We did go back and reevaluate what they had said in their follow-up letter, how they explained that.

Their one sentence was "three reasons." We talked about it with our attorney. We discussed the definition of a comma and what that means and did conclude that there are three reasons. Staff basically, prematurely had thought that one sentence was one reason, and indeed it was three reasons.

So the score adjustment was correct scoring adjustment, we believe.

MR. BOGANY: So you've already corrected it based on what they thought should have been scored.

MS. BOSTON: Correct. Ms. Pegram, who was speaking, thinks that it should not have had the scoring adjustment from 13 to 24. But staff feels that was an appropriate scoring adjustment.

MS. ANDERSON: She's appealing the score given to another applicant, not her own score.

MR. BOGANY: All right. That's what I wanted to know. Thank you.

MR. BROWN: Madam Chair, I wasn't signed up to speak at this time, but [inaudible].

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MS. ANDERSON: That would be fine. If you would approach the podium, that's fine. Just fill out another witness affirmation form for me.

MR. BROWN: I'm Rick Brown. Earlier today we had a project in Hereford. As you know it displaced the other Hereford project. Ms. Hunt spoke to that and did state that her project was -- she felt the city would handle both. I agree.

I would think that it would be -- they're going to submit that thing again next year. It's going to get built one way or the other. I'm from Hereford. It's my hometown. I know everybody in town. She's right when she said the city would like to see both projects.

If it's within you all's discretion to give forward commitment to her, I would support my competitor's project.

MR. CONINE: Madam Chair, I'd like if I could -- I generally believe that forward commitments are used for exceptional or extenuating circumstances. Today I'd like to move that we write a forward commitment for the 2006 cycle under 49.10(c) of the QAP for project number 05171, Fairway Crossing, on the condition that the project, after the investigations surrounding the developer on this project in the City of Dallas are
resolved, come back to this Board for approval prior to the 2006 carryover deadline.

This unusual set of circumstances call for the Board to use our discretion to look beyond the numbers, so to speak, and to do what's best for the affordable housing community as a whole. Our interest is in making the process fair to applicants and protecting the public confidence in our award system.

If we take this action today I believe these interests will be balanced, and both the developer and the public are protected. This balancing requires us to take the project off the award list. But I think it also requires us to support it as a forward commitment going forward. I so move.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.
MR. SALINAS: Madam Chair, I would like to see if we could do some forward commitments for San Juan Apartments and Casa Edcouch --

MR. CONINE: Which one is that?

MR. BOGANY: -- being that San Juan has never had a real application and so is Edcouch with a very, very low housing -- I don't know if it's proper to do the forward commitments to those areas in Region 11.

MS. ANDERSON: That motion would be in order.

MR. GONZALEZ: I second it.

MS. ANDERSON: Okay.

MR. CONINE: Which one is he doing now?

MS. ANDERSON: Both of these are in Region 11.

MR. SALINAS: Region 11.

MS. ANDERSON: And you understand that will reduce next year's allocation.

MR. SALINAS: I understand, and I understand the need that they have in those two areas, being that I am from over there.

MR. CONINE: What was it now? What was his motion?

MS. ANDERSON: I'm sorry. The two developments -- San Juan Apartments which is 05241.
MR. SALINAS: And Casa Edcouch, which is --

MS. ANDERSON: So one's rural, and one's --

what's the number on Edcouch, please.

MS. CARRINGTON: Edcouch is 05191.

MS. ANDERSON: We have a motion on the floor

that has been seconded.

MR. CONINE: Madam Chair, I would like to speak

against the motion, not that the projects aren't worthy, as I'm sure a multitude of others would be. But it again

sets a precedent and opens the door that concerns me relative to our process for 2006.

I think as we experienced in the last couple of years anyway, it has, I think, been to the betterment of the entire affordable housing community to let these chips fall where they may in years --

MR. SALINAS: Well, I agree with you, Mr. Conine. But we just supported a project's forward commitments in Dallas, which I think -- we gave them some forward commitments, but we got [indiscernible] commitments.

I think that is something that I kind of didn't want to support, but I did support just to keep the unity here with the Board. These two projects in the Valley are projects that are needed. I'm sure we're never having the
right amount of projects that we need in the Valley.

   I know that the area would justify it. It's
all in Region 11. It's not coming to Region 3, which I
think that it's letter that we got from the mayor. I
think it's public record that justifies us not doing what
we did in Dallas.

   But this is no controversy that we have in the
Valley. This is something that is needed. I just don't
think that it's right for you to be speaking against the
motion that I'm making for something that is so much
needed in the Valley.

   MS. ANDERSON: Mr. Bogany.

   MR. BOGAN\NY: I typically agree with the Mayor
on a lot of things, and I definitely believe San Juan
probably deserves a project, Edcouch. But I could also
say the same for San Elizario. But I could also say the
same thing for New Braunfels who's never had a project and
continues to be shut out.

   The concern that I have with Mr. Conine is that
if we open the door that we continue and then next year we
risk -- the ball just starts rolling, and we're shorting
ourselves each year in forward commitments. I'm against
forward commitments, period, personally.

   MR. SALINAS: Let's not do any then.
MR. BOGANY: What I'm saying, Mr. Mayor, we took Dallas off -- the Fairway project was a project we took off that scored. And we just made a decision it would be best to take it off. So I don't have a problem giving them a forward commitment, simply because we took them off.

They had already won the commitment. These other projects did not score high enough. I guess that's what my concern is. I just don't want to open the door, because I'm sure we could do it in San Elizario for the same reason, they truly need it. It's a colonias area. They don't have any housing.

So I don't know. It just keeps the ball rolling. I would rather use it for extreme circumstances versus just doing it because we all agree with you that it's a project to do. But use it for particular reasons. The only reason I voted for the last one was because we took them off. They won, and we took them off.

MR. SALINAS: We also have a letter from Mayor of Dallas I think that tells you the she does not want any more projects in Dallas right now. I think that's public record. I still went along with it. I still went along with doing the forward commitments.

That is something that I'm asking for. If you
all want to vote against it, that's fine. I just want to live with myself and what I'm trying to do here. If you all don't agree with forward commitments, let's do away with all of them.

Let's do away with Dallas, and let's do away with San Juan. Let's do away with Casa Edcouch. Let's not do any more forward commitments, because doing away with Dallas is going along with the Mayor of Dallas.

MS. ANDERSON: Any other discussion?

(No response.)

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

MR. SALINAS: Aye.

MR. GONZALEZ: Aye.

MS. ANDERSON: Opposed, no.

MR. CONINE: No.

MR. BOGAN: No.

MS. ANDERSON: No. The motion fails. Agenda item 2(a).

MS. CARRINGTON: It's actually 1(g).

MS. ANDERSON: Sorry.

MS. CARRINGTON: Item 1(g) is the issuance of determination notices on tax-exempt bond transactions with
other issuers. The first listed for the Board's consideration is Sundance Apartments in Texas City. This application has been postponed until next month's meeting.

So the other one for the Board's consideration is North Oaks Apartments in Houston. The Houston Housing Finance Corporation is the issuer on this particular bond issue. So what they are requesting of the Department is an allocation of credits in an amount that is different than your agenda.

That amount is $469,074. That is the amount that's in the write-up and is in the tax credit profile and Board summary. This transaction is an acquisition rehab. It was built in 1976. It's approximately 84 percent occupied.

On page 2 of the write-up from the tax credit staff you will see a number of conditions related to the approval of the tax credits on this transaction, some of them not unlike what you would see on a rehabilitation. Others -- the first one, number 2, the Board needs to weigh the section of the QAP that requires receiving all submission of documentation 60 days prior to the Board meeting.

We are also looking for a revised permanent loan commitment that would reflect the increase in debt
that they have told us to expect: copy of the release of
the lien of the property on updated title commitment,
testing on lead-based paint, no environmental issues that
would exist on the site that would cause us to not
recommend this transaction, also acceptance and review of
the 30-year replacement reserve analysis that would be
performed by the property condition assessment provider.

And we're also looking for documentation of the
seller's original acquisition price plus holding costs.
So I will remind the Board that as the transaction close
and as we have conditions to close them, that all of these
conditions must be met before the transaction closes and
they actually receive the allocation of tax credits.

So staff is recommending for this transaction,
North Oaks Apartments in Houston, $469,074 in tax credits.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.
MS. ANDERSON: Motion carries. The next item for the Board's consideration is to approve the final rules for our multifamily housing revenue bond program, the private activity bonds for multifamily. The Board on May 26 approved the draft of the multifamily housing revenue bond rules.

They were then published in the Texas Register. We did hold one public hearing related to the revision of these rules. We had one person attend the public hearing, but no one spoke at the public hearing, and no one provided us any written comments on these rules.

The reason you look at these rules prior to looking at the other rules of the Agency is that we will be taking applications for the 2006 lottery in early September. So these rules must be in place so that developers can begin to identify parcels of land and prepare to make applications to the Board.

There have been some editing changes, some administrative changes that were very minimal that were made to these rules from the time the Board saw the draft. We are recommending approval of the final rules for our multifamily mortgage revenue bond program.

MR. GONZALEZ: I move for approval.
MR. BOGANY: Second.

MS. ANDERSON: Discussion.

MR. CONINE: Is there any public comment at all?

MS. ANDERSON: No. There was none during the comment period, nor any written. Hearing no discussion, I assume we're ready to vote. All in favor of the motion, please say, aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The next two items for the Board's consideration -- item 2(b) is proposed issuance of multifamily mortgage revenue bonds and 4 percent housing tax credits with TDHCA as the issuer. The first one Providence Mockingbird.

This is a combination elderly transaction and family. So it's also a combination of acquisition, rehab. The amount of bond requested is $14,360,000. And the credit recommended amount is different than what is in your write-up. It's $811,971.

As you heard earlier, this is an interesting combination of 155 units in an old hotel that would be
one- and two-bedrooms. And those would be the senior units. And then the new construction would be 96 units that are the family units, or what we call the general units, in this transaction.

Behind tab 3 you will see the housing tax credit program write-up on this transaction down at the bottom. We've provided you the summary of support and opposition. I would like to note that from legislators or local officials, Senator Royce West was indicated as no comment. And we do have Senator West on record as opposition to this. And also we do note that we did receive one letter of opposition for Senator West. That was also noted on your write-up to the Board. The Department did receive letters of support from Representative Anchia, Representative Woolens, Commissioner Mayfield, Commissioner Price and Council member Loza. So we do note that.

Again the credit amount would be $811,971, not what was mentioned on your write-up. The next page, page 2 of 2, from the tax credit program on conditions to commitment, we are looking for an opinion of council indicating that the proposed development will not violate their housing laws.

The Department has identified a potential issue
related to the mix of elderly and family. What we are
also saying is why we want to see a copy of that opinion,
that that opinion has to be acceptable to the Agency. It
is not just a copy of an opinion.

We also are looking for some documentation from
TCEQ that the renovation has been reviewed by an
environmental inspector and is acceptable. We're looking
for current financial statements from the guarantor. At
the public hearing we had 12 people in attendance.

We didn't have anyone opposing the transaction
at the public hearing. We had eleven supporting, and we
did have six that spoke. So with that the Department is
recommending the issuance of the bonds in an amount of
$14,360,000 and credits of $811,971.

MR. SALINAS: Is this the one the Senator was
opposing?

MS. CARRINGTON: Correct.

MS. ANDERSON: I have public comment on this
item. Mr. Matt Harris.

MR. HARRIS: Madam Chair, members of the Board,
good afternoon. My name is Matt Harris with Provident
Realty Advisors, the developer for this project. Earlier
today Senator West made some comments. Just wanted to
clarify a few things.
Other than the opposition from Senator West, we've not had any opposition at all, either from a neighbor or an individual or an elected official. We've had tremendous community and political support for this project.

I've attended numerous neighborhood meetings. At the TEPR [phonetic] hearing we had four neighborhood groups attend that meeting. A representative from those groups spoke in favor. We had the Love Field West Crimewatch Association. We had the Arlington Park Crimewatch Association, the Botman [phonetic] Crimewatch Association and the Stemmons Corridor Business Association all speaking in favor at the TEPR hearing.

In addition to that those groups attended a Dallas neighborhood meeting that's required by the City of Dallas. We've been invited to several other neighbor meetings. As the interest level and support grew for this project, it kind of took a life of its own.

Of all the neighborhood meetings we had, we had tremendous support for all this and not one person opposing it. In addition to the neighbors, we had support letters from five elected officials, which include Representative Anchia, Representative Woolens, Commissioner Mayfield, Commissioner Price and City
Councilman John Loza.

The project is located in Councilman Loza's district. The city council voted to approve the resolution unanimously and including Mayor Lloyd Miller, voted in favor of the resolution at the city council hearing.

We've also had a petition signed in support with 73 signatures on it in support of the project. Again, didn't have any oppositions. As Ms. Carrington explained, this project is 100 percent affordable housing.

There's no market-rate units.

It's approximately 60 percent seniors, 40 percent families with the seniors being in the hotel portion of the project, which a hotel that's vacant right now. It's not in operation. It's an eight-story hotel. The seniors will be limited to that hotel facility -- or the renovation of that facility -- and will be separate from the family apartments, which will be in 3-story garden buildings that surround the tower.

We've gone to great lengths to make sure we have separate leasing offices, separate management offices, separate amenities, secured access to separate areas, and distinction between the seniors versus with families with separate marketing and identification of
each area.

We're very excited about this project, as well as our neighbors who supported us and political officials. We're very excited about and respectfully request approval. Thank you.

MS. ANDERSON: Thank you. Terrific.

MR. BOGANY: Why did you change it from an all-seniors project to a mixed-use project?

MR. HARRIS: Well, it never was an all-seniors project as a bond deal. Early on it was considered as a 9 percent deal as an all-seniors. It worked out better that way. We felt that it was important, that we're targeting the market better adding the families.

We met with Commissioner Price, and he underscored he's got 7,200 full-time employees working around the medical district. Targeting families would be a key need. So we felt like we were meeting the market demand by keeping that family.

MR. CONINE: Are you taking the appropriate precautions, being that Mockingbird's a pretty busy street, for the family portion -- keeping the kids corralled so to speak.

MR. HARRIS: Yes, sir. We have, like I said, secured access. Many areas are fenced off separately.
Seniors have their own pool; the kids have their own pool. These are elevator accesses and interior corridor for the seniors. So the seniors are in a kind of contained building, where they have their own access and their own amenities, their own fitness center, senior activity center. So they'll be separate.

The kids will live in the family units in completely separate buildings with their own set of amenities. You know, we have a lot seniors that used to live in our regular family projects. I think some of our projects had as many as 15 percent seniors living in them. So in a lot of instances it's a real symbiotic relationship that's beneficial to both groups. So we feel it's a very positive situation. Yes, sir. We will keep it separated.

MR. CONINE: That was going to be my next question. We, I think, another project come through earlier, where it was a phase II. I think the phrase was "grandparent mentoring" was going to occur. Have you provided in the social programs or activities for the residents the interaction that may include grandparent mentoring in this case?

MR. HARRIS: Yes, sir. We are very interested in having a program where a elder or a senior could mentor
the younger generation as part of the social service program. We may give a rent discount for a mentoring program or something. We think it'll be a great opportunity to do that.

MR. CONINE: Thank you.

MS. ANDERSON: Any other questions?

MR. SALINAS: Why would the Senator be so much opposed to it? He said that you all had made a commitment to him there was going to be all elderly. Then in the middle of the road, did you all just change your mind and kind of divided it between seniors and family.

MR. HARRIS: When it was a 9 percent deal, it was originally going to be all seniors. But as a bond deal we didn't do it all as a seniors deal. I'm not sure. I mean, we wrote the Senator a letter. I toured the facility with his representative, Roger Jones, and talked to him.

We tried to work it out. He was unavailable to get with us. I'm not sure why he's concerned about the mix between seniors and families. But that's the reason that he's been getting.

MR. SALINAS: Well, somebody should be concerned about that, because it really doesn't mix. This is why you have a lot of senior projects by themselves. I
don't know why you would want to do that.

MR. HARRIS: We think it mixes great.

MS. ANDERSON: Any other questions for this witness? We have two more we can take a run at.

MR. HARRIS: Thank you.

MS. ANDERSON: Thank you, Mr. Harris. Jeff Spicer.

MR. SPICER: Thank you. I'm Jeff Spicer with State Street Housing Advisors. I worked extensively with the developer on this project. Specifically looked at inter-generational projects across the country, trying to find the right mix and how to put this project together.

We really see in other communities where what's call inter-generational housing can really be a benefit to both the seniors and the families. We see projects today where you have a senior project, and they're right next door.

We want to have that and just have them interact in a way that's appropriate. I think we're looking at that in all the services and programs that we've used. And I think we've our homework as far as the fair housing aspect.

We've made sure that we are marketing separately and targeting populations separately, and
really think that there's some huge benefits that can be gained from having the two populations next to each other -- seniors providing mentoring as was mentioned, and families that provide that emotional support that's sometimes needed by the seniors.

We've seen other senior projects where seniors feel very isolated, and we want to make sure that this is not the case here, where the seniors are really involved in the community and stay involved in the community. I think that's what we've tried to provide here.

MR. BOGANY: Has this worked anywhere else?

MR. SPICER: Yes. There's a number of cases of inter-generational housing all across the U.S. Texas is unfortunately one of the states that we think is lagging behind in this area. There's numerous cases.

I saw an article the other day on inter-generational community in Saint Louis, Chicago, Miami, New York, some of the major metropolitan areas where this is -- we see this as kind of being the wave of the future of really keeping the two populations integrated into the community.

MS. ANDERSON: Any other questions for Mr. Spicer? Thank you. Mr. Palmer.

MR. PALMER: My name is Barry Palmer, and I
represent the developer on this transaction. I think the developer did a very good job of explaining the project. Really the only point that I wanted to reinforce is from the elected officials on this transaction.

This project is zoned multifamily, which is always an issue that the Board looks at. Then have you gone through the appropriate approvals at the local level. Here because this a two times per capita in Dallas, we're required to go to city council and get a resolution in favor of the project, waiving the two times rules.

We went to city council. Senator West certainly made his views know to city council, and they considered them. But the project had so much community support and has so much going for it in the opportunity to renovate an abandoned hotel, that city council approved this transaction unanimously.

The mayor supported it. Really as you've seen in your letters, all the elected officials have supported this transaction, except for Senator West. So we ask the Board to support the transaction and to reaffirm what the city council has approved. Thank you.

MS. ANDERSON: Thank you. Questions for Mr. Palmer? That's the end of the public comment on this development.
MR. CONINE: I have a question of staff, if I might. I guess Tom Gouris maybe. On the condition of commitment number 3 it says, a copy of the easement granted to the Waffle House might have a detrimental affect.

Can you tell me how that might work? I've never understood how a Waffle House could have a detrimental affect on this?

MR. GOURIS: Tom Gouris, Real Estate Analysis.

I believe we weren't clear on how that easement overlaid with where they're putting the new units, and we wanted some clarity on that.

MR. CONINE: Thank you. Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

MR. SALINAS: No.

MS. ANDERSON: Motion carries.

MR. SALINAS: I would vote no.
MS. ANDERSON: I'm sorry.

MR. SALINAS: I would vote no.

MS. ANDERSON: Okay. For the record the Mayor votes no. Tk.

MS. CARRINGTON: Madam Chair, if I may, Resolution number 05061.

MS. ANDERSON: Thank you, Ms. Carrington.

MS. CARRINGTON: The second item for the Board's consideration with TDHCA is the issuer of tax-exempt bonds and also for the allocation of tax credits is Plaza at Chase Oaks which would be located in Plano in Collin County.

It's a proposed elderly development. It would be new construction. It's a total of 240 units. The tax-exempt bonds would be an amount of $14,250,000, and the tax credits of an amount of $649,878. Behind tab 3, you have the tax credit program summary sheet.

Down at the bottom on public comment we did not receive mailed letters of support or opposition -- from citizens, legislators, basically no comment on this transaction. Behind tab 6, the underwriting analysis, there were really only two conditions, which are the terms and conditions that you see on every transaction.

That is, should the proposed debt change, that
the transaction would need to be reunder-written. I'm sorry. That first condition is one that is somewhat a little bit different. We're looking for a settlement statement that shows the original site cost of the proposed site by the lessor. That's a condition of the report.

Behind tab 9 you have a summary of the public hearing. Four attended, four neutral, four spoke. Staff is recommending the issuance of the tax-exempt bonds and the allocation of tax credits.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MR. CONINE: Resolution number --

MS. CARRINGTON: Resolution number 05060.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The next item for the Board's
consideration is Item 3(a). This is an item that was tabled by the Board at the June 27 meeting. This concerns a prior HOME CHDO award to the City of Kaufman. You all remember that this award had actually been made in 1996.

Fairly soon after that the homeowner, when they had their home reconstructed, complained of foundation difficulties. They had involved HUD. HUD has specifically requested that the Department assist the homeowner as expeditiously as possible.

We have put this on the agenda at a new award, because we do not have currently have a contract with the City of Kaufman. If you remember when you looked at it back in June, I think the amount was for $50,000 with the administrative funds.

We did issue as you all requested. That was get an appraisal of this property. I believe that appraisal came in at about $35,000. So what we have done -- actually Kaufman appraisal district says $37,270.

Our recommendation for you today is project funds in the amount of $25,032.

And we are not recommending any administrative funds. These funds will actually come out of the obligated HOME funds. I think I might have said a minute ago, they're CHDO, and they're not. This will come out of
deobligated HOME funds. We did have sufficient dollars to do that.

Staff is recommending that the Board approve this and provide these dollars to the City of Kaufman so that this home can be repaired.

MR. SALINAS: Will it be repaired with $25,000?

MS. CARRINGTON: Yes, sir. We did have an estimate of the work to be done. And that estimate was about $30,000. The difference between the $25,000 and the $30,000 is they included some costs in the $30,000 estimate that are not HOME-eligible costs.

MR. SALINAS: Okay. So moved.

MR. CONINE: I second.

MS. ANDERSON: Thank you. Discussion.

MR. BOGANY: We will have inspections done on this before we pay the money, I'm assuming.

MS. ANDERSON: Yes, we will. Discussion.

Other questions.

(No response.)

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

(A chorus of ayes.)

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

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The last item considered for the Board's action this afternoon is the approval of our market rate program. The Board did discuss our market rate program at the July 14 Board meeting. You have previously approved the structure of the program.

What you asked us to do was come back to you with a fee schedule that had been set and determined in this program. So we have done that. If you will go to page 2 of the program term sheet, which is included behind the write-up, you will see in the fee section where we have outlined for you the fees that will be charged in the program. Exhibit B is the summary of program fees.

We are requesting your review and final approval if the market rate program, so that we can begin offering it August 1, which is next week.

MR. GONZALEZ: So moved.

MR. CONINE: Second.

MS. ANDERSON: Discussion.

MR. BOGANY: I have one question. I was talking to staff earlier about this. I just wanted to know if there was any way -- I don't want to hold this up by any deal. I wanted to make sure that any bank or
mortgage company participating in this program would make sure that they set the tax rate and they collect for the correct tax amount on this program.

So if the tax rate is 3.0, that they'd be required to escrow at least what the stated tax rate is. It may not be exact, but at least the stated versus the land value situation on this, because the people getting 8 percent, they're moving in for less money.

Being able to tie this, that we can have some responsible home ownership so we don't get a foreclosure.

MS. ANDERSON: We need to make that -- can staff just assure us they're going to incorporate that. Or do we need some sort of an amendment to the motion that's on the floor.

MR. PIKE: Eric Pike, Director of Single Family. We talked with Mr. Bogany earlier about this. We're going to do some research and visit with our legal counsel on it to ensure that we can do something like this.

We told him that we would give him a report back on our ability to accommodate what he wants us to do.

MR. BOGANY: I don't want to hold the program up. I just don't -- if there's new construction, I just
want the homeowner to have the right taxes escrowed with their monthly payments, versus them doubling their payments a year from now, and we have a possible lose a house.

MR. PIKE: What we'll try to do is come back at the August 19 meeting and hopefully be able to give you an update.

MR. BOGANY: Okay.

MS. ANDERSON: Thank you. Any other questions or discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries. Ms. Carrington, the executive director's report.

MS. CARRINGTON: One item under the executive report, and that would be item number one. We are still in the information-gathering mode on item number 2 which is supported housing analysis of outside counsel and also what other states are doing.
Set a brief report to you on the colonia model subdivision program. You will remember that we brought you a program in May that the Board did approve. This is a legislative mandate that's been in our legislation. And we have been jointly working with the Office of Rural Community Affairs to try in with their infrastructure program and use their infrastructure dollars and also some of our HOME dollars to accomplish this legislative mandate.

The program is designed to promote the development of high new quality residential subdivision or in-field housing to individuals and families that have extremely low and very low income. We have met with county officials.

We've met with nonprofit and with TDHCA Board of field offices. We had those meetings in three areas. We had them in Pharr, Laredo and El Paso. We did that during the month of June. The Department has drafted an application guide for the program.

We have that in internal review right now. We will be preparing a NOFA for funding availability. We'll have approximately $4 million that will be available in the program. Once we get our internal guide and our application ready, then we will be conducting workshops in
Del Rio, El Paso, Harlingen and Laredo.

We will provide the Board updates on how we're moving along with implementing this piece of legislation.

MR. SALINAS: This will have to be homes for colonias.

MS. CARRINGTON: Yes.

MR. SALINAS: There would have to be subdivisions that are already meeting standards, like sewer, water.

MS. CARRINGTON: Yes, sir. And what we are looking to do is tie in with some subdivisions that the Office of Rural Community Affairs has already put the infrastructure in. So they put the infrastructure in. We would be coming in with the HOME dollars, building the housing. And we'd be using our HOME funds to do that.

MS. ANDERSON: I have just two questions. I think this is terrific. Maybe you've told us this, and I've just forgotten. What is the source of the $4 million in funds? Then who are the eligible applicants for this money?

MS. CARRINGTON: Mr. Pike.

MR. PIKE: Again Eric Pike, Director of Single Family. The source of funds are HOME dollars. We have
approximately $4 million available for this activity. Through the legislation we're required to make available $1 million each year for, I think, it was ten years.

So I think it goes through 2011 we'll be making available $1 million for this program. And your second question was who's eligible for this.

MS. ANDERSON: What kind of entities are eligible applicants.

MR. PIKE: It's a CHDO and self-help centers that are sponsored by the Texas Department of Housing. There's five of those.

MS. ANDERSON: So then the HOME funds are actually to the extent a CHDO would be awarded these funds. Then would they come out of the HOME CHDO set-aside bucket?

MR. PIKE: We have a separate HOME CHDO set-aside bucket. And then we have a bucket for the colonia model subdivision program. Those funds are also CHDO dollars. So we set aside 15 percent of our allocation for CHDO projects for multifamily and single-family development.

Then on top of that -- I hadn't really thought about it until now -- but on top of that we're also setting aside and additional $1 million for this
particular activity. In other words it's not within the
15 percent bucket, it's on top of.

MS. ANDERSON: Okay. I don't know what all
that rule kind of ins and outs are, but I'm mindful that
we have a fairly large unexpended balance already in the
HOME CHDO set-aside that has accumulated over more than
one year.

So I guess my question for staff is you really
think about how you're going to find this $4 million, to
the extent CHDOs [indiscernible] on the [indiscernible]
cycle that are awarded should we not fund it out of this
unexpended balance in the HOME CHDO bucket, because in the
other HOME funds that are for single family -- as we know
those are very popular.

They're oversubscribed by units of local
government for owner-occupied, et cetera.

MR. PIKE: Right. I would say in HUD's eyes,
when we commit CHDO dollars they're not really looking to
see that it came out of the colonia model bucket or the
set-aside. They just consider or see it as CHDO dollars.

MS. ANDERSON: We'll draw back. In other words
it's not going to crowd out -- if there are CHDO dollars
available in that bucket, we can fund it out of that
bucket so that we're not crowding out other single-family activities with non-CHDO HOME funds.

MR. SALINAS: May I ask something? These are colonia monies. Right?

MR. PIKE: They're CHDO HOME dollars that are made available for colonia areas.

MR. SALINAS: CHDOs work inside the cities. CHDOs are part of the cities. What we're talking here is colonia monies. That's why I said, are those colonias already --

MR. PIKE: The colonias will be required to have water and sewer service. We are not allowing projects to be located within a participating jurisdiction, in keeping with the Board's guidance regarding a single-family activity.

MR. SALINAS: Because if you go to Laredo, Webb County and El Paso you're not going to find any subdivisions with sewer and water. That is what we've been fighting all along that we do not have -- infrastructure on those subdivisions.

Now you go the a CHDO, and they'll go inside the city and do all kinds of home.

MR. PIKE: Well, we've worked with the Office of Rural Community Affairs. They have provided us with
lists of subdivisions and projects that they have funded that do happen to lie outside of these urban areas. There's one called Toncacitos and one called Share 52, which I believe are located down in Starr County.

Those are two that we have been looking at specifically. But there are apparently others as well. Keep in mind that with the $4 million limitation on this fund, applicants can apply for and receive up to $1.5 million.

So we're not looking initially to help but probably two communities or two areas at first. Of course if they don't ask for the full amount, we might be able to help three. But over time we will be able to assist more and more.

I would suggest that if we see that there is a problem, where there are no areas that have water and sewer -- if we run upon that -- then we might want to revisit the issue of allowing us to go into the participating jurisdiction areas.

MR. BOGANY:

MR. SALINAS: I would think that's the only option you have, because in Webb County and El Paso, you're not going to be able to get any of this money in there, because they do not have services.
MR. PIKE: Well, we went and met in the month of June with representatives from Hidalgo County and some of the nonprofit areas down in the Valley. We actually met at the City of Pharr. And we went to Laredo, and we went to El Paso.

We got a lot of positive comments and suggestions. So I would suggest to you that if we see that this is becoming an issue and it's raised, we can come back to you and let you know that we're experiencing this problem.

Then maybe you guys would want to look at making changes to our requirements.

MS. ANDERSON: We're in an open cycle. So it's not competitive. So you can work the applicants actively to try to find the right -- it gives the Department a lot more latitude to try to work to get an application that we're comfortable funding, because you're doing a double cycle.

MR. PIKE: We anticipate providing considerable amount technical assistance. We're glad that it's an open cycle, so that we can work real hand-in-hand with the applicant, because it's new for us, and it's new for them as well.

MS. ANDERSON: Ms. Reynolds, you address the
sort of question about what bucket of money this --

MS. REYNOLDS: I think Eric did answer that.

Certainly any HOME that is spent for CHDOs can count against our 15 percent CHDO set-aside.

MS. ANDERSON: Anything else, Ms. Carrington?

MS. CARRINGTON: Yes. I'd like to thank the staff, who's about all that's left right now. You all are hardy. I'd like to thank the multifamily staff, the multifamily finance production, real estate analysis. I want to thank everybody.

I think this has been, I believe, one of our smoothest tax credit rounds in several years. There's been a lot of hard work that has gone on by staff. I just want everybody to know how much I really appreciate what you all have done and your contributions to making this, I believe, one of our smoothest tax credit rounds in the last several years.

MS. ANDERSON: So seeing no other business to come before this Board, we are adjourned.

(Whereupon the meeting was adjourned at 2:50 p.m.)