

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING
2006 STATE OF TEXAS

Wednesday, July 12, 2006
Room E2.036, Capitol Extension
Austin, Texas

PRESIDING OFFICER:

BETH ANDERSON

BOARD MEMBERS:

C. KENT CONINE (Vice-Chair)
SHADRICK BOGANY
SONNY FLORES
VIDAL GONZALEZ
NORBERTO SALINAS

STAFF:

MICHAEL GERBER, Executive Director

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P R O C E E D I N G S

MS. ANDERSON: Good morning and welcome to the July 12 Governing Board meeting of the Texas Department of Housing and Community Affairs. We are happy to see all of you here with us this morning. And I do call this meeting to order.

The first order of business is to call the roll. Vice-Chairman Conine?

MR. CONINE: Here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Mr. Flores?

MR. FLORES: Here.

MS. ANDERSON: Mayor Salinas?

MR. SALINAS: Here.

MS. ANDERSON: We have five members present, and we do have a quorum. As is our custom, we take public comment. We welcome your public comment to the Board, and we take that comment both at the beginning of the Board meeting, or at your option, if you prefer to testify at the time that the agenda item, for the specific agenda item.

We will have a three-minute time limit on public comment this morning. We have quite a bit of public comment. And the first witness will be Diana

McIver, and the next witness will be Michael Wallings.

MR. CONINE: What a way to start the day.

MS. ANDERSON: Yes.

MS. MCIVER: I think I heard that, Mr. Conine.

MR. CONINE: You did? I will turn my mike off.

That was a positive comment.

MS. MCIVER: Oh, good. Actually, for the record, My name is Diana McIver, and I am [inaudible] Development Company. I will be brief today, but basically, I have been before the Board before, talking about the increase in construction costs that we have experienced as a result of Katrina and Rita.

And I have some interesting data that I just wanted to share with the Board. Essentially, we have done two yearly identical projects. One is in Texas City. Started construction in June of 2005 and completed in April of 2006. We are starting construction on a similar project in Abilene.

They are identical, except that the Texas City project has 100 units and Abilene has 80 units. They are both senior projects. They both have a two-story elevator four-unit building, surrounded by single-story cottages.

And what I have provided you with, is the costing on a square foot basis between the two projects. And you will note that we are going on a very identical

project, from 72 dollars a square foot which is up and built, to nearly \$92 a square foot in Abilene. That is a cost increase of 27 percent.

The project in Texas City, the big difference there is that it did have impact glass, and was built to hurricane standards. Abilene does not have that. So because the contractor had prepared this cost analysis, I wanted to share it with the Board.

I know you are concerned, as we are in the industry, about these increase in construction costs. And just want you to know that if there is anything that we can do, as you know, I am also president of TAP, and if there is anything that we can do to get more information like this from our members to help you as you grapple with these increases in construction costs, we would be more than happy to do it. But I did want you to have this summary. Thank you.

MR. CONINE: Ms. McIver, which one of these is which, now?

MS. MCIVER: The first one, the Village at Morningstar is Texas City.

MR. CONINE: That is Texas City.

MS. MCIVER: Right. And the Arbors at Rose Park is Abilene.

MR. SALINAS: It doesn't include the property?

Just the construction costs?

MS. MCIVER: No. These are just construction costs.

MR. SALINAS: No land?

MS. MCIVER: No land. No attorneys. No developer fee. No accounting fees. Just construction.

MR. SALINAS: That's pretty high.

MS. MCIVER: Yes. Thank you.

MS. ANDERSON: Mr. Rawlings. And Ms. Andre, Ms. Anderson is yielding time to you. Is that it?

MR. RAWLINGS: Yes, ma'am. Thank you, Madam Chairman, and thank you Board, for listening to me. My name is Mike Rawlings. I am speaking on behalf of City Walk at Akard project.

Just to remind you, this is a 209-unit building that has been a blight on downtown Dallas for a long time.

We were going to put 150 affordable units there; 50 for the homeless and nine kind of at-market rate. We were going to have some offices in there, and some light retail. So that gives you a little bit of background.

My background, mainly business. I was president of a large advertising agency, then named Pizza Hut for six years, in Dallas and now a partner of a private equity firm. But I come to you representing the City of Dallas, as the Dallas homeless czar. And that is

a position that is well-paid like yours, and has no direct reports. But I am in charge of ending chronic homelessness in Dallas.

We have a lot of folks working on that, and this is a key project to make that happen. It is critical for a few reasons.

One, we have got a ten-year plan that lays out a continuum of care for the homeless, from prevention to intervention to temporary help to permanent supported help. In figuring out how we are going to end this, we have got to have over 700 to 2,000 publicly supported rooms for the homeless.

There is a model called Housing First that is sweeping the nation. And this is the way that people are starting to solve the problem. We have got to have this in Dallas, and this project is going to be critical to making that happen.

Secondly, I think that it is a very unique project, as a 30-year resident of Dallas. I will tell you, it is great to see downtown Dallas growing again. But there is no low-income housing there, for the folks that work in the restaurants, who work in the grocery stores, who work in the office buildings. They have to commute a long distance.

So this is that low-income housing, right

there, downtown Dallas, as well as taking care of the homeless. So I think that rarely do you see a project with this diversity.

And lastly, I think this is a important symbol to our homeless project in Dallas, and other -- getting the political body together, and having the political will to make this a reality. Central Dallas Ministry has stepped out, made this happen. This is a very hard thing to do. It takes a lot of hard work.

I need other Central Dallas ministries to step up and do this. We have got to build over 2,000 of these things, and we are going to have to do it in unique and creative ways. If they see Central Dallas ministries stopped at the hoop, so to speak, it is going to keep other people from doing this. So they are an important, a lighthouse and a symbol to making this happen.

I want to tell you, we have been leading a tremendous team effort here. The non-profit philanthropists have stepped up in this project, as well as other things. The business and banking and community have stepped up.

The City of Dallas has committed over \$2 million for this project. The federal government has committed over nearly a million dollars a year for this project. The only one we don't have is the State. And

that is why we are here.

We really need this project. The State is a critical part of this puzzle. And in fact, it is a part of the puzzle that we can't live without. It is the foundation of this.

So we have got it all lined up. We just need you to vote to approve this. We really appreciate your thoughtfulness on this matter. It is critical that if we are going to deal with this homeless problem in Dallas, and I will say, everybody just says, well that is Dallas's problem.

You know where all the homeless come from, North Texas. The prisoners, when they get out, they go to urban centers like Dallas. So we asked the State to consider this, with great thoughtfulness. And we appreciate you approving it, when you do. Thank you.

MS. ANDERSON: Thank you. Mr. Larry James? And the next witness will be John Greenan.

MR. JAMES: Madam Chair, and members of the Governing Board, I appreciate you allowing me to speak again. I appear here, obviously to speak in behalf of Citywalk at Akard.

MS. ANDERSON: Would you identify yourself, please?

MR. JAMES: I am sorry. Larry James. And I am

the president and the CEO of Central Dallas Ministries. And I am here, as I said, to speak on behalf of the Citywalk at Akard, redevelopment project in downtown Dallas, located at 511 North Akard.

Actually, all I wanted to do is read into the record a letter that I think you have a copy of. And then also reference another letter that you have a copy of. The first letter comes from County Commissioner John Wally Price, in whose district this building sits.

Dear Ms. Anderson, Central Dallas Ministries continues to be a positive force in this community for the homeless with cutting edge ideas and initiatives. Please add my name to the list of those who support their housing tax credit application. The proposed complex will have a multifaceted impact on the lives of our most vulnerable citizens.

Additionally, it will be a net gain for Dallas' central business district. Their plan to provide retail and office space along with apartments and a public auditorium for meetings portend a change in our downtown climate.

There are very few projects that I wholeheartedly agree with and promote. But this proposal was exceptional. We would appreciate your consideration and concurrence. Sincerely, John Wally Price, Dallas

County Commissioner, District 3.

And we are very grateful to Mr. Price for making that statement. You also have before you, a letter from Ann Lott, who is the president and CEO of the housing authority. I know you know Ms. Lott. She has written a very supportive letter, which signals her support of this project, from the very beginning.

I know that in an initial meeting with Dallas City Council people, which Ms. Lott also attended, and Mr. Eilund was there. Ann pulled us aside after that meeting and she said when are we going to do one of these deals for very low-income people downtown. And especially an SRO type project for the homeless people. Let's get it done.

She followed up that enthusiasm, not only with a letter like this, and other statements of encouragement, but we recently received an award from the Dallas Housing Authority that would provide us project-based housing vouchers to cover the costs of these 50 units that are set aside for homeless people. So we are very grateful for the Dallas Housing Authority's support.

We need your support. And we hope that we can count on it. But I appreciate this morning, your time in allowing me to speak. Thank you very much.

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

and then the next witness will be George Ozuna.

MR. GREENAN: Madam Chair and members of the Board, I am John Greenan, and I am the Executive Director of Central Dallas Community Development Corporation. I too want to speak on behalf of our proposed project, Citywalk at Akard. We much appreciate the political and moral support that we have received.

But I also want to point out that we have distributed to you a letter summarizing the funding support that we have received to date. And it has been quite considerable, especially since we have had to be very frank with potential supporters that without a grant of low-income housing tax credits, the project wouldn't go forward.

We have already received, as Mr. James mentioned, rental vouchers that would cover the cost of the low income people living there. We have received start-up money. I won't list all of this. And some of them are the people that specialize in this, and should be on the list, like the Corporation for Supportive Housing.

But we also receive a very important capacity building grant from your own Texas Department of Housing and Community Affairs, that let us pay the cost of much of the planning of this project. We would like to see that bear fruit in the construction of it.

We received a grant from the Baron and Blue Foundation, which we thought was very generous and far-sighted, given they come from a different faith tradition than ours. But it shows the community support behind it.

The Real Estate Council has granted us \$50,000. That is of course, representative of the real estate industry in Dallas, and also support them because they provide technical support with that, that will make the project much easier to bring to fruition.

And finally, the United Way has very generously doubled our operating budget for this year from \$50,000 to \$107,000. And we think that is largely a result of their support for this work. Thank you very much.

MS. ANDERSON: Thank you, sir. Mr. Ozuna. And then the next witness is Jacqueline Martinez.

MR. OZUNA: Good morning, Madam Chairman, and members of the Board. My name is George Ozuna, and I am representing Las Palmas Apartment project in San Antonio, in Region 9, located in the Edgewood School District area. We are a non-profit, and we are a diverse volunteer board. Okay.

We are here to support the funding for Tex grant because we want to eliminate gas heaters. We want to go all electric for safety's sake. We want to add amenities such as community meeting rooms and new laundry,

and rooms for the community to meet. And it says it will provide an ADA accessible route to all units.

We want to use energy-saving materials throughout the project. And we want to add central heat and air conditioning. We want to protect the family units that reside in our complex.

And we know that we have funding that is very difficult to obtain. That is why we beg for concurrence and approval of this tax credit application. And I say to you that we want to improve the quality of life, of the 100 families that live within our project.

We have letters of support from the City Council. We have letters of support from the HOME program from the City of San Antonio. And we have letters of support also from state representatives, and Congressman Charlie Gonzalez.

Thank you for listening, and we hope we can concur with an approval. Thank you.

MS. ANDERSON: Thank you, sir. Ms. Martinez? The next witness is Bill Skeen.

MR. SKEEN: Ma'am, I pass my time.

MS. MARTINEZ: Good morning, Madam Chair, and TDHCA Board. My name is Jacqueline Martinez, and I would like to read into the record a letter from Delicia Vera, Councilwoman in District 6, City of San Antonio regarding

Las Palmas Gardens Apartments, TDHCA number 060122. This is to Beth Anderson, Chairman and Board of Directors, through Michael Gerber.

Dear Ms. Anderson, it is with great enthusiasm that I send you my strong support for Las Palmas Gardens Apartments applications for tax credits. This is a tremendous opportunity for a 40-year-old apartment community that could benefit greatly from much needed improvement.

What impresses one the most is the level of commitment from the residents, who have persevered over the last three years to secure tax credits through the Texas Department of Housing and Community Affairs. Their eagerness to make this rehabilitation a success is to be commended. However, I can assure you they are driven by a variety of factors.

The rehabilitation process would give the residents at Las Palmas Gardens an opportunity to become more civically engaged. Just having the space to come together for meetings makes a big difference. Being able to invite supportive service agencies to speak to their neighbors can be very empowering.

Additionally, they would have amenities, such as central heating and cooling, that at one time were considered luxuries, yet today are necessities. The

notion that they could have a meeting place, comfortable surroundings, and not to mention tutoring opportunities in a centralized amenities center is enough to keep the Las Palmas Gardens residents motivated through this process. Las Palmas Gardens Apartments has long been a presence in the community.

Many of the families have lived here for over ten years, and are deserving of this opportunity to improve their quality of life. I wholeheartedly support this application to the Texas Department of Housing and Community Affairs. With regards, Delicia Vera, Councilwoman District 6.

In addition, I would like to respond to a request from TDHCA yesterday, for a statement attesting to the nature of the local political subdivision funding. And I would like to read the second letter from the City of San Antonio Neighborhood Action Department, addressed to Ms. Emily Price, multifamily housing specialist regarding Las Palmas rental rehabilitation request.

Dear Ms. Price. This letter is to attest that the City has approved the above-mentioned application for funding, through the City of San Antonio rental rehabilitation program. As you may know, applications for the program are received and reviewed on a first come, first served basis. The City is scheduled to provide HOME

funds for this project, subject to an award of tax credits by your Agency.

Please be advised that the City of San Antonio is not the applicant, the developer, consultant, related party, or any individual or entity acting on behalf of the application. Furthermore, the proposed funds for this project have not first been provided to the City by the applicant, developer, consultant, related party, or any individual or entity acting on behalf of the application.

If you have further questions, please do not hesitate to call me or Paul Ecstalco [phonetic], Assistant Director at 278-038. Sincerely, David D. Garza, Director for Neighborhood Department Services. Thank you.

MS. ANDERSON: Thank you. Ms. Bast.

MS. BAST: Good morning.

MR. CONINE: Good morning.

MS. BAST: Good morning. I'm hear to speak. I am Cynthia Bast of Locke, Liddell and Sapp, here to speak on behalf of Mesquite Terrace, number 060117. We have submitted a letter requesting reconsideration of the appeal that was heard at the June 9 board meeting. But I wanted to describe that request in public comment for you.

At the board meeting on June 9, as I am sure you recall, you heard and denied an appeal for quantifiable community participation points for a resident

council for the Mesquite Terrace transaction. At that same meeting, and immediately subsequent, you approved an appeal for QCP points, for the Sunset Haven transaction which also had a resident council.

Now, at this board meeting today, you are hearing an appeal for the Centerpoint Resident Council, and staff has recommended that you approve that appeal, based on the interpretation of what happened in the June 9 meeting. So reading that interpretation caused me to go back to the transcript, and the discussions that we had about resident councils. And in doing so, I wasn't sure that the staff's interpretation of the discussion accurately reflected the transcript.

I found some discrepancies there, that I wanted to bring to your attention, and talk about it, and have an opportunity to consider. Most importantly, Mesquite Terrace and Sunset Haven are more alike than different.

If you look back at the transcript, one of the key factors that was considered was that there were single-family homes. Single-family homes on Sunset, single-family homes on Mesquite Terrace. Another fact that was considered was that the boundaries of this organization were acquired by the Brownsville Housing Authority years ago, as part of a master plan for redevelopment for public housing.

And similarly, the boundaries of this organization were acquired years ago for by the Pharr Housing Authority for the purposes of redevelopment of public housing. All of this area used to be a horrible colonia, that has been turned around in recent years. Obviously, the factual difference that you have here is that the proposed site on Sunset Haven is in this nice rectangular box.

The proposed site on Mesquite Terrace is across and down a street. And so what we got into, was this question of the exception for when resident councils can be counted for QCP. And that language about if the property is occupied by the residents. And I think if --

MS. ANDERSON: Mr. Skeen yielded time. Was that six minutes?

VOICE: No, that was just three.

MS. ANDERSON: Okay.

MS. BAST: So at that June 9 board meeting, staff really focused on the word "occupied," and whether the undeveloped land was occupied by the residents. And from that discussion, based on what you now see in the Centerpoint recommendation today, the interpretation has come up that the land must be adjacent to the residences.

And in fact, if you look at the Centerpoint recommendation, it says for instance, the Sunset Terrace

Resident Council in particular is comprised of single-family homes in a residential development, which is directly adjacent to the proposed development site. It was determined by the Board that pursuant to the Board's reading of the QAP, the property was therefore occupied by the residents, and the applicant presented sufficient evidence to substantiate that they occupied the property. However, if you look at the transcript, this emphasis on whether the property is adjacent wasn't necessarily there.

Specifically, for instance, there was an interchange between Mr. Hamby and you, Mr. Conine, where Mr. Hamby said, if you believe that the occupation includes anything adjacent, then in your mind, that would be sufficient to occupy. And you said, within the boundary. Not adjacent, within the boundary.

You went on to say, you are focused on the word "occupied," but I am focusing on the word "property." The word "property" would be all areas within. I know you hate it when your words come back to you. But you know what? They are in print. And so I have to do something with them.

MR. CONINE: It is too early to start this.

MS. BAST: What you said, Mr. Conine, was that the word property would be all areas within the boundaries of that resident council, because all of those residents

have responsibility for the property. Therefore, all who occupy within those boundaries can comment on whatever goes on the vacant land, on the property. So that was your discussion in Sunset.

So that leads me to believe that the interpretation of Sunset and Mesquite Terrace, despite the fact that the boundaries are perhaps drawn differently, and not so neatly, the substance is still there. Single-family, single-family. Housing authority acquired this for master redevelopment; housing authority acquired this for master redevelopment.

Our undeveloped land is within the boundaries, and therefore, the resident council can control it. The undeveloped land is within the boundaries, and therefore, the resident council can control it. With that, I would like to respectfully request that you review my letter for reconsideration. That you consider the recommendations that are being made in Centerpoint today.

Consider the transcript. And reconsider putting this appeal back on the agenda for the July 28 meeting, so that all matters can be treated consistently.

And I really do thank you.

MR. CONINE: I have a question of Ms. Bast, if you don't mind.

MS. BAST: Yes, sir.

MR. CONINE: I still find it ironic that Pharr boundary looks like it looks. And so my question is, is some of the surrounding single-family withdrawn from this resident's council, through the period of time that the subject property has been under control?

MS. BAST: For instance, this? Is that what you are referring to, Mr. Conine?

MR. CONINE: For instance, that. Yes.

MS. BAST: Mr. Navarro from the Housing Authority is here. I defer to him on the specifics of that question.

MR. CONINE: Because the irregular shape that I am looking at show up because it is all that is left of a deal that existed years ago, or was this contemplated originally or drawn like that originally? Because I just can't believe that.

MS. BAST: I believe that Mr. Navarro has a witness affirmation form, and if he could help us answer that question.

MR. SALINAS: What was the question?

MS. BAST: The question is, have the boundaries always been this yellow? Why do we have the across the road, and down the road. Or at one time, did it include more, and then these pieces were subsequently sold off, or something like that.

MR. NAVARRO: These are public housing and Section 8 units that we have here.

MR. CONINE: All right.

MR. NAVARRO: We have home ownership units as well, right across the street in here. So it is, to me, the same thing.

MS. BAST: So are these yours, Mr. Navarro?

MR. NAVARRO: Yes. We have some commercial units.

MR. SALINAS: It all belongs to the Housing Authority.

MR. NAVARRO: Yes. The Housing Authority. And we have property in here, as well.

MR. SALINAS: It is all one unit.

MR. NAVARRO: It includes home ownership.

MS. ANDERSON: Why aren't they in the Resident Council?

MS. BAST: Why aren't they in the Resident Council?

MR. NAVARRO: Who is that? They are in the Resident Council.

MR. SALINAS: Everybody is?

MR. NAVARRO: Yes. And these are previous resident council members that are into home ownership now. Graduated from assisted housing, and public housing, you

know.

MS. BAST: Okay. So they are not in the resident council, because they are homeowners.

MR. NAVARRO: Yes. They graduated.

MS. BAST: As opposed to a resident council which is for renters.

MR. NAVARRO: Public housing residents.

MS. BAST: So they were renters, and then they became homeowners.

MR. NAVARRO: Yes.

MS. BAST: And so the Council is dedicated to homeowners, I mean, to renters?

MR. NAVARRO: Yes.

MR. CONINE: Okay. Thank you.

MS. ANDERSON: Thank you. I have a question about Ms. Joyce.

MS. BAST: Oh, I am sorry.

MS. ANDERSON: Well, I was going to ask staff.

MR. FLORES: Come back.

MS. BAST: Okay.

MR. FLORES: I have a question for you. This item that is on the agenda. What you are asking is, what --

MS. BAST: What I am asking is, for you all to be able to take action and reconsider this, it needs to be

on the agenda at a subsequent meeting. So I am asking that this be placed on the July 28 agenda for reconsideration.

MR. FLORES: Okay. So that is how come I can't find it.

MS. BAST: Exactly. And because I submitted this letter, I wanted to publicly give everyone, including those in the audience the opportunity to understand this request.

MS. ANDERSON: Thank you.

MS. BAST: Thank you.

MS. ANDERSON: I have a question for staff, for whoever wants to. I am interested in staff's thoughts on why this situation is similar or dissimilar to Sunset Terrace.

MS. JOYCE: I might be able to benefit from those books as well, if at all possible. Because this isn't an action item that you all can make a decision on today, and the request is for later, we don't have anything prepared to be able to show you, so I appreciate you being able to use these.

If I could clarify that one, we did read the letter, and research everything that they were talking about. I do agree that when you look at that one particular page, page 153, on its own, that you can make

the arguments that Ms. Bass has made.

But I think that when you read the transcript in its entirety, and you look at the discussion for 117, and then you look at the discussion for 118, I do believe that the Board was aware of the differences, and made the decision because of that boundary discussion. But it wasn't necessarily relating to the boundaries required in the QAP.

Basically, the boundaries were established by the neighborhood, by the resident council. And please keep in mind, that in a QAP this year, those boundaries don't matter, because the resident council itself cannot make comment on another development.

Our interpretation of that transcript was basically that the boundaries that Mr. Conine was talking about, for the other appeal that we did grant, those boundaries were those of the development site itself. Because the boundaries of what Mr. Conine and the Board in the discussion were determined to be the site that the residents occupied. It was the determination of the Board that because this was one site altogether, that those boundaries included this property.

Differently from that, the first appeal that was heard, it was established that because these boundaries, that the resident council was establishing for

themselves that those are not, the site itself was not adjacent to the actual proposed development. And in fact, there is a separate development here, Las Canteras that was adjacent.

Now, going with what our reading of that transcript is, if in the case Las Canteras was actually the resident council who made comment, and they were single-family, then perhaps you could say that there is a similarity. Our reading of the transcript and notes and everything else, was that because they were separated, not only by an elementary school road, but they are also adjacent to a different development, that that was why the Board made that determination.

And the only other note I had, was just to make sure that everybody is aware that this wasn't an action item. It was a proposal for an action item.

MR. SALINAS: Are you going to have it on the agenda on the 28th?

MS. JOYCE: What they are requesting is for it to be placed on the agenda for reconsideration. So that does not fit that description.

MR. SALINAS: Can I ask, as a board member, to get it back on the agenda?

MS. JOYCE: That is what they are asking.

MS. ANDERSON: Mr. Hamby, would you come talk

to us about adding, putting things on an agenda, and how that is done?

MR. HAMBY: Kevin Hamby, General Counsel. Mayor Salinas, the process of course, if anything that the Board would like to reconsider, would be, if the person, one of the people who voted in favor of the motion to deny the appeal would have to make the request that it be reopened for consideration, or reconsideration. And it would be brought forward under those terms.

It would need a board vote to have a majority come back and -- I believe that is true -- have the majority come back and ask for that vote to be up again. It is not a privileged motion, like a motion to table. We would have to have an indication that it could indeed have a different outcome.

MS. ANDERSON: Mr. Conine?

MR. CONINE: Ms. Bast made a reference to a letter she had sent. Is it anywhere in our stuff?

MR. HAMBY: No. It came in after the timeline for the board book.

MR. CONINE: Okay.

MR. HAMBY: And I believe that is correct. And so we had a seven-day window that we have to post anything that you are going to see.

MR. CONINE: Right.

MR. HAMBY: And I believe that the staff has already looked at, and I believe that we do not feel that it merits re-approval, or reconsideration. And that was the indication we were going to give to Ms. Bast.

You would have to vote to have it opened up. That is the reason, I believe we gave the comment to the applicant, or to Ms. Bast, that she would need to use this method, if she wanted to have it reheard.

MR. FLORES: Do we know who voted on what side of that issue?

MR. HAMBY: Actually, it is probably in our minutes. I believe we are doing a general -- I will look when I get back to my book.

MS. BAST: I have that here.

MR. HAMBY: I believe it was unanimous, so I think it is --

MR. SALINAS: No. We all voted on it --

MS. ANDERSON: Yes. We all voted to deny, I think. Let's just see here.

(Pause to peruse documents.)

MS. ANDERSON: Mesquite Terrace. Motion made by Mr. Bogany to deny appeal; seconded by Mr. Gonzalez. It passed unanimously.

MR. HAMBY: And I believe everybody was present at the June 9 meeting.

MR. SALINAS: Was that the day I was absent?

MS. ANDERSON: The Mayor was not present.

MR. HAMBY: Mr. Mayor, you cannot make the recommendation to have it come back, because you did not --

MR. SALINAS: No, I can always make the recommendation. You cannot accept it. That is fine.

(All talking at once.)

MR. HAMBY: Your motion or request would not be in order.

MR. SALINAS: That would be denied. But I think that is one project owned by the Housing Authority in Pharr. I think it should be reconsidered. But I --

MR. FLORES: Mr. Mayor, I will make that motion on your behalf, and being and see it is in your back yard. If somebody else would second it, then we could talk about it, a pretty good time.

MR. SALINAS: I just think it needs a little shot at it.

MS. ANDERSON: I don't hear a second, so the motion fails for a lack of second.

MR. SALINAS: Can I second that motion?

(Pause.)

MR. HAMBY: No. You were not a participant in that hearing. So you have to be part of that vote. And I

will verify that, since it is not on the agenda, if I am in error on that. I have to quickly consult my Roberts Rules of Order.

MR. SALINAS: For the little diction [phonetic].

MS. ANDERSON: Mr. Bogany.

MR. BOGANY: I have a question for staff, again, on it. Just a quick question. And you have to bring up later.

MS. JOYCE: Just in case.

MR. BOGANY: Would you explain to me again why staff feels this still does not meet? You know, listening to Ms. Bast, you know, everything always seems so logical.

MR. CONINE: And she is using my words?

MR. BOGANY: Then she used Conine's words to back it up. So I would just like to hear it again, just the staff's recommend -- what your thoughts are, again. And just make sure that we are doing the right thing.

MS. JOYCE: Okay. The QAP says that a resident council cannot comment on a development that they do not occupy, unless that proposed development is part of that resident council, and there is demolition with the new construction.

MR. BOGANY: Right.

MS. JOYCE: So our determination in

interpreting the QAP for both of these appeals that we are talking about right now, was that because the actual development is, even though they are all single-family homes, the new development is 100 percent new construction. And so therefore, they don't qualify because of that, keeping in mind that they are the resident council so it doesn't matter what boundaries they have established for themselves, according to the QAP.

Through the discussion, it is our opinion in reading the transcript, and of the day, that the difference was; you first heard this particular appeal, which was denied, and the different, and it was denied, because this is the development site. And it is not directly adjacent to the existing development.

There was discussion as to how residents occupy a property. What that property is. What the boundaries of the property are, et cetera. And there was also discussion and a question that you had actually asked that was relating to this adjacent development, and whether or not they could have commented.

Separately from that, the next appeal that we heard is comprised completely of single-family developments. Staff's determination was that because this is the existing development in this area, adjacent to it is -- they are not demolishing the property that they

occupy in that development, we said that they do not qualify for QCP points, because the resident council itself occupies this area.

It was determined, and the Board used their own discretion to give them the points throughout the discussion establishing that the property boundaries are here. And it was determined that, the opinion was of the board that these residents do occupy this property. And therefore, they should be able to comment.

MR. BOGANY: Okay. Thank you.

(Pause.)

MS. ANDERSON: Okay. The next witness is Bob Sherman, and then we will have -- well, that is the last witness for public comment period.

MR. SHERMAN: Madam Chair, members of the Board, Mr. Gerber. My name is Bob Sherman. As you know, I oppose the development called Renaissance Plaza in Texarkana. I have got to respectfully disagree with the staff's results section on the challenges up to July 10.

The staff is saying, and I understand why. But I am not making any specific reference to their market study. And I am using an overall opinion of the market. But I would beg to differ.

I only have five residents from Arkansas out of 156 in our Windfield Estates development. That is five,

not 75. If you use their methodology, about half the market would come from Arkansas. Well, I am short 70 people. And those are real numbers. We have actually counted them, and they are facts and figures.

The other thing is, we only had 96 people. And I said this before, visit us during the whole year. And with a traffic count of 96 and we still have vacant units.

Albeit, not many, but we have vacant units. I don't know how we are going to fill up that 12 units a month, 120-unit deal.

I say again, if they were there first, and I was the second developer to come into Texarkana, I would be gone so fast, it would make your head swim. I wouldn't go there. And I have learned the hard way. We were short \$700,000 at the end of the whole lease up period. So I know what it is like.

And I have said this before. And I say it again. We know the market isn't there. We know. I think there are flaws. I know there are flaws in that market study, and certainly with the same flaws in our market study. And I guess that wraps up what I wanted to say about that.

On a much more pleasant note, I would like to thank the board of directors, Mr. Gerber, and the TDHCA staff for helping us get our Sunset Point development

through the Texas Bond Review Board; especially Mr. Gerber on the staff and Robbye Meyer on the staff. I would like to thank them personally. Good morning.

MS. ANDERSON: Thank you. That concludes public comment for the initial portion of the meeting. We will proceed to Agenda Item 1, the consent agenda.

MR. MCCLURG: Madam Chair, I had put in a request to speak, but it may have been listed as Agenda Item 6. And my associates here are telling me I really don't need be at that point, I guess, to speak in public comment.

MS. ANDERSON: Would you approach, please? Anybody else want to speak now?

MR. NAVARRO: I had submitted a form, but I wasn't home.

MS. ANDERSON: Would you -- go ahead. Introduce yourself, please.

MR. MCCLURG: Thank you, Madam Chairman. My name is Tom McClurg. I represent the Jasper Economic Development Corporation, 210 Premier Drive, Jasper, Texas. And I am speaking on behalf of the City of Jasper. I am here concerning housing tax credit application 060102, Prospect Point, to be located in Jasper.

Prospect Point is not currently identified as a priority application on the list released by your staff.

However, this proposed development is important to the City of Jasper, so I am here to ask you to consider a forward commitment. As you all are aware, Hurricane Rita devastated much of Southeast and Deep East Texas. Jasper County is located in Tier II of the TDHCA disaster relief eligible counties.

According to the state operations center, Hurricane Rita situation report, these six counties accounted for about 11 percent of the more than 56,000 housing units lost or severely damaged in the storm. This includes 806 single-family and mobile home units in Jasper County alone. Jasper, with around 8,000 residents, is the largest city within 50 miles in any direction.

Our trade area takes in all of our parts of Jasper, Newton, Tyler, St. Augustine, and Sabine Counties.

This includes nearly all of the Tier II counties affected by Hurricane Rita.

TDHCA's policy for allocation of tax credits for the Hurricane Rita impacted area only considered apartments in determining the number of new tax credit units that a particular affected county could receive under the special Rita set-aside. In our area, few of these destroyed and damaged units were apartments. In fact, outside of the Tier I of Jefferson, Hardin and Orange, there was only one apartment unit destroyed,

according to the situation report.

The 2000 Census shows that while just 6 percent of Jasper County's housing stock is multifamily units. More than 18 percent of our occupied housing units are rental units. This is because many residents rent mobile homes, or traditional houses instead of apartment units. Our problem is, that of the more than 800 houses and mobile homes that were destroyed, many were rental units that will be difficult to replace.

The damage in the Beaumont-Port Arthur-Orange area was extensive and costly. I am in total agreement that the lion's share of rebuilding dollars should go to those communities. And according to the priorities of your staff, they will get nearly 100 percent of the tax credit allocation for Region 5, plus the additional \$3.5 million in credits for Hurricane Rita.

The way things stand now, the only tax credit developments, outside of the Tier I counties will be in Nacogdoches and Lufkin. These are the largest cities in the region outside of the Tier I counties. While there is undoubtedly need for additional housing in both of those cities, in the past decade, Nacogdoches has received tax credits for 312 new and 200 rehabilitated units, while Lufkin has received 283 new units.

Not a single new unit has been built with tax

credits in the five remaining Tier II counties in the past ten years. These counties have a combined population of around 140,000, with about 40 percent of those living in Jasper County.

We are grateful for the rehabilitation funds we have received, mainly for USDA developments. But with a significant loss of rental housing in our area, we need new affordable housing units.

To the best of my knowledge, the Prospect Point development is the only 2006 tax credit application located in a non-metropolitan community of less than 30,000 residents in the Rita-affected counties. We need help with rebuilding our housing stock, and our economy.

Help us to build Prospect Point. It will be a tangible demonstration that this Agency has fulfilled its mission to assist the rural portion of the Hurricane Rita Disaster Zone, and a great and lasting benefit to the residents of Jasper and the surrounding counties. I urge your consideration of a forward commitment for Prospect Point, and thank you for your consideration.

MS. ANDERSON: Thank you, sir. State Representative Joaquin Castro. And the next witness will be Roy Navarro.

MR. CASTRO: Good morning. I am glad to be able to be here today, to speak in support of Las Palmas

Gardens Apartments in San Antonio. I know that this is their third application for tax credits and I am hoping that the third time will be the charm for them.

This project is a wonderful development in the west side of San Antonio, one of the older parts of the City, parts of the City that I represent. And it is 100 units. They are trying to do some rehab to this project.

It is very -- it is a very incredibly needed project at this time in San Antonio, because the real estate market as it has with other cities in the state, is really taking off in our town.

In fact, Fortune magazine named San Antonio as the hottest real estate market in the nation this past year. So you can imagine, for existing homeowners, that is a very good thing, because your property prices, your property values start to go up.

But the challenge for renters, and for folks who seek affordable housing, is that much greater when you are in that kind of real estate market. So I just wanted to come here personally to ask of you, to beg of you favorable consideration for this request, Las Palmas Gardens. Thank you all very much.

MS. ANDERSON: Thank you, sir. Mr. Navarro. And then the next witness is Perla Cavasos.

MR. NAVARRO: Good morning, Madam Chair. Board

of directors, Mr. Gerber. I would like to, I have been asked to read a letter from Mr. Hollis Rutledge, on behalf of the reconsideration for Mesquite Terrace. TDHCA file number 060117. And it is addressed to Ms. Beth Anderson, Board Chair, and board of directors.

As a consultant to the City of Pharr, Mayor Leopoldo Palacios asked that I submit this letter to the TDHCA board of directors conveying my and Mayor Palacios' request for the Board to reconsider its June 9 decision regarding the quantifiable community participation points for the proposed Mesquite Terrace entity and housing development.

Mr. Navarro, on behalf of the applicant, submitted a letter to the Board requesting the reconsideration. Mesquite Terrace would provide elderly housing to Pharr's very low income senior citizens. The majority of these citizens' annual income is at or below the poverty level. They need and, yes, deserve an opportunity to live the remainder of their years within a community that provides a wide range of services that meets their needs.

Mesquite Terrace and its management team will fulfill this commitment to Pharr's senior citizens. As a result of other appeals that were granted for quantifiable community participation, the resident councils would

believe that the support received from the Las Milpas resident council should be counted. Thank you for your consideration. Sincerely, Hollis Rutledge.

And Madam Chair, I believe, in fact, I know that Mr. Rutledge has faxed a signed copy of this letter to Mr. Gerber's office. Thank you so much.

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

MS. CAVAZOS: Hello. My name is Perla Cavazos, and I am with the office representing Senator Eddie Lucio. And I didn't bring any prepared remarks.

But I just wanted to come up here and make a statement that Senator Lucio strongly supports the City of Pharr's project, Mesquite Terrace apartments. And I just wanted to state his support; that you please reconsider their consideration for their appeal for the QCP point. Thank you.

MS. ANDERSON: I want to welcome Christine Gibson with the House Urban Affairs Committee, who has jointed our meeting this morning. Thank you, Christine, for being here. We then are ready to proceed with Agenda Item 1, the consent agenda. If the consent agenda meets with the Board's pleasure, then a motion to approve the consent agenda would be in order.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Discussion? Hearing none, I assume we are 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. Agenda Item 2 is presentation, discussion -- is presentation, discussion and possible approval of community development block grant disaster recovery-related items. Mr. Vo, is it your desire to address the Governing Board, sir? Or do you want to -- excuse me just a minute, board members. Representative Vo, would you like to speak and address the Board now, or at the time of the agenda --

MR. VO: Is it coming up?

MS. ANDERSON: No, we are a ways from there on the agenda.

MR. VO: I can wait.

MS. ANDERSON: Okay, fine. Thank you. I just wanted to give you the option. Thank you, sir. Mr. Gerber?

MR. GERBER: Presenting this on behalf of staff will be Bill Dally, our deputy Executive Director for the Agency administration, and he will be joined by Charlie Stone, who is the Executive Director of the Office of

Rural Community Affairs.

MR. DALLY: Good morning. Today, we have an action item on approval on the Council of Governments' method of distribution plan, their eligible housing activities, and then an initial award allocation recommendation for the housing and non-housing contingent on resolution of identified application deficiencies.

These are the \$74-1/2 million of CDBG funds that were approved December 30 that are not the supplemental funds that are under discussion right now. These were for the purpose of infrastructure, public service, public facility, business needs, and unmet housing. With the approval and working through the TDHCA governing board, TDHCA will provide the state administration for housing and ORCA will provide state administration for non-housing needs.

On top of page 2, you will see the chart that showed the original split between housing and non-housing, as it was published in the state's original action plan. We have since developed an application that was made available to the COGs on May 12, 2006. We held workshops, and those applications came in on June 23, 2006.

Each COG met with their respective member jurisdictions, and acquired public input and gained consensus where possible. TDHCA and ORCA attended public

hearings and made method of distribution workshops hosted by the COGs.

Below is a summary of applications received and listed by housing and then non-housing activities. And I will go through and give a description of those COG applications with respect to the housing activities, and then allow Charlie Stone to give a description on the non-housing.

Based on data from damage reports, three of the four COGs are eligible for an allocation of housing funds.

In general, the COGs will contract with construction contractors to perform proposed housing activities, such as emergency repair, rehabilitation, reconstruction, and demolition.

Deep East Texas will use this method to administer all of their housing funds. Southeast Texas Regional Planning Commission will also utilize this arrangement for the non-entitlement areas of their service region, but will make a direct allocation to the City of Beaumont and Port Arthur, and Orange for their respective housing issues, although Southeast Texas will take on the administration of Orange, since they are part of that housing consortium that Southeast Texas manages.

Deep East Texas developed a method of distribution housing funds by utilizing FEMA housing

assistance data by counties, self-reported damage reports for each county, individual household unmet requests of the Department of Insurance. And from this data, they developed a countywide allocation. DETCOG staff will carry out the administration of the housing portion of the program.

Portions of the activities will be performed by COG level, by adding additional staff, additional construction rehabilitation will be contracted to experienced builders through a request for proposal process. The availability of funds will be published by the COGs via press releases and local newspapers, through public service announcements, informational pamphlets, and other methods of outreach.

For emergency repairs, they will use an existing waiting list in order to serve persons who have previously applied, and proven they were eligible under HUD Section 8 programs administered by the COG. All applicants who are on an existing waiting list must submit new application materials, updated income information and proof of ownership, and in general, be re-qualified for this program.

A review team will rate each of the completed and eligible applications and the review team will make recommendations to the DETCOG Executive Director for final

approval. Under their eligible activities for housing, they have emergency repair at \$10,000.

And there was an omission in our board package, and I want to add an additional information. They do have a proposal to use \$2,170,531 for the purpose of emergency repair, and their project is that would help 300 homes and benefit 804 persons. Under rehabilitation, they are proposing to use \$3,600,000 at \$25,000 maximum. And their estimate is 200 homes and 536 persons assisted.

And under the reconstruction at \$65,000, they have proposed to use \$300,000 to six homes, for a total of 16 beneficiaries. Their total housing was \$6,745,034. That is a million dollars more than we have put in our actual action plan.

So they did shift from non-housing to housing. It does represent 35 percent of that COGs total award. Houston-Galveston -- are there any questions on the --

MS. ANDERSON: Do we have property identified when they estimate six houses at this and 300 at that? Is it an estimate, or based on Dana's reports, do they have identified properties?

MR. DALLY: I am going to let a representative of each one of the COGs address this.

MS. ANDERSON: Okay. They are going to speak after this. Okay.

MR. SALINAS: Are they going to -- they are not doing it themselves? They are just letting cities do it, or counties do it? The COG is not going to do it.

MR. DALLY: For DETCOG, for Deep East Texas, they are going to manage the housing program, but they are going to do it by method of doing an RFP and getting qualified contractors to come in and do the repairs and reconstruction. But they will be the administrators of that. Now that is Deep East Texas.

In Southeast Texas, a portion of the money is going to go to the entitlement cities of Port Arthur, Beaumont and Orange. And Southeast Texas will manage a portion of the housing dollars within Beaumont-Port Arthur will do their pieces of it.

And then in Houston-Galveston, they are going to essentially run another application around, and kind of step down a tier from what we are doing, and allow the political jurisdictions, non-profits and for-profits to bid on the work for housing repair.

MR. SALINAS: Well, this is not very much money that you are going to be spending. You are just going to be offering a can of worms. [phonetic] When you have --

MS. ANDERSON: Let's have the --

MR. SALINAS: Sixteen homes, and you have 10,000 homes. I mean, how are you going to select six

homes out of 10,000?

MS. ANDERSON: If we can, we will continue to have the staff presentation, and then we have several people that want to make public comment on this item, and I am sure several board members will want to make comments. Okay?

MR. SALINAS: Yes. Okay. Just let me say a few words.

MR. DALLY: All right. Now beginning with Houston-Galveston on page three, Houston-Galveston Council developed a method of distribution for housing funds based on a formula that integrates two-thirds of the amount of county-level damage, as reported by FEMA under the individual and household program, and a one-third allocation based on the per capita damage.

Entitlements to the city allocations were based on their based on their percentage of county populations.

Based on these formulas, an allocation was assigned to each county, with the Council service region, and to each entitlement community. For the actual service delivery, Houston-Galveston will issue a request for applications. Eligible applicants will consist of units of local government, housing community development corporations and for-profit organizations.

Contract awards will be based on cost

effectiveness, and the ability to meet identified priorities. Successful applicants will become housing services subcontractors under this program. HCAC [phonetic] and its board of directors will provide oversight for the contractors selection process, and be responsible for ensuring compliance.

Project beneficiaries will be identified by holding a series of local and regional workshops to inform citizens about the programs and procedures. And adjusting to addressing unmet need in individuals and families impacted by Hurricane Rita, additional priorities for assistance will be based on income, form of ownership, and no delinquent property tax liabilities. Their housing, and then there is a list of their eligible activities.

And they have caps of emergency repair at \$10,000, rehabilitation at 25, reconstruction at 65,000, and new construction at 75,000. They have total housing dollars are \$6,945,724, which is about a \$251,000 increase over what we originally put into the plan, and represents 65 percent of that COG's total award.

And then finally, the third COG that has a housing program, is the Southeast Texas Regional Planning Commission. And this is the area with Beaumont, Orange and Port Arthur. The cities of Beaumont and Port Arthur will receive a direct allocation based on the criteria

listed above, and will be responsible for submitting a plan of distribution and administration to Southeast Texas that will in turn, be presented to TDHCA staff, and be brought back to this Board for approval.

The City of Orange's allocation will be included as part of that administered by Southeast Texas.

We then go on in the amounts, the City of Beaumont would have \$4.9 million. The City of Port Arthur, 5.3 million. The City of Orange, 1.8.

And then the balance of the non-entitlement areas in Jefferson, Hardin and Orange counties would be \$12 million. All recipients must be 80 percent or below of area median family income. A pre-applications is currently available that will establish income levels, and the amount of any other assistance that has been received, or is pending.

These applications are being time-stamped as they are received, and will be addressed on a first-come, first-served basis. If the applicant is deemed eligible, based on their initial information, then an assessment will be done on their home to determine the extent of their need, and to obtain more extensive information.

Priority will be given to elderly, disabled, and families of small children, or the medically fragile family members. Southeast Texas will carry out the

administration of the non-entitlement allocation of housing, using their staff. There is then a list of the eligible activities.

And again, I apologize. The Board writeup did not have a breakdown among these particular deals, but they did have it in their submission, so let me read that into the record. For emergency repair, at a limit of \$25,000, they propose \$10,235,000. And it would benefit 1,385 persons.

For rehabilitation, it would be 4 million at 65,000. It would be 4,850,000. And they propose to help persons; 229. For down payment assistance up to \$20,000, they would have \$2,155,000, or 110 persons. And the renter-occupied rehabilitation at \$23,000, they are proposing a million dollars, and that would be 44.

Then under reconstruction, for \$135,000, that would be \$4,125,000. And it would be 70 persons. And then for purposes of demolition, at \$5,000, it would be a proposal of \$327 units or \$1,635,000.

Their total housing is \$26,498,535, which is the original amount, as proposed, and represents 68 percent of the total CDBG funds for that COG. And I at this time, I will entertain questions, or I will let Charlie Stone go through some of the non-housing.

MR. FLORES: I thought I heard you say some of

this totally re-approval by this Board?

MR. DALLY: Yes.

MR. FLORES: How many times have we approved it. Once, or recently?

MR. DALLY: It is going to be to -- we are going to have to bring more detail. There are a certain amount of deficiencies that came in the original applications. In particular, for the non-housing.

The particular cities, and their particular projects are not listed in these applications. And so we would be bringing that back. Once that detail comes in, we would bring that back to the Board.

MR. FLORES: Can we cut that step out?

MS. ANDERSON: Let's have that discussion when we have the Board discussion.

MR. FLORES: Okay. Thank you.

MR. GERBER: Madam Chair, could I just interject that the Department actually signed its grant agreement with HUD to administer these dollars, just three weeks ago. And the COGs have been on a very fast timeline, to turn this around. There is a lot more meat to be put on these bones.

MS. ANDERSON: Mr. Conine.

MR. CONINE: Bill, could you enunciate for me how the administrative fees work in this distribution, and

its ripple effect?

MR. DALLY: The state has an allocation between TDHCA and ORCA. There is a hard cap of what is qualified as administrative funds. That is capped at 5 percent. And that is \$3.6 million that will be split between ORCA and TDHCA for the administration of the program over the next two years.

There then, is allowed in the action plan 10 percent for the COGs to administer. That will break down.

But those will be also referred to as either planning or project delivery costs. Some small amount of probably administrative costs will be down at those COG levels.

MS. ANDERSON: Or, in the case of the COG that passed through on down into Beaumont and Port Arthur with administrative dollars flow with that? If they --

MR. DALLY: Yes. They would have administrative dollars.

MS. ANDERSON: Okay. And let me preface, and in the Houston-Galveston model, they are proposing to take a 3 percent and pass down 7 percent to those subcontractors that they have, political subdivisions.

MR. SALINAS: When you say political subdivisions, you are talking about cities?

MR. DALLY: Yes.

MR. SALINAS: Or counties?

MR. DALLY: Yes.

MR. SALINAS: Why would they want to keep three? Would don't they give the cities 10 percent?

MR. DALLY: I am bringing you their application. I will defer to them.

MR. SALINAS: I mean, I am just saying, 3 percent is a lot of money for them to keep, pass it on to the cities. You know, why wouldn't we just pass it to the counties and cities?

A COG is just a COG. They are not supposed to be making any money on this; 3 percent is 3 percent of 70 million?

MS. ANDERSON: We don't have full budgets from the COGs or the sub-recipients detailing their administrative costs yet, either, do we?

MR. DALLY: We have the lump sums, but not necessarily broken down among things. So it is anticipated that would be another reason that we would perhaps come back to this Board, is we gather more detail, through the process of them answering some of the deficiencies, that will help us finalize some contracts that have some very specific hard numbers in them.

MS. ANDERSON: Are we ready to hear from Mr. Stone? Thank you, Mr. Dally.

MR. DALLY: Thank you.

MR. STONE: Good morning, Madam Chair, members of the Board. My name is Charlie Stone, Executive Director of the Office of Rural Community Affairs. Mr. Flores, you brought up a very good point.

What you are hearing today and considering is really a method of distribution which is very general, very generic. The staff does not have any comfort level at this time that we can offer anything to you all to consider for distribution. What we will need to have is a very detailed budget, a line item budget brought back to us from each of the applicants to come back.

So at that time, we can talk to you about very specific details, right down to the block level I think, specifically on that. So what we have today is just a generic item for you, that you are going to consider, so we can move forward on it.

And I can tell you that I can go through this non-housing information for you, or you have got it in your board book. Madam Chair, I would like to just kind of cut to the chase, and save time, if you don't mind. Because we don't have the level of detail that this Board needs at this time, okay, other than just to approve it to move forward.

MS. ANDERSON: I appreciate that comment.

MR. STONE: Just basically, I do want to bring

up a couple of things. This is a very compressed time frame. Even though the folks in East Texas have wanted the money for nearly a year now, it just takes time with the federal government.

But I can tell you from the standpoint of TDHCA staff and ORCA staff working together, we have really put this together in a rapid manner, versus what normally happens at working with federal funds. But because of that time frame that we have, and the rush that was put on them, they have done as good as they can do at this point in time. And our staff, and your staff have worked very closely together.

And I would like to compliment your Executive Director and Bill Dally for working shoulder-to-shoulder with me and my staff as we have worked together to do this. And I can commit to you that the two staffs have a great working relationship.

And when we bring the level of detail back to you, that we will have ensured that the national objectives have been met. That we will feel comfortable that somewhere down the road, when an audit comes on these funds, and we know it will, that there will be no embarrassment to this Board or the ORCA board or ORCA staff or your staff.

Because we believe that the funds need to be

distributed absolutely appropriately, according to the federal law, and that is what we will do. So we are committed from an ORCA standpoint to ensure that we have enough technical assistance in East Texas, so we are opening another field office in Koontz, Texas. We have a place located over there, in conjunction with the county government. We are hiring a person, and we are going to dedicate extra staff to ensure that these disaster funds are distributed.

We never want to have us described as fast as FEMA, because that is a negative connotation in East Texas. And we are going to show folks at the federal level how we can get funds distributed and moving out there. And that is our commitment to you this morning, Madam Chair.

MS. ANDERSON: Thank you very much. And help me understand why you are opening an office, and incurring that expense. Is there no opportunity to co-locate with a COG in the affected area? Why would we open our own office?

MR. STONE: Okay, normally, what we are doing right now, Madam Chair, is an initiative on my part. We are expanding the number of field offices in the State of Texas. We have three with the Office of Rural Community Affairs right now.

My goal for the year was to have seven field offices. And as a result of this disaster, we looked very closely at providing a special office in East Texas. We located some free office space with the county government in Koontz, Texas. And so we will be hiring a person and placing them there.

MS. ANDERSON: Okay. So is any of the funding for that office coming from the administrative costs in the disaster declaration, or is it coming out of your regular appropriation?

MR. STONE: Up until the point in time that the staff person begins to work on disaster-related funds, it will be coming out of our regular appropriation. The moment all of our time for each employee is coded by the specific type of time that they attribute their time to.

So when they work on the Rita funds, we have a code set aside. It will be attributed to that fund. Otherwise, it will go into what other type of fund that we have that it would be coded.

MS. ANDERSON: Okay. Go ahead, sir.

MR. CONINE: Mr. Stone, how long do you think it would take either cities or the counties to come up with a more detailed list of the non-housing need allocation; where it is going to go. And here is kind of where I am heading with my question.

We had multiple uses laid out in our board book for the non-housing needs met. Some of which is essentially, plugging a hole that was left in their operating budgets from when the disaster happened. And I am the kind of guy that likes to see money go into hard stuff, instead of plugging holes behind me.

And I would want some feel for how the cities or counties met that financial obligation at that time, and I guess, the choice is whether to raise taxes to take care of the problem, or bring in CDBG monies to take care of the problem. And I would like to see it a little more detailed than I have here.

So back to my original question. How long do you think it would take for that to be put together?

MR. STONE: Well, as fast as they want the money, and as fast as the staff can put the information together, and they need it. And I know they are working on it, probably as we speak right now, Mr. Conine.

And I can tell you, to answer another part of your question, having come from a county government background, most county governments and cities do not have the cash money available to handle extensive disasters like these communities suffered. A lot of them have borrowed money to keep the doors open, literally. I mean, some of them have told me that they are literally on the

verge of bankruptcy, and they need this money to replenish their coffers.

The disaster funds, they took their money and paid for the disaster up front, and they are living on borrowed time until they can get money to reimburse those costs. And these are going to go back in, but it is going to benefit what they have already done.

So it is definitely an important need to local governments. And I think they will be telling you the same thing when they come up to testify before you.

MR. CONINE: Okay.

MS. ANDERSON: Other questions for Mr. Stone?

MR. SALINAS: Eighteen percent of the 70 million is what we spent for administrative fees? Out of 70 million, 18 percent?

MR. CONINE: I thought it was 15.

MR. SALINAS: Fifteen and three?

MR. CONINE: Five and ten.

MS. ANDERSON: We don't have budgets yet. We don't really know, because we don't have budgets.

MR. STONE: That is what is proposed. TDHCA and ORCA is 5 percent.

MS. ANDERSON: We haven't approved that.

MR. STONE: But we will be working on admin. And then the 10 percent was the COGs. It depends on what

type of activities they perform, and how much they are able to claim in that area.

MR. SALINAS: And the COGs will have administrators for the cities?

MR. STONE: They can on the housing side. Yes, sir.

MR. SALINAS: So that would probably come up to about 18 percent?

MR. STONE: I am not sure about the 18 percent.

MS. ANDERSON: I think we have the -- you know, we have been entrusted with the administration of this program, Mr. Mayor. And so I think we have full authority to require budgets at the level of detail, so that we know that the admin dollars, whatever they are, are reasonable. And we are a long way from having that detail.

MR. SALINAS: I just want to make public the actual costs of administrating \$70 million, which is going to be about 20 percent. If we get those figures, I would like to have those figures.

MS. ANDERSON: I don't think we have them.

MR. SALINAS: And maybe some of those monies have already been spent. I mean, maybe some of these budgets are just going to be reimbursing them, which I would have a question as to whether it is legal or not. I would like to see these monies go directly to building

homes or repairing homes.

MS. ANDERSON: Right.

MR. SALINAS: Instead of reimbursing a city of this.

MS. ANDERSON: I think this Board certainly is within its discretion to urge all the participants in this process to minimize administrative costs, you know, and give that direction to Mr. Gerber, to Mr. Stone, and to our partners in the COGs in East Texas, that we will scrutinize the administrative budgets when they come to us for approval, very carefully, so we can minimize those costs.

MR. SALINAS: I don't think the COGs should have an administrative cost. I don't think they should, because they already have one with the cities and the counties they represent. I mean, this is supposed to be aiding the people that need it.

MS. ANDERSON: Right.

MR. SALINAS: And I don't want to leave it behind for administrative costs, instead of going directly to the people that need it.

MS. ANDERSON: I agree with you. I think you can accept it, that picture. Does everybody understand what Mayor Salinas is asking you all to do?

MR. SALINAS: Well, that is what I want to say.

I am not going to say any more. But I know these programs. I am Mayor, and I have been there. And I know that by the time that we get there, we won't have any money.

MS. ANDERSON: We don't want a lot of slosh in the system when we have people in need that need to be helped directly.

MR. SALINAS: Exactly right. Thank you.

MS. ANDERSON: Thank you. We have a number of people that want to make public comment on this item. And I am -- perhaps we would do that before we determine what the Board's action might be, if that is okay with everybody.

First witness is John Henneberger. The next witness is Jack Steele.

MR. HENNEBERGER: Good morning. My name is John Henneberger. I am the Director of the Texas Low-income Housing Information Service. And I am here today, opposed to the proposal to approve these proposals for the expenditure of Rita funds.

On five previous occasions we have made our position clear to the Department and to the Board regarding what the priorities should be for the use of Hurricane Rita assistance, in our opinion. We feel strongly that the needs of families whose homes were

destroyed, or suffered major damage is the paramount and should be the first priority need.

Now I understand that the numbers have changed since I last -- since the board book, and I based my comments and the information that I provided you on the information that I had on Friday regarding this. But at that time, 56 percent of the money went for housing, with the balance of the money going to unspecified local government needs.

And in my opinion, it is inappropriate at a time when we have just a very small amount of money and a huge amount of need. We have got 56,000 families whose homes were either destroyed, or suffered major damage. If we devote the amount of money which is proposed before you today, you can expect to assist between .6 and 4.5 percent of the people whose homes suffered, either were destroyed, or suffered major damage. That is unacceptable.

Now that is not your fault, that is not the COG's fault, per se. That is the federal government. And I appreciate the good work that the Board has done, and the Governor has done to try to make the case that Texas ought to be treated fairly.

And what this federal government has done to us to put us in this position is truly shameful. And hopefully, that will be addressed in the supplemental

appropriation. But we all know, it won't be addressed to the extent that every family will be allowed to receive the assistance they need; 47 percent of those families had no homeowners insurance.

Now if they were across the Sabine River in Louisiana, or they were living in Mississippi, they would be eligible for \$150,000 of assistance, to be able to make them whole. And that would be pro-rated back, if they didn't have homeowners' insurance, and the like. But here, we are talking about being able to help less than between less than 1 percent and less than 5 percent of the people, based on the decision to roll back, and reserve a portion of the funds for unspecified local government functions.

Now, I know these cities need help. And they should get the help they need. But the taxpayers of the state, and the families whose lives have been destroyed should be first in line. The government should get behind them, and take its share after those families are assisted.

Secondly, I have deep concerns with this approach to administration of the funds. If you look at what happens, you can be living in one county, and you could get \$10,000 or \$20,000 of assistance. You could be living in the next county over, and you could be eligible

for up to \$130,000 of assistance. That is not fair. That is inconsistent.

What we need, in my opinion is a centrally administered state program that provides money directly to the families who suffered the problems. Not through middlemen. Not through very high administrative costs. Provide direct assistance to families to let them rebuild their homes, and require that all of the funds that are available be spent on a priority basis for the housing needs of the taxpayers and the citizens of this State, whose homes were destroyed.

I have provided you with more detailed written comments. And I thank you. And I thank you for your leadership on trying to make sure that we are not -- that we can get our better fair share of the money. And I thank the staff, because I know they have done an incredible job to try to get us through this difficult process.

MS. ANDERSON: Thank you. Mr. Steele. Now the next two witness affirmation forms have two names on them.

So I am a little confused here. Are you going to speak for Mr. Wimbledon, Mr. Steele?

MR. STEELE: I don't believe Mr. Wimbledon intends to speak, unless the Board has questions.

MS. ANDERSON: Okay. Thank you.

MR. STEELE: I am Jack Steele. I am Executive Director of the Houston-Galveston area council. And truth to tell, I wish I weren't here today. I wish that the hurricane had passed us by, and gone somewhere far, far away. But it didn't. And that is why we are grappling with the issues that are before us.

And while our friends in Beaumont-Port Arthur and the Deep East Texas area have suffered the overwhelming devastation from the storm, we suffered the brush of the western edge of the storm. And while numerically, the devastation was not as great in terms of the number of homes and the number of families affected, the devastation is just as meaningful in areas where families have lost their home, or they require significant expenditure to restore the home to be fully habitable and meet basic standards.

Additionally, there have been some significant expenditures made, as you have already heard by local governments. And restoring the home doesn't necessarily fulfill our obligation it seems to me if there is no water available to that home, if there is no sewage service available to that home, where there has been before.

So our obligation as local governments and I would suggest to you, your obligation as the Texas Department of Housing and Community Affairs is to be sure

that we provide the adequate housing and adequate public service to these jurisdictions. HGAC appreciates the quick action by this Board and your staff.

We are sort of flying the airplane as we build it. We commit to you that we will continue to work with you. We also commit to you that we will minimize the administrative costs associated with this program.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you, sir. Mr. Chester Jourdan.

MR. JOURDAN: My name is Chester Jourdan. I am the Executive Director for the Southeast Texas regional planning commission. Our main offices are located in Beaumont, Texas. We have Hardin, Jefferson and Orange County. Madam Chairman, thank you for the opportunity.

First of all, I want to thank this governing body the opportunity to move these funds forward very quickly. Secondly, I would like to thank your staff for the hard work they have done, particularly Mike Gerber, Bill Dally and others. Normally this is not something that we read about in the paper. This is not something we think about. This is something we lived through.

My house was destroyed. This is not something that is foreign to us. I rode the storm out in Beaumont,

Texas. The building I was in blew, the bottom two floors of windows blew out of that building. We had to hide in the stairwell. Sabine Pass, where the eye of the storm came through, was destroyed. It is no longer there, Mayor.

MR. SALINAS: That is why I am saying, that local government, your county judges should be more responsible for paying the administrative fees. I cannot understand why we have \$70 million that is going to your place, and for the administrative costs to be \$13 million to pay administrative fees.

MR. JOURDAN: Well, we don't want those administrative costs to be on there.

MR. SALINAS: Well, I can tell you they are going to be about that much.

MR. JOURDAN: Not my --

MS. ANDERSON: If I can ask both of you all please, we do not want to -- we do not want to compete between a witness and a board member.

MR. JOURDAN: He was asking me and telling me something that I already know.

MS. ANDERSON: Well, I agree.

MR. JOURDAN: And I am telling you that I know that.

MS. ANDERSON: To the entire board, not to one

board member. Please proceed.

MR. JOURDAN: I appreciate that. No, my intent about that was that when we first went to D.C. in November of last year, we were the only ones up there fighting for this money, Mayor, and counting. When we went there first of all, Hurricane Rita wasn't even on the agenda.

When they did the first supplemental and the second supplement and the third supplemental in D.C., Hurricane Rita wasn't even mentioned. It wasn't even listed. There was Hurricane Katrina, but there was no Hurricane Rita. And we fought for these monies.

These are local jurisdictions along with the Governor of this State, along with our elected officials who went and fought for these funds, and got these funds included. Senator Kay Bailey Hutchison and Kevin Brady that made this happen and come about. That is why we are even being able to talk about the allocation of these funds here today, and the use of these funds, and being able to bring these funds to the individuals in South and Deep East Texas who so desperately need them.

It was December 15 when Congress passed this allocation. We had already made three trips to D.C. I have made nine trips to D.C. since that point in time, just to be able to get any kind of help for South and Deep East Texas; any kind of support. Of any kind of monies.

We have not seen a single dollar to date to help these communities.

And it is not because we think about it. It is not because it is foreign to us. It is not because it is something we dream about. It is something, because we live and we are a part of. And it is something our friends, and our neighbors' houses were destroyed. You know. It is individuals that we go into, day and day out.

We received 30 and 40 and 50 phone calls a day, for help and for assistance. We are going to do everything we have to do, irrespective of this money. We have got huge faith-based efforts going on right now in our community to rebuild homes. We go out our personal selves and do this same sort of thing. Because we see it so critically.

Because it is friends and neighbors, and it is folks who live in our community, who have lived there for 30 and 40 and 50 years, and raised their kids in that home. Hurricane Rita comes on, they are on fixed incomes, and destroys their home. They have no insurance. They have no way to rebuild that. They are disabled. They have got health care issues. Huge problems, huge concerns.

My only issue is, I want to thank Mike and the help, when Mike was at the Governor's Office and the work

they did over there to get these monies here. We have got additional supplemental monies that is going to be coming.

We took a huge contingent to D.C. and testified before Congress to be able to get that additional money to come down here, we are talking about now. It was the local elected officials. It was the community leaders in South and Deep East Texas that got that money to South and Deep East Texas for this state.

It was the commitment of the Governor to bring that down there, our state legislative delegation that made that. And we are going to make sure that we do everything that we have to do to make sure those monies get to the folks that they need to get to.

MR. SALINAS: My support is there for every bit of that money to get directly to the people that need it.

Not stay behind in agencies that are going to get 15 and 18 percent of administrative fees. I don't believe in that. I think it should go directly to the people that need it.

MR. JOURDAN: I agree.

MR. SALINAS: That is what you fought for.

MR. JOURDAN: Yes, sir.

MR. SALINAS: And that is what I am fighting for.

MR. JOURDAN: And we are going to.

MR. SALINAS: Not to keep it in between. But by the time you get there, you are not going to have but only 40 or \$50 million left.

MR. JOURDAN: Yes, sir. And the only thing on the administrative issue is this; that when you put additional requirements -- for me to go fix a house, we can send a person to the moon.

We can send a shuttle up. But right now, the way the system is set up, and the way the paperwork is set up, the way the process is set up, I can't go fix this lady's house. I can't go do it, because of the rules and requirements and regulations that are being put in place to be able to go fix her roof. I can't do it right now.

And the amount of administrative paperwork it takes and the amount of work it takes to fix her house is so tremendous, it is so overwhelming, that I can't go fix her roof. I can't do it. There is just no physical way I can go out there and do it right now, the way the system is set up. The way the rules come down from HUD and the way the rules come down from TDHCA.

There continues to be responsibility. We understand that. But there is also an opportunity now, for us to move forward very quickly. We are nine months away from the storm, since the storm hit. And we have got folks who are in very dire situations, who need a great

deal of help.

And anything we can do to remove those obstacles and those barriers, and those roadblocks, the rules and regulations, to go be able to help those kind of individuals, then we can minimize the administrative costs. The more rules and regulations you put on, the more barriers you put, the higher the administrative costs are going to go.

The more you can remove, the more you can push that back. Thank you very much, Madam Chair.

MS. ANDERSON: Thank you, sir. I have a question for you. Your pre-application process, Mr. Dally. First of all, I want to commend you for having a pre-application process.

Because I am pretty disappointed at the level of specificity we have seen. And at least you have got pre-apps. You are starting to get names and pieces of dirt associated.

MR. JOURDAN: Yes, ma'am.

MS. ANDERSON: How many applications do you guess, ballpark, you receive, applications for assistance through that process.

MR. JOURDAN: Candye, do we know?

MS. C. ANDERSON: Well, we started doing the pre-application process actually, with the Governor's

unmet needs money.

MR. JOURDAN: Just for the \$600,000 something that we received through the Governor's Unmet Needs Committee several months ago, we received 6,000 applications.

MS. ANDERSON: Okay.

MR. JOURDAN: Just for that \$600,000. 8,000 applications. Just for that \$600,000 something. I mean, that is the kind of level of need that is out there.

MS. C. ANDERSON: Because we administer federal HOME money through the consortium. And then we are administering Orange County, and the Hardin County state HOME money, we have been doing the pre-apps, so we then are the ones that make the decision as to which fund actually best serves all the people.

So among all of that, the Governor's unmet needs pre-apps that we have done. And we didn't want people to have to do different apps.

MS. ANDERSON: Right.

MS. C. ANDERSON: Everything. They were sick of filling out paperwork. I would say that in the three counties, we have probably accepted 15,000 applications among the different groups. And that is without any big announcement.

MS. ANDERSON: Would you identify yourself,

just for our records?

MS. C. ANDERSON: Candy Anderson, Community Development Director of Southeast Texas Regional Planning Commission.

MR. CONINE: Could I ask each of you ladies to opine on this question. Property tax appraisals are done as of January 1, every year. How impacted will the county and city governments be, due to the drop in assessed valuation?

MR. JOURDAN: They are down. They are down. And particularly for our school districts. And we are just going to see this, particularly since the place is done this year, it is going to be a huge impact next year. And what we are going to see, particularly in Walter Diggle's area, and the DETCOG area up there, because of the huge loss of timber, and because that is the largest taxpayer up there, they are going to get devastated.

I mean, they are just going to get devastated overnight, like that. I mean, I have got counties, and it was mentioned by Bill Dowd earlier, counties and cities have got your borrowed money, just to make budget. Because of money personally they have had to spend out of their own budget just for the disaster recovery, because we have not received it from FEMA. We have not received it from anywhere.

I mean, this is the tragedy of this story. There was an article in the Texas Monthly magazine last month, done by Paul Burka, talking about this issue. He talked about the huge challenges, and --

MR. CONINE: I guess my question, to follow the bouncing ball here for just a minute. Take \$75 million and put it into the property assessed valuations, as opposed to plugging holes that are behind us. We then raised the level by at least 75 million, maybe more, because the house becomes a lot more valuable as a finished comprised unit, than sitting there half destroyed, or three quarters destroyed. When we get a multiplier effect to those cities and councils by putting all \$75 million into the real property.

MR. JOURDAN: I would say that would. We have said from very day one, it is our number one priority is housing. We both said that. On our numbers, on the numbers of housing, non-housing, it is 68 percent in our region, because of huge need.

I think somebody said it is 55 average. Our is 68. We have pushed as much on the housing side as we can.

The same thing as Jack said, that there is some issues related to water and sewer, and related to infrastructure we have got to fix, before you can go fix the housing. And so there is some things you have got to do on the

infrastructure side to be able to address the housing fees.

Same thing with our electrical grid. Entergy lost \$370 million something in losses, in South and Deep East Texas. You know, those are -- and if they don't recover that one way, they are going to have to recover it in another way. And that is rate increases for individual homeowners, who can't afford it now.

And so if you look at the huge issues, and I would encourage every one of you to come to South and Deep East Texas, to come down to our community. We will take you around. We took Secretary Jackson from HUD down about a month ago. I mean, we are happy to do that.

And we will show you what the issues are that we are trying to detail. We have got probably half a dozen or more so faith-based communities in our region right now, rebuilding homes. We have been doing it for eight months now. Doing it on a shoestring, trying to do everything we can, to help those most in need.

And all we have asked for is a little help. Give us a little help, and we will do some amazing things in our area. But to date, we have just not got that little help, yet. And we are trying to do everything we can. All the administrative stuff, all the things we have done, we are doing out of our hide. And I mean, we are

doing everything we can, to make a difference.

MS. C. ANDERSON: On a wing and a prayer.

MR. JOURDAN: We really are. I mean --

MS. C. ANDERSON: Because, we don't have grants that cover our money, that covers that administrating we have been doing.

MR. JOURDAN: And we are doing it. This is in a region now, that was hit by Katrina. We had 27,000 Katrina evacuees in our community, even before Rita hit. And so the level of devastation and need is huge down there, and we are trying to do everything we can to help.

MS. C. ANDERSON: I will say, that since September 1, this is all I have done, basically 24/7 is live and breathe either Katrina and/or Rita. And Michael can attest to that from the e-mails at 3:00 in the morning, as we were working on Texas rebounds. It has been a very life-consuming event.

And to answer your question, yes. Bringing those houses up to a level far above what they were prior to the storm will help the tax base. A lot of them, however, are going to be elderly households that are going to have some values that have frozen. And some of them will never even get up to the value that we put in to rehab them, because they are in areas that the homes are just not valued.

MR. JOURDAN: You put 30, 40, 50,000 into a home, and when it goes to be reappraised, it is only reappraised at 20, because of where it is located. It is going to take that because of the costs to fix it.

MS. C. ANDERSON: I would be quicker to rehab it. It will be quicker to do a rehab, than to tear it down and start over again. And then an issue that we haven't even dealt with, but it is going to be a tremendous one. We have six to nine month waits, even to get contractors to talk to us. So that is an issue that will have to be addressed, in addition to the rest of this, is the availability of each.

MR. JOURDAN: The last thing I would say, Madam Chairman, is that the issues got very acute here, recently. Our biggest issue is emergency issues. Just replacing the roofs.

We have had about 40 inches of rain since Memorial Day in Southeast Texas. We have lost a lot of a complex of homes that we could have saved before that, that we can't save now. We have lost them. I mean, those roofs have collapsed.

We are in the process right now in our community of replacing blue roofs. Not replacing roofs, but replacing blue roofs.

MS. ANDERSON: We understand that.

MR. JOURDAN: So I mean, that is the need here. And thank you.

MS. ANDERSON: Thank you. Mr. Diggles?

MR. DIGGLES: Good morning, Madam Chair and Board. I am Walter Diggles. I am the Executive Director of the Deep East Texas Council of Governments. That are is the most rural areas of those COGs that you have been hearing from early this morning. We serve 12 rural counties, about 9,000 square miles.

The area that was again, part of the area closest to the Gulf Coast there was heavily damaged by Hurricane Rita. I just want to give just a brief summary, not to repeat anything that my colleagues, Jack Steele or Chester discussed.

I am, particularly in our area, a reluctant participant in this program. And I say reluctant, because I would much rather the hurricane have been in somebody else's area than ours.

We actually currently now, and for the last 30 years, operated probably the largest regional housing authority within this part of our country. That regional housing authority serves as a Section 8 housing agency, and also Family Self-Sufficiency, Inc. And we also do home ownership programs.

When the hurricane came through our area, and

we had prior to that, the thousands of Katrina evacuees, we were trying to find housing. Our citizen counties refused to allow FEMA to use our agencies to house these evacuees. So our Board authorized our agency to serve as the administrator for all of those evacuees finding homes, finding them necessary need for those housing, for those Katrina evacuees.

We fronted that fund with HUD funds, through the Section 8 housing program. So not one city or county within our region had any involvement in housing those Katrina evacuees. When Hurricane Rita came through, we had no idea that the devastation of the disaster, and how significant it would be for our area.

The damages were so extensive, based on the lack of power outages, in excess of three weeks long. The damages to the infrastructure for those cities and counties, and I think you heard Charlie Stone mention earlier about the, some of those smaller rural counties who were just not at all accustomed with hurricane recovery, basically was in the process of being bankrupted because of the debris removal. Just the street clearing, and all those things associated with hurricane recovery.

And again, just the lack of fast response by some of the federal agencies, and we are still suffering now, waiting for some assistance. Mainly, infrastructure

assistance, and assistance to try to recover from expending all their funds in an emergency situation for their public citizens that needed some support.

During that period of time, our agency again, reluctantly took the lead, and all the unmet needs application, all the housing applications, in trying to bring some assistance to those folks who were in dire need. On January 17, or Martin Luther King's birthday in January, I had got a call from a front page article in the Houston Chronicle, from Aramco Services, in Houston.

And they had heard about some plights of some of the citizens with housing damages, and they wanted to know if they could come make a tour of our area. And they came on the Martin Luther King holiday, and we took them on a tour.

And this was from Saudi Arabia, representative, a Saudi Arabian representative, including Aramco Services.

And we looked at probably about two counties. Newton and Jasper County.

And the next week, one of the Saudi princes called, and they made an award to our agency of \$2-1/2 million for home repair. And this was just to repair the roofs, and to do as much emergency repair as we possibly can. But the caveat was, that there was no administrative fee. That we would have to do it in-house on our own.

To date, we have spent over \$300,000 of that fund. And we have probably repaired in excess of 300 homes, with no administrative fee at all. Just based upon the good will of the people of Saudi Arabia.

Because of the extensive damage to a lot of the other homes, and there were mostly seniors, we were able to partner with the Texas Department of Aging and Disability and use funding from their agency to help those that are 60 and over, and disabled. And so we targeted those with the people of Saudi Arabia grant.

And we also took applications from all of those folks who were damaged, had damaged homes that were extensive, and who did not meet the qualification for the matching grant from the Texas Department of Aging and Disability, which limited it for seniors and disabled. So we have all of that information in our files currently, and on a waiting list of homes that have been inspected, whose applications include all the income verification from our Section 8 housing program, and they are sitting there waiting, now, for assistance.

So we have again, reluctantly had quite a bit of information. Quite a bit of work that has been done, in preparation for additional assistance to help us carry out this mammoth task of trying to repair not only homes, but infrastructure that was caused by Hurricane Rita.

If you look on the page, Tab 4 of the budget narrative that we submitted to the agencies, for the record, I am going to read what we submitted to the agency about our agency. It says: infrastructure damage, resulting from winds and falling timber, because there was so much timber, and so much damage in the region that caused that infrastructure. There was not one power line that was not on the ground the day after Hurricane Rita in our region.

Now, here is an area that I want you to really take note to. And that is, because of the allocation, based upon FEMA's what we call project worksheets, that was the allocation that your agency allocated the funds by. We took that allocation based on what FEMA submitted to the state. And because we lived in the damage, we saw the damage.

We went to the Texas Department of Insurance and asked them to give us actual damages on insurance claims from homeowners. We took that information to the Texas Department of Insurance and used it in our method of allocation to make sure that just because FEMA is saying that a private worksheet from a community, we just would use FEMA's numbers.

So that made the housing damages go up considerably. And that is where we distributed those

funds in those counties based upon the Texas Department of Insurance and the FEMA worksheets, which really helped what we consider to be the actual damages by fallen trees and wind damages to the homes.

And in addition, we transferred \$1 million of allowable administration dollars to housing needs. Our agency did that in the allocation, so that this left again more money for housing. Because to be honest with you, there is more housing needs that we have not identified, or people who are out there, and they are just living in their homes, and they are not able to get any help.

So I just want to really make sure that the Board not only understands our appreciation for your deliberation, and your fiduciary responsibility in overseeing these funds, I just want you to know that our agency is not unfamiliar with not only housing programs, but in hurricane recovery and being as the best stewards of federal tax dollars as anybody, not only in Austin or Washington, D.C.

We would actually -- I would just love to be able to compare what we have done with the people of Saudi Arabia money, with the \$1 million that we put in housing, and what we are doing now with my staff. And since the hurricane, my employees who have worked overtime without any compensation, without any overtime, because they are

exempt, they haven't gotten an increase in salaries.

My grandkids are at home right now. It is summertime. And I am here fighting for the people who still have their homes, that are damaged, and need assistance. And trust me. I would much rather be with my grandbabies today.

But thank you, Madam Chair and I appreciate the time and effort and your responsibility. And not only your staff, but Ruth Cedillo who is not here, who retired, came out to our region, along with Bill Dally. And when we took them, and this was just a month ago, and that is almost six or seven months after the hurricane. And they had cameras.

And I took them around the block, and saw some houses with trees still lying in the middle of them, and roofs damaged. And they were just five blocks and well, how come we didn't know this. Unfortunately, we are not in a major market, and we are not New Orleans. So you just didn't see it, because it was not on the 6:00 nightly news.

But again, we appreciate your time and effort, and I hope that somehow or another, you all will find it in your heart of hearts to allow me to get back before midnight tonight, so that I could at least spend maybe another day or so with my grandbabies. But thank you very

much. And I will be happy to answer any questions that you have.

MR. CONINE: I am interested in the Saudi money. I thought I heard you say you spent \$300,000 out of the \$2-1/2 million so far. How long a time frame is that taking?

MR. DIGGLES: We actually started it around April.

MR. CONINE: April?

MR. DIGGLES: April 1.

MR. CONINE: And do you have a list of how the other 2.2 million, list of folks? Are you oversubscribed for the rest of the money?

MR. DIGGLES: What we have is, is a screened, a very high unmet needs, what we call database. And that database, what we are doing now, since there is such a long waiting list, and what we have is, is that because the people of Saudi Arabia will only do what we call weatherization. We can only do that part.

And because we have no other money to do the major extensive damage repair, we can only, we had to skip over everybody else, when they had more damages than we could afford. So what we have done is, we have gotten an inventory of major damages, and they are just sitting their waiting. Applications, and then we have to skip

over them and do the ones who are 60 and over, and disabled, because we have the matching funds.

Now we have been able to do some of those major damages with some volunteer help from either the Baptist men, or the Mennonites and from others who have come in and volunteered. And we have kind of volunteered. We have to be careful with that, too. Because sometimes, their standard of work may not necessarily be what our Section 8 quality standards are.

MR. CONINE: So let me see if I understand this correctly. The Saudi money is going for felt and shingles only, and maybe some metal edging. And where you have got to get plywood for the underlayment from somewhere else? Is that what is happening?

MR. DIGGLES: No, it goes for -- actually, we don't have any limit to what we do with the Saudi Arabia money, if it is going for weatherization. Weatherization includes windows, doors, roofs, minor repair. We have done floors. You know, we have got -- we don't. It is the most least restricted funds that we have ever extended.

MR. SALINAS: It is about \$10,000 per home?

MR. DIGGLES: No, it is about 25,000.

MR. SALINAS: For the weatherization program?
Right?

MR. DIGGLES: Right.

MR. SALINAS: 25,000 per home.

MR. DIGGLES: Uh-huh.

MR. CONINE: Okay. Thank you.

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

MR. DIGGLES: Thank you all very much.

MS. ANDERSON: Board? Discussion?

MR. BOGANY: I just have one quick questions for Mr. Gerber. So once we run on this, what is the projected time frame, to really actually start getting this money out in that region and really start spending?

MR. GERBER: Well, we would like to do it, obviously, as quickly as we can. We need to consummate a contractual arrangement with the COGs. We need to, once the Board approves that this is the amount of money that they are going to receive, we will have high expectations of the COGs to report back quickly on who it is exactly you are going to -- whose homes you are going to help in recovering, and what your critical infrastructure projects are going to be.

MR. BOGANY: Are they telling you that we can do this in 30 days, if we vote on this today? They can have their response back to us within 30 days? I mean, it is almost a year now. And so I am just wondering how

quick. And then, I had a question about, John Henneberger about us administering the funds. And I guess it is easier for local people.

Because you know what you need with it, and you know where you need to go. And I can see that being a positive way to go. But I am just curious that if we vote on it today, is it 30 days, or is it 60 days, or in September 1, are we still talking about administering funds?

MR. GERBER: I would anticipate that we are going to be coming back to the Board with specifics over a period of months. It is going to take some time, once the COGs know exactly how much they have, how they are going to. The only additional test that TDHCA has placed on these monies is that they have to target those projects or homes that have the greatest unmet need.

So we are going to work with them to work through the names and the projects, and get those before you as quickly as we can. But there is a process to go through, and it is going to take some time.

MR. SALINAS: I move for the approval of the \$74,123,000 in accordance.

MR. BOGANY: Second.

MS. ANDERSON: Discussion? Mr. Conine?

MR. CONINE: Madam Chairman, I still have some

concerns about the administrative fee aspect of this. I am not at all comfortable with, and I may not understand what strings HUD is putting on the funds, relative to housing, non-housing and the administrative funds associated therewith.

I am not at all comfortable at this point not -- basically because I just don't -- I haven't seen the numbers of how, let me phrase it, the Saudi Arabian approach would be, if we made sure all 75 million got to the ultimate user, and or county or city government, or whatever the case may be, rather than being used for administrative fee purposes. Because we are all under existing budgets anyway.

And I need some more information before I am comfortable with that. I think a two-week delay in this decision might be warranted. It is not going to stop any money from flowing, because not any money is going to flow after this meeting anyway, for several weeks, and maybe even months, based on what I am hearing.

But I am sure this Board could make a more intelligent decision and have more input from the COGs and the cities and counties, related to where, especially on the non-housing side, I really want to see some more detail there.

MR. SALINAS: Yes. This is where I was going a

few minutes ago. But I hate to be --

MR. CONINE: I know.

MR. SALINAS: I know what I want to do is to get the money where it is needed. I know where administrative monies can go. And if you look at 15 percent out of 74 million, you are losing 12 million in administrative fees.

MR. CONINE: Right.

MR. SALINAS: That was my concern. I mean, I really would like to see 150 million go to those people over there. But I think the Council of Governments and the city governments have more responsibilities and should be matching some of these funds. These funds should be all going to the people that live over there.

MR. CONINE: I am with you on that Mayor. I am on your side there. And we also know that there is another supplemental appropriation coming. And I just think there is too -- we need a crash course in how we are going administer this \$75 million. And I am just uncomfortable with it, at this point in time.

MR. SALINAS: Well, I am also, you know. But I just don't want people to think that I don't want those monies to get to those people. So that is why I made the motion. But if everybody understands where I am at, I do want not only that \$75 million, but I think we should ask

for more. But administrative fees, I do have problems with also. Mike?

MR. CONINE: Maybe you can address some of that, Mike? I don't know.

MS. ANDERSON: I want -- excuse me if you would for just a minute. I want to echo Mr. Conine's comments.

I do not have a warm and fuzzy feeling about this. And you know, I do not want this board or anything associated with this -- anything associated with the State of Texas to ever have a headline like we are seeing coming out of our neighbors to the east. About 2 billion in fraud, and so on and so forth.

And I do not think we have met our fiduciary standard. And I know the staff is working very hard on this. And I know that the staff is working very hard on this. And I know that the people in the COGs are too.

And I also know that this Department was publicly criticized by a COG for moving slowly, and then the proposals we get in here, we don't have a list of the infrastructure projects we are being asked to write. It feels to me, and maybe I am overstating it a little bit, but it feels way too much to me like a blank check. And I know that the staffs, our staffs have asked for specificity. Let's get lists of water and sewer, and where they are, so that we know what it is that we are

allocating.

And I mean, I would be willing to vote the preliminary housing allocation today. I am not willing to vote the preliminary non-housing allocation, because I don't know what is behind the numbers. We have got a big number that is 38 percent of the total, or 42 percent of the total, but with no detail.

And I also agree with what Mr. Conine and the Mayor are saying about we don't have any administrative budgets. I mean, we are not -- I am not comfortable proceeding with the level of granularity there.

MR. SALINAS: I thought you were mad at me for saying those things.

MS. ANDERSON: No. I just didn't want a debate between a witness and my friend the Mayor.

MR. SALINAS: Well, I just don't want -- I want everything to go to the people that really need the help.

MR. CONINE: I will be even more specific than that. A 5 percent administrative fee, to be split between TDHCA and ORCA is \$3,750,000, plus or minus. And I am not sure I want to get that. I'd rather see it going to the houses there.

MS. ANDERSON: And we haven't seen those budgets, either. And understand how we would propose to spend that. That is a fair comment.

MR. SALINAS: I will pull my motion.

MS. ANDERSON: Okay.

MR. CONINE: I am going to move to table this item.

MS. ANDERSON: Second?

MR. CONINE: Second. Until the next meeting.

MS. ANDERSON: Second. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. We are going to take a break, a 45-minute lunch and executive session break, until 12:30. On this day, July 12, 2006, the 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 12, 2006, at approximately 12:00 noon. The subject matter of this executive session, deliberations on -- the Board may go into executive session and close this meeting to the public on any agenda item if properly authorized by the Open Meetings Act, Texas Government Code Chapter 551.

The Board may go into executive session pursuant to Texas Government Code Section 551.074 for purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment of duties, discipline, or dismissal of a public officer or employee, or to hear a complaint or charge against an officer or an employee of TDHCA. Consultation with attorney pursuant to Section 551.071 of Texas Government Code with respect to pending litigation styled [inaudible] Members et al., versus TDHCA, filed in state court; with respect to pending litigation styled Gary Traylor et al versus TDHCA filed in Travis County District Court; With respect to pending litigation styled Deaver versus TDHCA filed in federal court; with respect to -- everybody go the Capitol Lunch.

We have a lunch in Styrofoam. And we will come back down. And we have got an adjacent room. I guess I could have an executive session.

(Whereupon, a short recess was taken.)

MS. ANDERSON: The Board has completed its executive session of the Texas Department of Housing and Community Affairs on July 12, 2006 at 12:30 p.m. 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

551.103 of the Texas Government Code.

The agenda was posted to the Secretary of State's office seven days prior to the meeting, pursuant to Section 551.044 of the Texas Government Code, that all members of the Board were present, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code.

We are now ready to proceed with Item 3(a). Thank you. Mr. Gerber.

MR. GERBER: Madam Chair, board members. Item 3(a) are HOME amendments. The 2006 HOME rules in the State, the modifications and/or amendments that increase the dollar amount by more than 25 percent of the original award, or \$50,000, whichever is greater, or significantly decreases the benefits to be reviewed by the Department and the estimation of the Executive Director will be presented to the Board for approval.

Two HOME amendment requests are being presented to the Board today. Lucy Trevino from TMC will do the presentation.

MS. TREVINO: Lucy Trevino, Manager of TMC. The first request is from the City of Jonestown. The city is requesting to reduce the number of assisted households from eight to three. This would mean the obligation of

their remaining funds.

They are also requesting to exceed the \$5,000 cap per unit, bringing the total cost per unit to \$63,951, in order to accommodate additional costs necessary to meet LCRA requirements for onsite septic systems. They are also requesting a six-month extension in order to have time to replace the systems and to complete the construction.

We are asking for a conditional. If the Board chooses to approve, we are asking for a conditional approval, based on the LCRA doing actual onsite inspections, and then re-bidding the work with the expanded scope of work. The estimates were based on documentation that the LCRA had in-house only.

They hadn't actually done an actual inspection. So we would like for them to do that, before we let them proceed.

MS. ANDERSON: Do you want to go ahead.

MS. TREVINO: The second one is Midland Habitat for Humanity. And they are asking for modifications to their income targeting requirements, to increase the income limit for all households to the 60 percent income limit.

MR. CONINE: Staff's recommendation, I read in here, is to not approve either one of these. Is that

correct?

MS. TREVINO: They are asking for the request. Staff does not have the ability or authority to approve. So we are bringing it to you for approval.

MR. BOGANY: So what is your suggestion? I mean, are you guys, I have seen everything, seen all the facts. But what is your suggestion?

MS. TREVINO: For the City of Jonestown?

MR. BOGANY: Uh-huh.

MS. ANDERSON: We can't build the house. I mean, they said that if the inspections confirm what we have been told, we can't build the houses, unless we do the septic systems. Is that accurate?

MS. TREVINO: The houses won't meet standard, unless the septic systems are replaced. And as far as going from eight units to three, they didn't have enough applicants that met the requirements of the program. They only had three eligible applicants.

MR. BOGANY: Okay.

MS. ANDERSON: Would the Board like to hear the public comment on this item before they proceed? Karen Hirsch?

(No response.)

MS. ANDERSON: Kelly Mullane?

(No response.)

MS. TREVINO: I think they left.

MS. ANDERSON: We have two people here from the City of Jonestown.

MR. SALINAS: They don't have a septic tank system?

MS. TREVINO: They don't have adequate systems based on documentation that we got from the LCRA, based on in-house records. The septic systems are either outdated, one was built in the '60s. One was built in the '80s.

And they are also built to accommodate smaller houses than the houses that they plan to reconstruct. The LCRA also requires aerobic septic systems, which have more requirements than the conventional systems. So it is an extra cost to the City.

MS. ANDERSON: What is the Board's pleasure?

MR. CONINE: I am going to move to approve the three houses, subject to the LCRA ensures that replacement of the septic system would be required, and to go ahead and to extend the time frame for those three houses until March 30, 2007. But then to go ahead and deobligate the balance of the money now.

MR. SALINAS: If they have any.

MS. TREVINO: They do.

MR. CONINE: They have a bunch.

MR. FLORES: Second.

MS. ANDERSON: Discussion on the motion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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.

MR. SALINAS: So they are gone. This is it. Three houses.

MS. ANDERSON: Now, this was a two-part item. So we still have the Midland Habitat for Humanity item.

MS. TREVINO: This is a homebuyer activity, and it is just difficult for them to find qualified households, at the 30 percent and 50 percent limit. They qualified for the program, but they don't qualify for the first mortgage, either because they have credit problems, or too much credit, or bad credit.

MR. CONINE: Move to approve their request.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Item 3(b)

Mr. Gerber.

MR. GERBER: Item 3(b) is dealing with the housing tax fund single-family rehabilitation award. Staff is requesting the approval of a \$53,000 Housing Trust Fund award to the Deep East Texas Council of Governments to complete construction of two homes that were left partially completed due to a failure in administration of a HOME contract that was awarded to Lone Star Garden Development Corporation in Jasper, Texas.

Staff is also requesting approval for the Executive Director to seek reimbursement, and to refer this matter to the Office of the Attorney General and or the local district attorney for their review. Lone Star Garden Development Corporation was awarded a \$500,000 HOME owner-occupied contract on September 1, 2003.

These funds were designated to rehabilitate nine homes in Jasper, Texas. Lone Star drew \$384,095 of the contract funds. Five homes were completed, and two additional homes were left partially completed. Five homes were eventually completed; however, the two

remaining homeowners have been out of their homes since April of 2004, or 27 months.

Lone Star inappropriately requested reimbursement and was paid for construction that was not yet completed. Lone Star has unsuccessfully attempted to recover funds inappropriately disbursed to the original contractor, and the Department fully expects Lone Star to continue their efforts to recapture these funds, until fully recovered from the original contractor.

The Department faces potential liability for disallowed construction and administrative costs, totaling approximately \$108,000. To assist the displaced homeowners, the Department has requested the assistance of the Deep East Texas COG to assume responsibility for the completion of the two remaining homes.

The source of the funding for this award will be \$53,000 in Housing Trust Fund program income that has not yet been allocated. DETCOG has the capacity and prior experience to complete this project within four months. This activity and use is permissible under the current HTF rules.

The Department intends to aggressively pursue all options available to recover funds, and again, to take legal action against the responsible parties. The Department will request the assistance of the State

Auditors Office, and the Office of the Attorney General for an investigation. The local district attorney's office and the HUD Office of the Inspector General will also be notified, with the concurrence of the Board for assistance in possible investigation.

MR. GONZALEZ: Move for staff's recommendation.

MR. BOGANY: Second.

(Pause.)

MR. CONINE: There is a motion and a second on the floor.

MS. ANDERSON: Thank you. Excuse me.

Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Item 3(c).

MR. GERBER: Madam Chair and members, Item 3© is a discussion of the development of a compliance system for affiliated parties and vendors for potential debarment for non-performance. The last item which the Board considered raised to the attention of staff the need for

some kind of systematic way to have a system to prevent bad actors from participating in the Department's programs and funding. Kelly Crawford, our director of PMC will brief the Board on the proposal that staff asks the Board's consideration on.

MS. CRAWFORD: Good afternoon. Kelly Crawford, acting director of Portfolio Management and Compliance. In an effort to provide more accountability for performance in delivering Department programs and contracts, we have identified a need to develop a debarment list to capture poor performance of affiliates, or business partners associated with our contracts, such as consulting firms, or contractors.

The objective of the debarment list will be to document those entities or persons that have met the criteria of debarment as established by the Department. This will allow awardees to do business only with responsible parties, and will allow the Department to prevent known affiliates that have performed poorly in the past from gaining access to Department funds.

We feel this process will allow us to more effectively manage awards, and ensure positive outcomes for the people we serve. So we are requesting approval from you to research options for the development of the TDHCA debarment list for affiliated parties and vendors.

MR. BOGANY: I have a question. So let's just say that we have someone, a grant writer for example, that is on ten deals, and five of them is belly up. That person would go into that database.

MS. CRAWFORD: I think that the criteria that we are looking to develop is going to have to be weighted, and based upon true failure to perform the duties they were contracted for.

MR. BOGANY: Now, like the one we just voted on, on Deep East Texas, like that Lone Star whatever, would that group go in, or would you take the list of the names -- I guess that is how I envision it. You take the list of those of who were on the deal as ownership, and then those people would go in a database, and every time we got a deal, you run that name through that database, scrub it and see if something comes up.

MS. CRAWFORD: Absolutely. Especially if we can apply criteria to them, that they belong in the debarment list.

MR. BOGANY: All right.

MR. FLORES: And this will be brought back to the Board for approval and so on?

MS. CRAWFORD: Absolutely.

MR. FLORES: Madam Chairman, I move for staff recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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.

MR. GERBER: Item 4, the Draft Agency Strategic Plan. Mr. Gerber. Good afternoon, Madam Chair, members of the Board. The Strategic Plan describes TDHCA's goals, plans, performance measures, and the perceived fiscal and business environment it will operate under for the next five years.

TDHCA will use this plan to help meet the needs of the citizens of Texas through logical, transparent, accountable and effective actions. The plan provides a high level overview of internal issues that may affect the ongoing accomplishment of TDHCA's mission during this time. And this includes discussions on the structure and sufficiency of the Department's budget, workforce characteristics, organizational structure, capital and technological assets, and performance measures by which

the Department's efforts will be evaluated.

Of all the external factors, are also studied, and these include available funding resources, service population characteristics, service area boundaries, and economic, legal and environmental conditions in which the Department operates. Part of the plan provides TDHCA with the opportunity to describe some of its strengths, weaknesses, challenges, and opportunities for change. Please note that while this is a planning document, it does not establish future performance measure targets, which is done through the legislative appropriation request process, nor does it establish program set-asides, or intended program activities. This type of activity is done through program rulemaking and the State low-income housing plan and rules.

The format of the report is really prescribed by the Legislative Budget Board and therefore, it is not significantly different than previous reports that the Board has seen. However, this plan does put more focus on the effectiveness of interest rate increases, higher energy costs, increasing foreclosure activity, rental submarket issues, such as concentration of affordable housing in certain areas, and community opposition to affordable housing.

It also as well as efforts to enhance critical

employee skills for future needs, and to ensure that vehicles are in place to maintain institutional knowledge.

And by doing so, TDHCA staff will be better able to transition into new roles, when turnover and key management positions occurs. The plan also deals with TDHCA's ongoing response to Hurricanes Katrina and Rita, again, also being discussed.

This plan will be submitted with the Board's approval to the Governor, the Lieutenant Governor, the Speaker, and other public officials and agencies. Steve Schottman with Public Affairs is here, who worked on this report extensively, to provide a more detailed briefing, if you have questions, or to answer any questions you might have.

MS. ANDERSON: Questions? Kudos?

(No response.)

MS. ANDERSON: I want to thank Steve and his team and the others that participated for the hard work that is reflected in this plan.

MR. SCHOTTMAN: This is Steve Schottman with Policy and Public Affairs. I certainly appreciate the thanks. I could like to publicly thank Alyssa Carpenter, who did a huge amount of work on this, as well as Amanda Stites, who no longer works with the agency. But the really did a yeoman's work on this, as well as all the

directors who put up with my never-ending stream of emails asking them for more and more information. So, thank you.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Item 5(a), NOFA for Housing Trust Fund, uninsured hurricane damage. Mr. Gerber.

MR. GERBER: Board members, the Department's Housing Trust Fund 2006 Plan was approved by the Board at the May 4 meeting. This program was one of the three programs that were approved by the Board. This program was designed to help existing developments in TDHCA's rental portfolio, to restore damaged developments to pre-hurricane condition.

The Board approved the use of 1 million in Housing Trust Fund to allocate to this program. David Danenfelzer, the HTF administrator for the Department is

going to present this program to the Board. David.

MR. DANENFELZER: Thank you. David Danenfelzer, Multifamily Program administrator. The write up in the NOFA are there, included in your Board books. There are two things I wanted to note on this write up, in particular.

First is, under the background section, for highlights for the program. The first item there says that this program will be subject to the Department's Regional Allocation Plan. That is incorrect. The actual writeup in the NOFA includes that it will not be subject to the Regional Allocation Plan. These funds are only targeted towards Regions 5 and 6.

The other thing that I want to make sure that the Board is aware of, and do point out, is that on Item 7, in the background section, that the Board is, by approving this recommendation, if you choose to approve it, is waiving the notification requirements under 50.9 of the QAP.

The Department felt, or staff felt that it was necessary to allow for a waiver, so that the applicants didn't have to go through a long and arduous process of notification in such a short application period. But the Department is taking the burden on, to go ahead and notify all public officials and neighborhood organizations

through our response process.

MR. BOGANY: So moved on the staff's recommendation.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Thank you, David. Moving right along, 5(b).

MR. GERBER: Don't go far, Mr. Danenfelzer. Item 5(b) is a presentation, discussion and possible approval of the extension of the termination date for the Hacienda Santa Barbara Apartments. Staff administratively approved a 90-day extension for Hacienda Santa Barbara Apartments' commitment termination date from April 1, 2006, to July 1, 2006, due to delays in the approval of the USDA rural development loan.

The applicant is still citing delays with USDA, however, the only review remaining is the final design review. David will provide a little more information.

MR. DANENFELZER: Again, David Danenfelzer. Multifamily Program Administrator. This is generally a fairly straightforward amendment. Staff generally does process these, and has the Executive Director approve extensions to closing dates on most contracts.

But after consulting with our General Counsel, because the applicant had already requested a previous extension, within the past four months, we felt it was necessary to bring this back to the Board to allow you to review the situation, and to make a determination of whether or not this would have a material impact on the application itself.

MS. ANDERSON: Do we know, did this come up in the meeting with Brian Daniel, the USDA meeting that staff had with Brian Daniel?

MR. GERBER: We did not talk about specific projects in that meeting, but we did talk about general structure, and the need to be more in synch with --

MR. DANENFELZER: Staff has been in communication. Excuse me. Staff has been in communication with Gil Ledger at the USDA, Texas, about this particular project, and some of their delays. We do know that from an email that I received yesterday, that they are awaiting from the applicant a new -- it is a new form, 1924-13, which is part of their review process. So

USDA did confirm that they requested additional information of the applicant, and the applicant is getting that to them.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Item 6(a) is presentation, discussion and possible action on 2006 housing tax credit appeals timely filed. Mr. Gerber.

MR. GERBER: Ms. Joyce, would you come and do the presentation, please?

MS. JOYCE: Hi. First of all, Jen Joyce, interim manager of Multifamily. The agenda items that you have before you list three separate appeals. And two of those appeals have withdrawn permanently. And those appeals are 060143, Sun Valley, and 060147, Orchard Valley Homes. There was one additional appeal that was submitted timely.

The agenda item says, or other appeals submitted timely. And that is 060177, Casa Edcouch. We are first going to go through the appeal for 060144, which is Centerpoint home ownership. And afterward, Casa Edcouch.

Basically, this is an appeal that you have seen before. They submitted this appeal first on June 9 at the board meeting. And the Board tabled the appeal requesting that staff look into the relationship between the applicant and their attorney. We did do that. We issued a deficiency. The applicant responded to our deficiency request.

And you can see, unfortunately, we had to hand-number your page numbers there. And I am sorry about that. But if you turn to page 7 to 9, you can see the applicant's submitted response. Staff did feel that it adequately answered our questions and that they were not violating their QAP. We then placed this appeal back onto today's agenda.

And if you will remember, on June 9, we actually recommended that you deny this appeal. And then after hearing the determination on the appeal we were talking about earlier, 060118, Sunset Haven, we felt like this was in line with, it was a very similar circumstance, and so we actually had initially said that we would change

our recommendation to granting it. That was before being tabled.

Therefore today, we are again recommending that you actually grant this appeal, because of the fact that we believe that they are very much in line with the appeal that was granted for Sunset Haven, 060118. If you turn to page 43 in this appeal packet, you can actually see the site map for this particular application. This again, is Centerpoint Home Ownership, the actually application itself. And it is regarding quantifiable community participation.

And pardon me, it is regarding homeowner community participation from a letter that was submitted from Centerpoint Resident Council. And you will see there on that map that it is a single-family home site.

And the proposed development is actually within that single-family home site, which is pretty much the only difference between this appeal and Sunset Haven that you granted. Sunset Haven was actually right directly next to the proposed developments. This is within the actual plot of single-family homes.

MR. SALINAS: This is on 1015 and ?

MS. JOYCE: I am so sorry?

MR. SALINAS: This is on 1015?

MS. JOYCE: 1015?

MR. SALINAS: Farm-to-Market 1015.

MS. JOYCE: Page 43.

(All talking at once.)

MR. SALINAS: That is the same one.

MS. JOYCE: Correct. Yes. If you take a look at that, you can see that of all of those plotted areas, there are existing single-family homes. And that resident council is the one making a comment on the proposed development, which includes the construction of more single-family homes.

MS. ANDERSON: Just for the Board's information, I have public comment both for and against this action item.

MR. CONINE: Let's hear it.

MS. JOYCE: I am happy to answer any other questions later.

MS. ANDERSON: Thank you. Mr. Bill Fisher. The next witness will be Bill Walter.

(Pause.)

MR. FISHER: In your handouts, these are just the blow-ups of what you have in your handout, aerials of the existing single-family home division. My name is Bill Fisher. I am with Odyssey Partners. Good afternoon, Madam Chair, Vice-Chair Conine, distinguished board members. Executive Director Gerber.

I am here to speak on behalf of the staff's recommendation to restore the applicants' points. This appeal is based upon the subdivisions' original application complying with the QAP both before your ruling on Sunset Haven and after your ruling on Sunset Haven. The property that is where the new construction is taking place also involves demolition of the current subdivisions common area amenities. And we believe that we meet even the interpretation of demolition and new construction, within the property occupied by the residents.

As you can see here, this is a subdivision plat. And with the subdivision plat and also in your handouts, this is the vacant lots where the homes are, which is where the homes, the new 36 homes will be constructed. This includes this area up here, where the new clubhouse, a clubhouse will be built, along with pool and other amenities, many of which are required to meet the Department's threshold criteria.

Staff originally recommended denial of this application because they interpreted occupied property to somehow be living units. And the Board has correctly determined that property occupied obviously includes the area within the boundaries of the development, including those common area amenities.

I'll point out that you do have threshold

criteria that every tax credit property includes common area. And there must be minimum amenities in that to qualify as a tax credit property. So we are demolishing common area.

We are building new construction. And it is within the boundaries of the existing subdivision, which was platted back in 1985. Although the units are scattered throughout the development, this one section here in the middle is a vacant parcel, which has been the community soccer field, and on occasion, their portable basketball courts.

The Sunset Haven development, our staff pointed out really involved virtually contiguous property. This overlaps specifically within the boundaries of the development. And we are asking the Board to support the staff's recommendation to restore the QCP points for Centerpoint Home Ownership.

I do want you to know that the project sponsor in the background is the Housing Authority of the City of Weslaco, who currently owns lots and are contributing the lots as part of the development financing. And this is the only urban/exurban development of its kind with all single-family homes, which will allow the resident at the end of the compliance period to own the equity that would normally belong to the developer.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you. Mr. Bill Walter.

And then the next witness is Apolonio Flores.

MR. WALTER: I will yield my time to the other speaker.

MS. ANDERSON: Okay. Mr. Flores.

MR. FLORES: Good afternoon. I am Apolonio Flores, and I am here on behalf of the Weslaco Housing Authority. Mr. Sepulveda, the Executive Director was not able to be here. He asked me to make comments to you. And just to tell you that we appreciate the staff's recommendation, and we request that you support and approve the staff's recommendation.

As Mr. Fisher said, Centerpoint, the Housing Authority ownership in Centerpoint is 89 single-family lots that they acquired in 1994. They used 50 lots for single-family homes, and two for playgrounds. The other lots remain vacant, to be developed at a later date, which is now.

So basically, it does, it is very much the same as the Brownsville situation. We believe that it qualified for the QCP point. And we request your support. Thank you.

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

Shackelford.

MR. SHACKELFORD: Madam Chair and the other members of the Board. I am here only to answer any questions that you may have regarding the appeal coming back before you today. If there is no other questions, then I yield the balance of my time.

MR. SALINAS: The City of Weslaco has given you the City's support?

MR. SHACKELFORD: Yes.

MS. ANDERSON: Thank you.

MR. SHACKELFORD: Thank you.

MS. ANDERSON: Mr. Robert Joy.

MR. JOY: I yield to Bill Encinas.

MS. ANDERSON: I am sorry.

MR. JOY: I yield to Bill Encinas.

MS. ANDERSON: Okay. Mr. Encinas.

MR. ENCINAS: Good afternoon, Madam Chair. Mr. Chairman and members of the Board. I don't often -- my name is Bill Encinas. I don't often speak to the Board. And I am pleased to speak to the board members as well. I felt compelled on the matter of this appeal to speak against it for several reasons.

And it is such a moving target with these community groups. And the interpretation of resident councils. However, specifically relating to the Board's

decision of last meeting, I should point out that this is indeed is not the same project as Sunset Terrace, which you correctly granted that appeal.

This project is a scattered site, and mixed use. It has approximately 19 existing homeowners that live there, that are not allowed to participate or vote, specifically in this residential site. Additionally, the question came up last month of perhaps conflict or perhaps inducement.

I personally find some miraculous things have happened with regard to this particular resident council.

In 2006, this Centerpoint Resident Council, which consists of renters from the Housing Authority expanded their boundaries by half a mile to the east, then a half a mile to the north to include two other developments by the same developer as currently is Centerpoint. Not only that, but had their attorney in Dallas file correct documentation with the State, which effectively got the Board to believe that this resident council was not induced or influenced.

I have to tell you, being a federal developer in the Valley, trying to compete on a level playing field with such tactics is very difficult. And I would appeal to this Board to clarify the situation with regard to both inducement and indeed, this is not the same project that

you approved last board meeting with Brownsville. I thank you for your time, sir.

MS. ANDERSON: Mr. Encinas, if you would just stay up with me.

MR. ENCINAS: I apologize.

MR. BOGANY: Mr. Encinas, are you saying that this is not the same neighborhood? It looks the same neighborhood to me on the plat.

MR. ENCINAS: This neighborhood is not the same as Centerpoint, as Sunset Haven that you approved, last -- Sunset Terrace Residents that you approved last board meeting with regard to it being a resident council. You have 19 homeowners living within here, that are not allowed to participate, vote, or speak to this resident council.

They are not a part of this. You have home ownership. This is a scattered site. It is very clear. This does not meet, I feel, the criteria that you have set forth, that is a specific, site specific for resident council. These people are omitted. I don't think it meets -- it absolutely is not the same product as Sunset Terrace Resident Council which you approved last time.

MS. ANDERSON: You are saying the two situations aren't parallel.

MR. ENCINAS: Absolutely. And that is clear.

That is undisputed.

MR. BOGANY: Okay. I have a question for staff.

MS. ANDERSON: Yes. Thank you, sir.

MR. BOGANY: In regards to, I guess, the light that has been shined on this, in your thought processes, is the resident council the housing authority renters in the area?

MS. JOYCE: It is interesting that he posed that argument. My understanding of that particular area is that it was 100 percent housing authority owned. There is a kind of a rent-to-own or an ownership program that they do allow. Therefore, it became 19 homeowners there, on site.

The bylaws of Centerpoint Resident Council are the standard HUD bylaws, which say that membership, it is a resident council and membership specifically is limited to persons who have a lease within the Housing Authority.

If you were to go with that argument, then I would therefore say that this isn't a resident council, in terms of the QAP, that this truly would be a neighborhood organization, and that would open up a whole another bag of worms.

In other words, they would have already been eligible, because they could have asserted their own

boundaries. Those boundaries could have included the area that they said that the boundaries were. Which actually, they submitted four different QCP letters. Three were in support.

One was in opposition. And they were asserting that their boundaries actually encompassed a very wide area. Because we consider this a resident council, certainly, we consider their boundaries to be that particular development site.

MR. BOGANY: Why do we consider this a residents council?

MS. JOYCE: In all of the -- if you will look back in the deficiencies that we issued to the neighborhood organization, when we said that they were a resident council, their argument back was that because they had homeowners that, and this is going from memory, and I will check when I sit down, but I am pretty sure it is right. That because they had homeowners, that they should have been considered a neighborhood organization. Going by their bylaws for the neighborhood organization, though, we considered it a resident council.

They were the HUD bylaws, and they were originally tenants of the Housing Authority that then bought that particular single-family home. And the proposal, by the way, for this development, is for the

same type of structure, eventual home ownership.

MR. SALINAS: This is a nice site for this project. I know this site myself.

MR. CONINE: Move to --

MS. JOYCE: May I add one little small technicality. I am sorry. I just wanted to make it clear, based on Mr. Fisher's testimony, we are, if you were to grant this appeal, it would not be awarding points that were lost. It is awarding 24 points for QCP, where we had previously only given them 12 for ineligibility.

MR. CONINE: Move staff's recommendation to grant the appeal.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Casa Edcouch. It is beyond page 123.

(All talking at once.)

MS. JOYCE: After page 123. Yes. Correct.

Thank you. There is about ten pages back at the end of your appeals packet.

MR. SALINAS: Casa Edcouch.

MS. JOYCE: Casa Edcouch, yes. Casa Edcouch, 060177, located in Edcouch, Texas. It is a rural application, non-profit family in Region 11. New construction, 76 units. We, I am sorry. Behind the action request, you can see the deficiency language, the QAP language that this pertains to. It is the deficiency section of the QAP.

As you might remember from last appeals, we have a requirement that when we issue a deficiency, that you must respond to that deficiency within five days. If you don't you have a five-point loss. While we were in very strong communication with the applicant, unfortunately, they were unable to submit that documentation to us within the time that is required in the QAP. And they were aware that they were going to lose five points, and did.

I just want to point out, that we have issued well over 300 deficiencies, just this cycle, and we have actually only had four-point losses as a result of the timeline. It is a reasonable timeline.

It was approved by the Governor, obviously, within the QAP language. But I just want to kind of

remind the Board that these timelines are absolutely crucial to us getting the applications reviewed and into Underwriting within the legislative requirements. We recommend that you support staff's decision and deny the appeal.

MR. CONINE: Move for staff's recommendation.

MR. BOGANY: Second.

MS. ANDERSON: I have some public comment on this item. Monica Poss.

MR. POSS: Thank you for your time. I am Monica Poss, and I work with the National Farm Workers Service Center. I am here to represent Edcouch Housing Development for Casa Edcouch, number 060177. And I ask that you grant an exception to the five-point penalty for the delayed deficiency response.

There were a number of items we received a deficiency notice on, and we responded to all of them with the exception of one, within the time frame allowed. The one item which we were a day late on was a nothing further statement from the title company. We requested this from the title company in a timely manner.

We called them several times a day, explaining the urgency of what we needed, and begging them basically, to hurry up and get it to us. And they were unable to give us that nothing further statement until the day after

it was due.

MR. SALINAS: What is the name of that title company?

MS. POSS: Valley Land and Title.

MR. SALINAS: Well, that figures.

MS. POSS: We have had great experience with the national title company that we work with, but they have to go through Valley Land and Title for local documentation.

MR. SALINAS: You did tell those people what you lost?

MS. POSS: We explained what the consequences would be.

MR. SALINAS: Is that Mr. Alonzo's [phonetic] title company.

MS. POSS: They still would not comply with the time period.

MR. SALINAS: Is that Lone Star National Bank?

MS. POSS: I am not sure. We actually work with a title company here that works through them. So I don't know who owns it.

MR. SALINAS: Okay.

MS. POSS: But we are not working with them anymore. So they got it to us a day late, even understanding the urgency of the situation. And this is a

priority application. It scored well. It is underwritten well. We have received support from the community and elected officials.

It is in Region 11, the Rio Grande Valley, a rural project for affordable housing that is desperately needed for the population with a poverty rate of over 50 percent. And basically, our potential allocation is at risk because someone at a title company was having a bad day. So we ask that you grant an exception to this five-point penalty.

MR. SALINAS: For the sake of the site that I know which is right, this is one about, I would say about six miles away from the other one that we just approved. But it is in the Edcouch-Elsa area. It is a very low income area.

MS. POSS: The population is about 3 1/2 thousand people.

MR. SALINAS: Population, and then -- I don't know if the title company should be responsible for this. But rules are rules.

MS. POSS: We understand that. And we did everything within our power to try to get everything that TDHCA requested within the time frame allowed.

MR. SALINAS: Casa Edcouch.

MS. POSS: This is something that we begged

for, and pleaded, and explained the urgency of, and the title company for whatever reason, was not able to comply with our request within the time frame.

MR. SALINAS: I don't know if you all could do something about that.

MS. ANDERSON: I have another witness.

MR. SALINAS: You have another witness? Okay.

MS. ANDERSON: Questions for this witness, or do you want to yield time?

VOICE: Yes. I am yielding.

MS. ANDERSON: Okay. Other questions of Ms. Poss? Questions of Ms. Poss? Thank you. I have a question of the staff. Normally, I don't remember what she called it from the title company, the nothing further report from the title company.

Is that normally, is that supposed to come in with the application package, and it didn't? And that is why we had a deficiency on it?

MS. JOYCE: I want to say that yes, it is outlined in the ASP, and I don't know if it is in the QAP. It is definitely in the QAP as a requirement.

MS. ANDERSON: So it should have come in with the application package on March 1.

MS. JOYCE: Yes. However, not recalling from memory and the application, I don't know if there was an

extenuating circumstance where they believed they didn't need to have it. And because of something in the application, we identified that they did need it.

MS. POSS: Refresh your memory?

MS. ANDERSON: You need to come up, back up and speak in the mike, please, Ms. Poss.

MS. POSS: We did actually supply the title report, but it was for a date prior to the one requested by the TDHCA. So they asked for an updated report.

MS. ANDERSON: Thank you. Okay. Jen, under that set of facts --

MS. JOYCE: Correct. The QAP says that you cannot have, the nothing further letter cannot be older than I believe, six months from the date of March 1. So it couldn't have been older than September 9, and it was actually dated January 11, 2005. So we asked for an updated version, and that is very clear in the QAP.

MS. ANDERSON: So they submitted in the original application package, they submitted a report that was too old, that didn't meet our requirements on March 1.

MS. JOYCE: Correct.

MR. SALINAS: So that makes them lose from the deck space.

MS. JOYCE: No, sir, it doesn't. And it actually is not in any way an award recommendation or a

non-award recommendation. This is actually for five points, they are appealing to have reinstated. We deducted five points for them being late.

MR. SALINAS: But after you got whatever you wanted, the application is fine? They would get the five points if they would have gotten it at the correct time?

MS. JOYCE: What they submitted on the sixth day, which caused the five-point loss, was enough to resolve the deficiency.

MR. SALINAS: Okay.

MS. ANDERSON: But in March, with the original application package, they had submitted a title report that was more than, that was nine months older than the six months old that we allowed it to be. It was 15. We allow six months, and this was about 15 months, 14 months old.

MS. JOYCE: Correct. The nothing further letter was required if it was going to be older than that.

MR. SALINAS: Sixteen months old. Not one day.

MS. JOYCE: It was well outside of the eligible date.

MR. SALINAS: Okay. We do not want to break the rules.

MR. GONZALEZ: So once they were aware of that, how much time did they have to provide it.

MS. JOYCE: They had five days to respond to the deficiency notice. The notice is actually sent out on Day Zero, and the clock starts ticking the next day. They have five days, and they responded on the sixth.

MR. SALINAS: So it was actually one day. I don't know if --

MS. JOYCE: It was one day late.

MR. SALINAS: I don't know if this Board would want to be kind of understanding, to see where the area is at.

MS. ANDERSON: This is going to knock somebody else off.

MR. SALINAS: I know. And don't get mad at me, Chairman. You know, we did that a few weeks ago. You know, and I don't want to do that. I just want to explain my opinion, you know.

MS. ANDERSON: Okay.

MR. SALINAS: This Board has done a lot of work in the Valley. You know, this is the first time that we have gotten, you know, we have gotten Casa Saldana. We have got the Farm Workers working with this Board. I think they have got three or four projects right now. Casa Saldana.

I mean, they have really done a good job working with this Board. And I think they have done four

projects. This would probably be their fifth. But they are in nice areas, and they are working real well with us.

This is one day late. And it is going out to somebody else. I agree.

But those are the rules. And I just wanted to express that this site is probably one of the most important sites in the Rio Grande Valley, because it is one of the ones that has got more indigent than any other city. It is not close to the border. It in between. The school district is one of the lowest and the poorest.

So but I agree with the Chairman. It will probably knock somebody else off. And I think we ought to follow the rules. So I am sorry. [inaudible]. Whenever you hear --

MS. ANDERSON: So we have a motion on the floor, and it has been seconded. Is there any other discussion. Mr. Mayor?

MR. SALINAS: No. Just remember that one day, when you are here in Edcouch Elsa.

MS. ANDERSON: Discussion?

(Pause.)

MS. ANDERSON: Hearing none, I assume we are 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.

MR. FLORES: Put me down for no, please.

MS. ANDERSON: Now, Item 6(b) is housing tax credit challenges.

MS. JOYCE: If you will take a look at the blue binders that you have, basically, when we posted the PDF, we meant to for your copies, to provide you with the page numbers, challenge section and through an administrative error, you actually got the PDF. Which, we are unable to number PDF pages. So what you are --

MR. CONINE: You lose five points.

MS. JOYCE: I'll take it off of my score. I just want to be absolutely clear that what you are looking at in the ring binder is exactly what you had in your binder that was provided to you, and was posted to the website.

No changes whatsoever, with the exception of their being page numbers, so that we can navigate more easily through this discussion. In addition to that, however, it was requested that we provide the Board any updated information that we posted to our website from the date that we posted this information.

Keeping in mind that you cannot consider and

take any action on any new information, we have provided for your information the additions that were posted to our website on July 10. And as there is need, I will let you know, as applicable, the various inserts that you might need to do and take a look at. I think it would be more complicated to tell you where you to insert them right now.

But I will say that if you would like to go along in the revised and updated July 10 table, it would probably be best. If you take a look in your actual binder, behind the action item, there is a table. And it goes into detail about all of the different applications.

MR. CONINE: This binder.

MS. JOYCE: The updated version. Correct; in the three-ring binder. In your updated version, you will see as the very first item, there is a cover page, and it says, Challenges. And then on top of that, it goes into detail. Just behind that is the updated table.

And anything that was updated from your board posting is highlighted in yellow. So that way, as we are going along, if you have any questions, you can at least note that there is some information that you might have, in addition to that.

Is everybody on the same page. Would you like me to show you what it looks like, or anything? We are

all okay.

(Pause.)

MS. JOYCE: Sorry. I myself am trying to -- here it is. The page looks like this. The first item in your manila folder. Just behind it, you see a table, and it says Status Log 2006, 9 percent housing tax credits. I believe it is the only white form that you have in that package. All right.

It is alright if I go ahead, and get started with the challenge section? As you may recall, from the 9th and the 27th of June board meetings, the 2006 provides a process for handling and evaluating challenges received by the Department, which last year, we called allegations, fondly.

As you may remember, prior to this year, there was no formal process in terms of how the Department staff should handle challenges, nor was there any guidance in terms of how the Board should handle challenges as well. Having no process meant that when staff received a challenge, we would investigate it, and if through that investigation, we determined that there needed to be a point loss, or a termination, we would act on that.

The Board was then -- also would often hear of the repercussions of those challenges through appeals. And last year, we actually ended up presenting all of the

different challenges that we had received. And you all were fairly responsible for making determinations on those.

This year, we added to the QAP a process for challenges, so that staff would have a process that we could use to make our determinations. There actually wasn't any language added in the QAP that specifically asked for the Board, or that provided similar to the appeals process for the Board, had the ability to trump staff's decision.

However, we have given this information to you, and it is under an action item, so you do have the ability to take action on it, should you like to. Let's see -- just as a reminder, from last week. Basically, when we receive a challenge, we post a copy of that challenge to our website.

We then give the challenge to the applicant that is relating to that challenge. They have a chance to come back. And basically refute the challenge itself. The difference from last year to this year is that we are depending on the research and information from the challenger, and from the applicant, rather than staff doing all the investigation for them.

So what you have before you today are the results of staff's determinations of the challenges. And

I will note that the only difference in terms of the resolution that we had in your original board book, is that we have in the table before you, for 060070, it is on page 5 of 8 on your status log; The Mansion at Briar Creek.

In the posting for the board book, we said that it was pending. And then in the update provided on the website, we actually said that it was resolved. And I will note that actually, it is resolved, but we are still looking into some of the information that was in the challenge with the City. And to the extent that it is substantiated, we still might take action on that.

In terms of the logistics of how you would like me to go through this, I am happy to answer any questions at this point. I can give a summary. I can answer questions.

MS. ANDERSON: We have public comment.

MR. CONINE: We do?

MS. ANDERSON: Yes.

MR. CONINE: Let's hear it.

MS. ANDERSON: Mr. Darrell Jack.

MR. JACK: Thank you, Madam Chairman and Board.

There is a lot of new faces since I came before. Just to give a brief summary of my company, my company is Apartment Market Data. We do market research around the

state. One of the unique things about our firm is that we have the only database of apartments for the entire State of Texas.

On a regular basis, we are databasing over 1.5 million apartment units for rent and occupancy information. I come to you today on behalf of Piccadilly Estates, a senior project that has applied for 9 percent tax credits here in Austin.

Another client of mine, that I did a market study for last year, is actually the one filing the challenge. So I am somewhat peculiar ground here. So I am going to be careful what I say here.

One of the key things that I want to stress to you here is, that in the challenge letter, it says that it is our feeling that the project's market study does not accurately reflect the market area's capacity to absorb the additional 168 units of the proposed development. Now what I want to stress to you here is that the methodologies that I used last year, in the market study for Cambridge Villas, is exactly the same methodology that I used for Piccadilly Estates in the 2006 application.

One key variant here, if you will turn to page 2 with me is the outline of the primary market area. The 2005 rules and guidelines allowed us to use a radius. And that changed in 2006, to where we had to go to a custom

trade area, that reflected where we thought the project would derive most of its demand from.

The population for a senior project trade area is limited to 250,000 people. The 7.5-mile radius that we used in 2005 was 248,000 people. The custom trade area for 2006 had 244,000. So virtually the same amount of people within the trade area. The challenger here had hired a third-party market analyst to come back and review our market study for 2006.

And the conclusion, one of the key conclusions that they came out to, was that the market study did not accurately describe the area that the property could expect to draw from. That the market area should be much larger than the way that we drew it.

But understanding here, that the TDHCA rules and guidelines limit us to that 250,000 population. We can't go over that, or the market study is deficient. The rules do allow us to do a secondary market study, but doesn't require it. In this case, the capture rate threshold was met, the threshold was under 100 percent capture rate.

And so we didn't go the next step, as we might if it didn't. In this letter, you will see that we did do a larger trade area, that included both Williamson and Travis County, which they say would be negatively affected

by this project.

We are looking at 1.2 million people within that trade area. The good thing for Piccadilly Estates is that the capture rate actually went down from about 83 percent to 53 percent. It was favorable towards Piccadilly Estates.

Now one key thing that I would like to point out to you, if you will turn to page 7 and 8. Since we did want to help this second developer design the best project for the market, we worked extensively with him on his unit mix. And where Cambridge Villas was weighted heavily toward one bedrooms, and less towards two bedrooms, we worked with this developer on Piccadilly Estates to do the opposite.

We weighed his project more heavily towards two bedrooms and less towards the one bedrooms. The other thing that we really saw a need for was 50 percent units in the market. And Piccadilly Estates, contrary to Cambridge Villas that has filed the challenge, has 50 50 percent units that are going to be offered in the market if this application is approved.

So in conclusion, I would like just to say that whether you use my information or the information that was provided by Capital Market Research, that did the review of my study, it is obvious and apparent that there is a

shortage of affordable senior rental housing within this area of Austin. By all conclusions of the market studies that we have done, the market study for Piccadilly Estates does meet the requirements of the TDHCA for 2006 application. I would be happy to answer any questions.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you very much.

MR. CONINE: Can I ask a procedural question?

MS. ANDERSON: Yes.

MR. CONINE: Once staff determines their response on all these challenges, don't all these people have a venue of the appeals process, to come back to us, rather than us having to listen or having to go through all these at this point?

MS. JOYCE: They do. They definitely do. And there hasn't been any action taken at all, because we have not taken any action on any challenges received so far.

So there aren't any appeals out there to be heard. To the extent that we do take action, where we do terminate, or point losses, or consider somebody ineligible, then you would, I assume, hear an appeal at that point.

MR. CONINE: Are you going to do that, and give them enough time to appeal, prior to the meeting on the

28th?

MS. JOYCE: As long as they submit timely, then we definitely will make it -- within every bit of our power. And actually, yes. I will note that the one that he is talking about, the Piccadilly Estates, that is one of the highlighted yellow items on your table. And that is because it did not, it was not in your original board books.

So even if you wanted to take action on it today, it is for your information, strictly only. And we did receive the information you are speaking about from the applicant, yesterday. We have already taken a look at it, and we will consider it resolved, and take no action on it at all. We will consider it public comment relating to the market study.

MR. CONINE: I am not advocating cutting off public comment. I just wonder what we are doing here.

MS. ANDERSON: Yes. You wouldn't have an appeal unless staff took away points, or did something do that --

MS. JOYCE: And if the Board would like us to not come back with these again, anymore, that is fine, too.

MR. CONINE: Let's hear what the General Counsel has on this matter.

MR. HAMBY: I thank the Chairman. Kevin here, General Counsel. I just wanted to make sure that the way your question was worded, wouldn't all of these people have a chance to appeal? And the answer is, no. All these people who file a challenge would not have a chance to appeal.

MR. CONINE: Right.

MR. HAMBY: Only the people whom we found the challenge to be valid and deducted points.

MR. CONINE: Right.

MR. HAMBY: If the challenge is found by staff not to be valid, then there is no appeal, because there are provisions in the QAP that do not allow appeals of other people's scorings. I just wanted to make sure that was clear.

MR. CONINE: I am clear.

MS. ANDERSON: Okay. So we have some additional people who have offered to make public comment. Mr. Rob Burchfield?

MR. BURCHFIELD: I will defer my time.

MS. ANDERSON: Ms. Bast?

MS. BAST: Thank you. Cynthia Bast of Locke, Liddell and Sapp. And I am not actually here to speak about a specific challenge. I just wanted to briefly actually give a compliment and a suggestion. The

compliment goes to your staff.

I believe that they have done a very good job of implementing this process this year. You know, last year, we called these things allegations, and we decided that wasn't a very friendly term. So this year, we called them challenges. And actually, I don't like that term very much either.

To me, they are questions. My clients ask me questions all the time about the QAP and many of them, I can answer. But sometimes, I cannot. And I really appreciate that I can submit my questions in writing so that others in the development community can benefit from those answers as well.

And we have legitimately benefitted from those answers this year. For instance, on the QCP front, we have learned that neighborhood organizations can be created by land sellers and brokers. And that there can be a mix of retail, excuse me, of commercial and residential. That the people who create the neighborhood organization don't necessarily have to live within the boundaries.

All those things are very valuable, because we got new language in the QAP this year about the financial benefit. And that led to a lot of questions. So being able to answer these questions in a public forum is really

helpful. At the same time, comes my suggestion.

Which is that some of my questions, based on the way that the staff has handled the process do remain unanswered. And so that is where my suggestion comes in.

For instance, we had one question, and the response was, we have looked at that in the deficiency process. And the staff is very thorough in the deficiency process.

But that didn't answer my substantive question, which I use, and is valuable to me to help clients through the process. Now, I could call up a staff member and ask them the substantive question, but that wouldn't benefit the entire community like the public process does.

So my suggestion is, that as the Department continues to address these public questions in this QAP, and in coming years, that I hope they will know how very helpful it is to have these answers to the questions in a public forum, and to provide those answers in a way that benefits all of us. And I thank you for that.

MS. ANDERSON: Thank you. Lee Burchfield.

MR. BURCHFIELD: Hi. Good afternoon. I am Lee Burchfield. I am with Connexus [phonetic] Development, and consultant to application, Mansion at Briar Creek, 060070. I just wanted to ask staff if comments have come on the challenges since our response to the initial challenge, that we have a chance to respond before any

action is taken. Thank you.

MS. ANDERSON: Thank you. Paul Leventis?

MR. LEVENTIS: I will waive my time.

MS. ANDERSON: Thank you. That is the end of the public comment sign-in. Yes?

MR. BOGANY: A quick question. If staff does not view the challenges as appropriate, or inappropriate, or whatever, and they don't view it, then why are we looking at these? And if you being, I can see it coming to us if you deemed it, yes.

I think we have an issue here. But if you read through the challenges, and they don't fit the criteria, why are we even discussing it, and bringing it up?

MS. JOYCE: I believe that it was staff's impression that the Board had a desire to hear and be updated on this information.

MR. CONINE: Yes. I believe that I could comment on that. I enjoy seeing the questions and answers. Because this allows for third party questions on other applications.

And I think Ms. Bast's comments about it being public is great. It is just not an action item here, from my standpoint.

MS. ANDERSON: Right.

MR. CONINE: And presenting it as a report is

wonderful, and the updates since July 10 is wonderful. But you know, I don't know that there is anything that we can do until it hits the appeals process.

MR. BOGANY: There is not.

MS. JOYCE: And I think that a lot of this was just giving voice for the public. Perhaps for the next board meeting, would you prefer to give definitely more as a report, and sort of to Ms. Bast, maybe an elaboration on our logic, but at the same time, it not being an action item. And it kind of stops with staff.

MR. CONINE: Correct.

MS. JOYCE: Okay. It sounds good.

MR. CONINE: At least, that is this board member's opinion.

MS. ANDERSON: Okay. Agenda Item 6(c) is presentation, discussion and possible approval of the commitment of 2007 housing tax credit ceiling.

MR. GERBER: Ms. Boston.

MR. CONINE: Catch her unprepared.

MS. BOSTON: Let's look at the other stuff. Brooke Boston, deputy Executive Director of Programs. Got to get used to that. Basically, for Fairway Crossing, this is a 2005 application that was granted a 2006 award of credits. It was awarded as a forward commitment.

And we are recommending that it be granted a

2007 commitment, so that they have some time to meet some conditions that were in their commitment notice. They are considered to be in compliance with the 2007 QAP with this action. They would be under all the timelines associated with the 2007 QAP.

The credits that they would be quote coming back into the '06 pool, would then just go into urban/exurban Region 3. And then for 2007, they would come out of that same pot.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. 6(d) is determination notices for multifamily mortgage revenue bonds with other entities as issuers.

MR. GERBER: Madam Chair, members. On 68, Joseph Piedmont Apartments, this is a Priority Two prior activity bond application with Southeast Texas Housing

Finance Corporation, that has applied to the Department for housing tax credits. The proposed development will consist of 250 general population units in the City of Baytown.

At the time the Board information was prepared and published on the Department's website, the Department had not received any letters of support, or opposition. Since that time, the Department did receive a letter and resolution of opposition from the Goose Creek Consolidated Independent School District. Staff is recommending \$1,069,209 in housing tax credit be awarded to this project. Robbye Meyer, our acting director of Multifamily Finance will present.

MS. MEYER: Robbye Meyer, Acting Director of Multifamily Finance. He pretty much did my whole presentation. So I'll just stand here, if you have any questions.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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.

MR. GERBER: Item 7(a) is Parkwest Apartments.

This is a Priority Three private activity bond and housing tax credit applications with TDHCA as the issuer.

The proposed development will consist of 252 general population units to be located in West Harris County, just west of FM 1960. The applicant is requesting 15 million in bonds, and \$875,000 in housing tax credits.

The bonds will have a fixed rate, and be privately placed with Capmark Mutual Mortgage, Incorporated, and amortized for 37 years in syndication with PNC. Although there are no zoning restrictions in Harris County, the development has received a letter of consistency with the County's consolidated plan.

The final development plat has been approved by the County, and the development is in final review and approval for the issuance of building permits, to commence construction. The development is located within walking distance of public transportation, retail shopping, employment centers, medical and dental facilities, restaurants, religious facilities, and recreational facilities.

The division of real estate analysis calculated

an adjusted capture rate of 14.3 percent with a demand of 1,766 units. The market analyst showed an average of 96.6 percent occupancy rate for market rate developments in the primary market area, with a 97.7 occupancy rate of housing tax credit properties. There are 13 housing tax credit developments in the Alief ISD, totaling 2,555 units, of which 270 units are elderly. The total population for the area is estimated at 183,000.

Three of the properties are TDHCA bond transactions, four are local bond transactions, and the remaining six are 9 percent competitive tax credit transactions, ranging from 1993 to 2004. At the time the board information was prepared and public on the Department's website, the Department had received letters of opposition from Representative Hubert Vo, Alief School District Superintendent Sterner, and Alief ISD Board President, Alief Superneighborhood Council, Parkland West Community Improvement Association, West Bend Community Improvement Association, and one letter of support from the Mission Bend Church.

Since that time, the Department has also received additional letters of opposition from Senator Janek and from Harris County Commissioner Steve Radack. There were 67 people in attendance at the public hearing, with 60 stating opposition. Public comments consisted of

overcrowding of medical facilities, concentration of affordable housing, depreciating property values, additional stress of infrastructure services, increased traffic, and undue burden on the Alief Independent School District.

Staff's recommendation is the issuance of 15 million in tax-exempt bonds and 875,000 in housing tax credits. Robbye might wish to provide additional information, if there is additional information.

MS. MEYER: Well again, he stole all my thunder. So if you have any questions, I can answer them. The developer is here to address anything additional.

MS. ANDERSON: Okay. There are a number of people that would like to make public comment on this. Are we ready for that. Representative Vo.

MR. VO: Madam Chair, board members, I am Representative Vo, District 149. And I am here today to speak in opposition to the proposed Parkwest Apartments. As myself, I am a development producer and I have an appreciation for the need for affordable housing. And I have not previously spoken out against any such projects.

And I believe that these projects offer a much needed way to provide housing to low-income families. And I oppose this project because the area has a high concentration of affordable housing, higher than the City

of Houston, higher than in Harris County.

And it is -- from my letter, if you look at the chart on my letter, we have about 63 units per square mile in Alief, comparing to 48 units in the City of Houston and two units in the Fort Bend County. I believe that the density of the Alief area is too great to add another 252 units to this area. In addition to that, there is many vacancies in the existing projects.

The Alief area also, public services such as fire and police are clearly strained. And I know that the West Houston Medical Center has reported that they are experiencing overcrowded emergency rooms and the hospital operating on the version for ambulances. And besides that, the elementary schools around the area are overcrowded.

And you know that the Alief school district took in an additional 3,000 students in the area during the Katrina and Rita hurricanes. With the highest concentration, I see no way that it would benefit the new students that would come to the Parkwest proposed project. And because of the existing high density, I am asking to, I am speaking in opposition to this proposed project.

MS. ANDERSON: Questions?

(No response.)

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

Wright.

MR. WRIGHT: Thank you, Ms. Anderson. Mr. Gerber, would you like to do my presentation as well? I am Jerry Wright with Capmark Securities. We are the lender for this transaction. And I just wanted to address a couple of things that were brought up in public comment at the TEFRA hearing and recently, just by Mr. Vo.

As a lender, we really focus on one thing, and one thing only. That is the viability of the project, both short term, and long term. When we look at the viability of the project, first of course, you look at the market.

I think you heard from Mr. Gerber that the market itself, for the tax credit units, as well as for market rate units is substantially above 90 percent. I believe that there is one tax credit property that actually will probably be coming off of the tax credit compliance period in the next year and a half, or two years. That is substantially lower than 90 percent.

But again, that is one property that seems to have some occupancy issues associated with some concerns with the physical infrastructure of that transaction itself, not of the rest of the tax credit properties in the area. The other thing that we look at is the overall ownership and the management of the properties itself.

Here, we have a property that is going to be owned by a gentleman who lives within five miles of the property. It is managed by Alpha Barnes Management, a strong, well-respected and experienced manager in the tax credit and in the conventional market area. So again, someone who knows the market, someone who lives in the area.

And a manager who is very experienced in both market rate and in tax credit developments. The other thing though, it is not just the market. It is not just the occupancy. It is who is going to live in the property. Who lives in the area? Will they actually have services?

Will they want to live there? Do they have jobs in the area? We look at the I-10 corridor. We look at Highway 6 and say you have a strong infrastructure. You have strong growth. You have a school district that people will want to come to, that has over 47,000 children in it already. That is growing.

That is very well respected. You have good ingress and egress from Highway 6. The infrastructure is in place. You have 252 units coming in. This is not a 6,000-unit property that is going to come in to strain the infrastructure. So we look at this as a very strong property.

We look at this as a very strong development. And we look at it as a very strong proposal for an affordable housing property in West Houston. And with that, thank you for your time.

MS. ANDERSON: I have a question for you.

MR. WRIGHT: Ma'am.

MS. ANDERSON: Your comments about the property, that has some physical deterioration to it, that you --

MR. WRIGHT: Yes, ma'am.

MS. ANDERSON: I mean, that you indicate is rolling off, may roll off, because I look at it, it is 15 years. I assume that is what you after. But would you not agree that rather than just dismissing it, because it is going to roll off, and going to go away, that any tax credit product like this, that has physical damage, damages the image of all affordable housing?

MR. WRIGHT: Absolutely.

MS. ANDERSON: And so I don't -- okay. Because I think it is wrong to just dismiss it, and say it is not going to be an issue in two years. Because it is still going to be an eyesore in two years.

MR. WRIGHT: We look at it as, it has an issue of why it is not at above 95 percent occupancy, if they have fire units, obviously, those aren't going to be

rented.

MS. ANDERSON: Right. Well, I am very concerned about any time we have properties that have the material non-compliance that I became aware of last night, that that deal has, because it hurts all of us that are working to create affordable housing.

So I wouldn't just dismiss it by saying it is not going to be ours in two years. I don't think that is helpful to advancing the interests of your industry.

MR. WRIGHT: No. We just dismiss it as an outlier. That it is not --

MS. ANDERSON: From a demand perspective.

MR. WRIGHT: Just as if you had a market that was 70 percent occupied, and had one property that was 100 percent occupied. There are probably reasons why that property was 100 percent occupied, when the rest of the market was 70. If you are above 95 and have one property that is significantly lower than that, you need to look into the reasons why it is.

And in this case, it is significantly inferior to the rest of the properties in the market. So that is why we look at that as not a good indication of the market itself.

MS. ANDERSON: Okay. Thank you.

MR. WRIGHT: Anything else? Thank you.

MS. ANDERSON: Connie Quillen?

MS. QUILLEN: Thank you. My name is Connie Quillen. I am a regional supervisor with Alpha Barnes Real Estate Services. And I am here to present the following comments on behalf of our company president, Mike Clark, who couldn't be here.

Alpha Barnes Real Estate Services is a third party management firm that specializes in the management of tax credits and other affordable properties in Texas. At present, we have responsibility for over 8,000 units located in over 65 properties, including several in the Houston market.

One of the properties we manage in the Houston market is located within the market area for the proposed Parkwest Apartment homes, and within the boundaries of the same school district. That property, Mountview Ridge Apartments leased up approximately three years ago, and has consistently run about 94 to 95 percent occupancy.

The property routinely experiences traffic of between 20 and 30 families per week, who are seeking high quality affordable housing. It is important to realize that a 5 to 8 percent vacancy rate in affordable housing is a solid performing property. As you know, TDHCA requires the properties be underwritten at 7 percent vacancy.

According to the statistics provided and letters submitted in opposition to this proposed development, the three properties surrounding this site have a total of 53 vacant units on a total inventory of 672 units. That is slightly over 92 percent occupancy. Solid by any rental housing standards.

It is our belief that the market studies are correct, and that the demand for an affordable property of this type and quality of Parkwest Apartment Homes will be strong and consistent. We believe that this property will lease well, and occupy completely. And it is our opinion that whatever vacancy issues existed in the submarket over the past several years have been more related to ownership and financial issues, and/or management shortcomings, rather than the demand for these units.

Finally, with regard to the questions and concerns about the quality of residents that will be attracted to the community, I would point out the following. Alpha Barnes maintains a strict pre-occupancy screening procedure that includes verification of credit history, prior landlord history, criminal screening, and employment. The owners have instructed us to manage the property with a zero tolerance policy that immediately provides a notice to vacate to any family involved in any type of drug activity or crimes against the person.

Our typical resident would be a two to four-person family with a total family income of approximately \$30,000 annually. The head of household would likely be employed at a local business or industry. In short, we will make every effort to attract and keep only residents who are cooperative and contributing members of this community. Thank you.

MS. ANDERSON: Thank you. Mr. Kenneth Cash?

MR. CASH: I would like to request to speak at the end, if possible.

MS. ANDERSON: I have got about three of you who want to speak at the end. Marvalette Hunter.

MS. HUNTER: Good afternoon, Madam Chair and Board. My name is Marvalette Hunter. And I am an architect and planner. And I have been involved with housing and community development for the last 15 years. And I am also a member of the general partnership of Parkwest.

I am here to express support for the Parkwest Apartment Homes project, and to solicit your support for staff recommendation to approve that project. You have heard testimony in opposition to this project. Much of that testimony is included in your book. But I wanted to draw your attention to one thing.

And that is, most of that opposition starts

with that first sentence that says, I support affordable housing. Inevitably, it ends with the last statement that says, but not here. And so what I want to do is to kind of draw a parallel for you, between good and bad affordable housing; affordable housing that has been built well, and maintained well.

And we think that Parkwest Apartment Homes is such a project. The design of this project is a Class A project. The management team, the construction team that has been put together is superb. They have impeccable records. With the current inventory that they currently manage. And we just want to point out to you that the best indicator of future performance is past performance.

And you can pretty much see what this project development team has done in recent history, and along the way, as far as developing affordable housing. I would like to point out that the most important thing is the documented evidence regarding the need for affordable housing in Harris County. In particular, this particular area of Harris County. And this is not just wishful thinking on behalf of the developer.

This is documented evidence, supported by a third party market study that indicates the number of units that could be absorbed in this particular area, in excess of 1,500 new affordable housing units. We also

have documented evidence of need for this area that is supported by the Consolidated Plan of Harris County.

Now, this is a document prepared by the Harris County Community Economic Development Department and supported by the housing authority of Harris County that actually stipulates that there is a demand for affordable housing in that area. So documented evidence is there to support the case that there is a need for affordable housing in that area. The facts basically are clear, and the facts do not support the oppositions' position that there is not a need.

The numbers in fact, are quite staggering, because over 800,000 people in that jurisdiction earn less than 60 percent of the area median for that area. That is quite a need. There is currently 597 people on the waiting list for Section 8 housing in Harris County, and because of that, they have even, the County has closed their waiting list, and is not even allowing anyone else to be a part of that.

So we know that the evidence is there to support the need for affordable housing in the area. And lastly, I just want to point out to you that not everyone is opposed to this project within this area. The Mission Bend Church already provided for us a letter of support. But not only that, we talked to people who were employed

in that area, who drive a long way just to get to work.

MS. ANDERSON: Ma'am, I need to ask you to wind up, please.

MS. HUNTER: Okay.

MS. ANDERSON: If you don't want the other side to go over on their time.

MS. HUNTER: Yes, ma'am. The last point to be made is that the waiting list is there to indicate a documented need. And lastly, the substandard conditions of some of the apartment complexes, we spoke to those residents, they would like to see the project done. I am just here to ask that you would support the project, and support staff's recommendation to approve it.

MS. ANDERSON: Thank you. Ms. Nicole Flores, please?

MS. FLORES: Good afternoon. My name is Nicole Flores, and I am here representing PNC Bank out of their Austin office. And it is good to see you, Mike Gerber, officially this is our first meeting.

My last meeting actually was the April board meeting, and at that time, we were also representing several bond deals. And there was some opposition to those bond deals, and some concerns about concentration issues. And I wasn't involved in the Parkwest Apartment deal at that time. I just happened to be a member of the

audience that spoke in support of one of the other bond deals.

And again, there was a lot of questions about concentration in South Houston. And at the time, the TDHCA Board went to induce this particular project. Again, I was not involved with it. There was a call for a map. Let's look at a map. Let's get out a map. Let's look at where this deal is, and let's make sure we don't have any concentration issues before we induce this. And there was actually a map brought in. We looked at it.

We looked at the surrounding area. And as a lender sitting in the audience, I said, well, this is really great. We are doing that sort of work ahead of time, so that as a lender, I am not spending my time and energy, and the developer is not spending his time and energy on this transaction.

So I think from that time forward, I don't think the developer was present at that time, but my colleague Jerry Wright and I were. And we both went, this is great. We have vetted the concentration issues ahead of time.

I subsequently went to Houston, because I wanted to go see this exact site. I wanted to know where it was. I wanted to know if it was on Highway 6. It was off the new toll road. It was in a primary growth area.

It was a high demand area with great access, great services and amenities.

I went over to Houston and met with Ken Cash, the developer. And this site was as I had been told. It was certainly in a growth corridor. It is on Highway 6. You can see the toll road with cars going by in the distance, from this site. There is definitely the infrastructure, the access, the support.

From a lenders' perspective, the demand on this site was what we called a slam dunk. And we don't call very many deals a slam dunk anymore, especially in Houston. So I understand that there are other projects in the area. I would urge you to look at the age of those projects, and the overall demand for the properties in the area.

Because certainly, I think this was an issue that was taken into account when the project was induced.

And I think we moved forward in good faith, thinking that this particular issue, any concentration issues had been vetted. The market studies were very sensitive to that, as we moved forward, that the demand was there for this project. And I urge you to support it.

I obviously have a vested interest as an equity partner in this transaction. But I believe strongly in it. And I believe in the process that was gone through,

because of earlier concerns, that we did look at these issues on the front end. So I urge you to look at the inducement minutes from that board meeting, and know that there was a review of this issue.

Because we didn't want to have another problem, I think, with concentration. So I appreciate your listening to me. I know that this is a long hard day, and a hard time of year for all of you. Thank you very much.

MS. ANDERSON: Thank you. Mr. Cash.

MR. CASH: Members of the Board, My name is Kenneth Cash, and I am with Stoneart [phonetic] Development. I would like to thank you for hearing me, and taking the time to address this new project. I would like to address some of the concerns on the proposed project.

The original information that was put out about this project contained inaccurate and unsubstantiated data cultivating recent opposition. Concerns were stated about the project could cause overcrowding of hospitals and medical clinics, and overstress the local fire department.

The market study indicates that the majority of the future residents will come from existing old, poorly maintained apartments, many of which are considered to be substandard housing.

On June 22, 2006, I met with Dr. Lum at the

Urgent Care and Family Clinic. Dr. Lum stated that they were not experiencing any overcrowding at their medical facilities, and that they would appreciate the additional business. This facility is located on Highway 6, directly across the street from our site. Please see attached letter on page 1.

The attached map on page 2 shows a location of 26 hospitals in the area. There are also two new hospitals under construction, along the Katy Freeway. Memorial Hermann Medical Plaza is also a new 220,000 square-foot, 27-acre hospital that just opened on May 31, 2006, near Highway 6 at 59 South.

Parkwest Apartment Homes has been designed utilizing full fire sprinkler systems in 100 percent of the apartment units. The apartments will also have one-hour fire-resistant construction.

Page 3 shows the location of Fire Station 83 that just opened on June 1, 2005, a few miles from our site. There are also three other fire stations in this area. A letter to TDHCA, dated February 22, 2006, raises concerns about overcrowding to nearby Reese Elementary School.

The letter, however, does not mention the fact that in March of 2006, Alief School District was breaking ground on a new elementary school, located only three

blocks from the Parkwest site. The attached Houston Chronicle article also states that this new school will relieve overcrowding from the district's west side, and Reese Elementary School. This article is shown on page 5.

This school was approved in the district's latest bond referendum in 2003.

Concerns were raised by a concentration of taxpayer projects in the area. The Harris County Economic Development Department provided this project with a certification of consistency with a HUD-approved, Harris County Consolidated Plan on June 8. The Department analyzes each project in detail for both occupancy rates, and concentration before issuing the required certification.

In a five-mile radius surrounding the site, which encompasses 78.6 square miles, the only family tax credit projects are Park Village Apartments, which were built in 1993; City Park I and II, which were built in 2001 and 2002; And Matthew Ridge Apartments, which was built in 2002. This is approximately one project for every 20 square miles. Please see the map on page 6(a).

That is if you take into consideration the projects within the radius, and not within some strange area that doesn't necessarily apply. In 2008, Park Village Apartments will be 15 years old, and the tax

credit reservation will have expired. It is currently built in a townhouse style, so it could easily be converted into condos. And it may no longer even be an affordable housing project in 2008.

Our project is not finished to complete construction until late 2007. There are many expensive market rate and single-family homes in the area. And there are also 30 and 40-year-old apartments in this area that are in deplorable conditions. You can drive by these projects, and see boarded up windows and hazardous conditions.

Entire and partial buildings have been left boarded up after fires, with residents living right next door. These projects also lack handicapped accessibility, fire resistant construction, and basic new safety code requirements.

The market feasibility study addressed the Texas Department of Housing on May 15, 2006. It says that there is a strong demand, and occupancy rate in the area.

It concludes by saying that there is a strong demand and need for additional tax credit units in this area. We have also had recent updates to market studies that show that the comparable projects in the area are over 95 percent occupancy rate, overall right now. The west and southwest portions of Houston, over growth and expansion

and employment opportunities that are currently occurring.

The energy corridor has reached overgrowth status in their office buildings. The giant Houston area employers have purchased large tracts of land to begin massive new office and retail developments, just minutes from our site.

The Houston Metro light rail system is projected to be extended down West Park Toll Road to within a few hundred feet from our site. There are two parks currently being built right now, on two sides of our project, with a children's academy and church directly across the street.

MS. ANDERSON: Mr. Cash, even allowing for letting Mr. David Russell yield time to you, I need you to wind up. Okay.

MR. CASH: Okay. Well, that is it. And I just appreciate you hearing my presentation, and thank you.

MS. ANDERSON: Thank you, sir. Mr. Louis Stoerner.

MR. STOERNER: Good afternoon, Madam Chair, board members and Mr. Gerber. Because I sit in your chair, and it is nice to be recognized as well. I am Louis Stoerner, Superintendent of the Alief School District. I obviously disagree with a lot of what was said earlier, but I did agree with one thing, when he said

that we do have a great school district. It is a wonderful school district.

We would like to point out the developer does live five miles from this site, but for anybody who lives in the Houston area, Spring Branch and Alief are nowhere close as far as the economic level of those projects. And maybe this one could be in Spring Branch. We are opposed to this project.

And I will say, just as the lady said. We are not opposed to affordable housing. We have a lot of it in our school district. This is only the second one we ever opposed. Fifty percent of our children live in apartment complexes. Seventy percent are economically disadvantaged.

So we are not a wealthy school district. We are the 17th largest. We have 48,000 kids in 36 square miles. And if you want to talk about density, we are the second most densely populated school district in the State of Texas.

We feel, as many of them have said, we have a lot of apartment complexes that need renovations. Family Tree, one of the ones that you awarded today. That is great. Let's renovate existing projects. There is not a need, and we will dispute. And I will give my time to Mr. Woods to dispute the occupancy rates. Thank you for your

time.

MS. ANDERSON: Thank you, sir. Mr. Charles Woods. Do you all have questions?

MR. WOODS: Good afternoon. My name is Charles Woods, Assistant Superintendent of Technology and Support Services for Alief ISD. A little bit about Alief. Mr. Stoerner covered the 36 square miles. We have a very tight, concise school district. The second most densely populated, as far as students per square mile.

Several comments have been made about the west side of this district, and its feasibility in market studies, which we are referencing studies, and I have only seen one, as far as in this document. But we constantly study the district, because we have to build the schools.

We planned the school that we are building now, this new elementary, because we are overcrowded at six elementary schools, and to relieve that overcrowding, and leave a few holes in those seats for those subdivisions that are already in existence.

I also want to say that we have other types of affordable housing. We have Sierra Pines Apartments nearby, Westfield Apartments, the Falls of West Oaks, a couple of hundred yards from this site. A lot of times, we talk just about the TDHCA tax credit units. But we have tons of apartments that are more affordable than the

ones that are being talked about with this project.

As well as, they don't have the income restrictions that these places will. We had a large hearing, with 60 people turning out. We had EMS Fire representatives. We had Representative Vo. We had people talking about infrastructure in the school district, the county. The tenants in the area, the tenants of existing complexes.

The manager of the City Park I and II complex spoke as well. We talked about occupancies. A lot of 95 percents being thrown out there. We have included some data in that handout from O'Connor and Associates. I personally called all these complexes myself, and spoke to managers. Yes. During Katrina, we received a ton of folks overnight.

And we were at 95 percent capacity in a lot of different complexes. But since that time, it has declined. Typically in Alief, as you can see, we run in the mid-80s. A few points shy of the Houston area in general. So to say that we are 95 percent, these are all statistics and snapshots.

But I would suggest that we need to call these people directly, because we do have conflicting information. The study by Vogt, Williams and Bowen on page 843 of your Board document says that the two closest

of these projects were within one mile of City Park, at West Oaks I and II.

These properties appear not to have been submitted updated renter occupancy information in the Department's database. And the underwriter, however, confirmed that the onsite manager, that the properties have been at 90 percent or better occupancy for a year or more, and suffered a reduction in occupancy as a result as a loss of FEMA-vouchered tenants.

If these units were included as unstabilized comparables, the inclusive capture rate would rise to an unacceptable 34.7 percent. Then they later say that the market impact is a good capture rate of 13.4 percent. Somebody said 14.3. Transposing the numbers.

The bottom line is the market study that was in your board document already has conflicting information. They chose to ignore the fact that they had called and found out that there are a lot of tenants that have moved out.

They also speak about a 12 percent population growth, in Alief, in the next five years in that quadrant.

And this is kind of humorous data. If you count the fact that we had those number of TDHCA apartments built in the time between 1990 and the 2000 census, yes. You have some spikes in that area.

If you discount that, and look at the amount of parcels that are available to be built on, there is no way that we can have a 12 percent growth in that area. So yes, you can glean data from large databases, and make numbers look like you want them to, but actuality, 12 percent can't happen in that area. In the process, TDHCA was formed, Government Code 2306, and the purpose, the number one purpose is to assist local governments in providing essential public services for their residents.

We want you to help us do this. Because the fact is, we need help in providing essential services for our residents already, and we can't afford to handle the amount of residents that this project will throw on top of us.

I want to show a couple of quick charts. TDHCA units per square mile, in Alief. We have 70 units per square mile, 2,500 total tax credit units. Fort Bend County, has one per square mile. The City of Houston, 49 per square mile. Harris County as a whole, 20 per square mile. So Alief ISD is going to have 70 units per square mile, in a 36 --

MS. ANDERSON: Why do you think that happened, sir?

MR. WOODS: Because we are good at it, I guess.

MS. ANDERSON: Well, I think that at least in

this case, it is because you have got, this is in a qualified census tract, and the developer gets more of a boost in credits. So if you have a lot of qualified census tracts in your school district, that is what makes it a magnet.

MR. WOODS: I could be. And I show this map. These are the vacancies that I called, and personally got in May. And if these vacancies in this market were back in December during Katrina times, I am sure they were a lot less at that time. But we need to talk to the folks, and find out, that there is hundreds of vacancies, where they said there were hardly any.

And then finally, Park Village Apartment Homes. We talked about this one rolling off the rolls. This is a picture shot yesterday morning. Plywood, boarded up. Windows knocked out. It has been in this condition for over a year.

Teresa Morales in your document also said at our hearing that one of the jobs of TDHCA is to monitor the physical appearance of the property, and make sure that it is being maintained. The Committee has been driving by seeing this. And like you said earlier, well, point well taken.

If we are not going to follow through on this, and it hasn't been in the record that it has been, then

yes. It has a bad image for the community. But on top of that, let's just take a look at what the role is, in this process. The TDHCA is to approve it. She said in a hearing also, and it is in your document, that they make a recommendation to you all, solely based on financial feasibility.

Then you have to consider the opposition. So what I say is, that if you have to consider all of the opposition, you have a thousand-page document to review in seven days, they put it out seven days before, that is a lot of information for you to review. And if it is solely based on financial feasibility, this wasn't so financially feasible, within 15 years. This project is 30 years --

MS. ANDERSON: Well, you don't know why that project has got the problems it has. I need to ask you to wind up, sir.

MR. WOODS: Okay. In summation, we have proven by calling physically. The occupancy is not what these surveys have been shown. We did not mention the Family Tree Apartment renovation project that was passed in your consent agenda. We welcome renovation projects.

We didn't say -- we did fail to mention all of the letters that were submitted. Senator Kyle Janek submitted a letter. Senator Rodney Ellis submitted a letter of opposition.

Also, Commissioner Steve Radack from the Harris County Commissioner's Office and Representative Vo. So with all in the information, the concentration issue, we respectfully request that you deny, and by doing so, assist local governments in providing essential services.

MS. ANDERSON: Sir. Yes, sir.

MR. GONZALEZ: Madam Chair, I had a question. With all these vacancies, have you experienced a drop in rent rates?

MR. WOODS: Rental rates have dropped across the board throughout Southwest Houston. Yes. And like I said, there are quite a few rental rates that have changed since the Katrina folks have been moving, and starting to assimilate in different areas of Houston. And trying to attract folks in having a very low move-in costs, \$7, \$20 move-ins. So, yes.

I think that all goes to the age of the apartments. And so we welcome those renovation projects because it helps the folks that are already living there. Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Eric Opiela.

MR. OPIELA: Thank you, Ms. Anderson. My name is Eric Opiela. I am here representing Friendly Development Company, the owner of City Park I and City

Park II; 2001 and 2002 developments that are within a stone's throw of this proposed development. Both of these have a current occupancy of 72 percent and 76 percent are still, as of yet, unstabilized.

We are coming to this board meeting today to ask that you table consideration until the next board meeting, based on corrected information that was submitted by my client to the TDHCA staff. Mr. Gouris' underwriting vision, after the board book was posted. After reading the underwriting report, posted in the board book, my client contacted Mr. Gouris, and gave him correct occupancy information for City Park I and City Park II.

He asked us to present this to the Board, because it was not -- the board book had already been published. And that is why I am before you here today. This is a proposed bond deal to be located in the Alief submarket of Houston, on the extreme west side of Houston Southwest Oaks Mall.

The submarket is currently experiencing high vacancy rates, as you have heard in testimony today. Per TDHCA's own board action request on page 1, fourth paragraph, demographics for the census tract, where the properties are proposed are as follows. The number of renter-occupied units is 1,769 and the number of vacant units is 589.

This indicates a 25 percent vacancy rate among all rental units in the immediate area, which is about what we are experiencing in City Park I and City Park II.

On page 5, the TDHCA multifamily underwriting analysis, under unstabilized, under construction, and planned development, TDHCA was given incorrect information by the third party property manager, at City Park at West Oaks I and II, who had only been at the property since January 1, 2006. She incorrectly informed TDHCA, without checking the facts with the property owner, or the prior management company.

And since we have provided both the rent rolls for these properties, and the audited financial statements, substantiating these vacancy rates for these properties to TDHCA. These properties have never been at a 90 percent occupancy rate for a sufficient period of time for them to become stabilized in accordance with the terms of TDHCA multifamily housing mortgage revenue bonds series 2002, issued to finance City Park at West Oaks I and II.

This fact was stated by Charter Mac, the bond servicer and owner, to the owner in letters dated June 7 and June 27, 2006. Therefore, these properties should be included as unstabilized in the computation and the inclusive capture rate, for Parkwest Apartment Homes. And

per page 5 of the multifamily underwriting analysis, as has been brought to us earlier in testimony, if City Park at West Oaks I and II were included as unstabilized comparables, the inclusive capture rate would rise to an unacceptable 34.7 percent.

And this project therefore, shouldn't be approved. On page 5 of the TDHCA multifamily underwriting analysis, under other information, the report states as follows. "The Department commissioned a market study for Houston Baytown certainly MSA for the South Houston southwest submarket." And I will just kind of skip down.

Basically, if you realize from the report, the two market studies did conflict, as staff recognized. This means the only demand comes from pulling tenants from other developments, already built and located in the submarket, and there is not sufficient demand to fill all the units already there. City Park I and II have been managed since January 1, 2005, by Alpha Barnes and Capstone Management, two high quality companies.

And despite their best efforts, we have occupancy at 72 and 76 percent. Our concern is that properties are having to offer -- continuously offer incentives. Such treatment for a month to capture the market share. This means that none of the three properties will ever stabilize, and eventually, all three

properties will fail, and lose their affordable status in foreclosure. And none of us want that to happen.

Thank you very much. And I welcome any comments or questions.

MS. ANDERSON: Thank you, sir. Mr. Steve Fowler.

MR. FOWLER: Good afternoon. You have heard people allude to the fire department's view of the proposed project. And I am going to tell you firsthand, how about 70 volunteers perceive this thing to be. We do, in fact, support affordable housing, and we have been, for about ten years, beginning with Park Cities. Our Department provides emergency medical services and fire suppression as well as rescue to approximately 115,000 residents of southwest Harris County, and northeast Fort Bend County.

We have about a 25-square-mile area we protect. We are a combination department. From 6:00 in the morning, until 6:00 p.m. in the evening, it is paid, off-duty career firefighters, many of which are with the City of Houston Fire Department. Two-thirds of the time, each week, volunteers bear the burden of meeting the 911 need for our area, as it pertains to fire and emergency medical services.

We have a disproportionate share, we believe,

considering the surrounding area of affordable housing. It has created, and it appears today they continue to create an undue burden against the other people who need our services from time to time; 87 percent of our run volume is in the area of emergency medical services.

The people that provide ambulances to assess and transport where appropriate, persons who are ill and injured to area hospitals, or any appropriate hospital necessary to fulfill their need. It was suggested that medical clinics are within walking distance of the proposed property. That may be true, but to get there, one probably is going to find the balance of the trip taken in one of our ambulances, because if you are familiar with the State Highway 6 alluded to as Highway 1960 in Harris County, one has to cross one of the busiest thoroughfares in that area.

Unfortunately, for reasons that seem to transcend the United States a lot of the residents that we serve today in the six units that are in our area, that are affordable housing, folks don't have health care insurance. They have to rely on, or choose to rely on emergency rooms of the area hospitals.

There really is one emergency room nearby our area that we serve in the proposed Parkwest development and that is West Houston Medical Center. It was suggested

a while ago. Diversion really doesn't exist at West Houston Medical Center.

Well, explain to me if that is the case while one of our ambulances waited behind three Houston Fire Department Ambulances an hour and 23 minutes with a patient on a stretcher. Hospitals like West Houston Medical Center are in the business to make money. We are not. We are a non-profit tax-exempt entity.

These folks would like to get patients in, get care delivered, and folks out the door, or upstairs to other facilities to help them better, in the shortest possible time. They can't. They are gutted to the gill.

My appeal to you is to please consider very seriously rejecting this proposal, because it is creating more pressure against the school district, as you have heard. The infrastructure, meaning law enforcement as well as emergency medical services and the fire department. I thank you for your time.

MS. ANDERSON: Thank you, sir. That is the conclusion of public comment on this item. Are there other questions for staff? Go ahead, Mr. Bogany.

MR. BOGANY: I just have a couple of questions. I don't even have any questions. I just have some statements in regards to concentration, as it was brought up earlier. I am familiar with this area. Once again,

went out, drove it. Took a look at it.

I am not as so concerned about how many tax credit units are in this area. But I am concerned that it is a whole bunch of apartments in this area. And it is very highly concentrated with apartments. And that is the biggest concern that I have, is just that you are in an area, that is growing.

Everything that the four people said is probably pretty much true. But the point that it is, is that if you drive the Alief area, that is all you have got, is apartments, and that is probably why the IRS has it in the census tract that it is in, is because of all those apartments out there. And so it just really bothers me to take an area and put another apartment complex, whether it is tax credit. I would probably say, that it could be market rate.

I don't think it is a good idea in that area. And I think the rehabilitation in an area like this is what should be our goals; to rehabilitate those like Park Village and so on and so on. But I have driven the area. I have walked it.

I have been there. Familiar with it. And it is overindulged with apartments. It is sort of apartment southwest outside the beltway. It is sort of Greenway Plaza on the southwest side. It is sort of -- really

when you look at it, it is just a lot of apartments. And that is why we can't get it out of that census tract. There, the Chairman stated, it is just a magnet for developers.

And I understand why they go there. But I just don't think this -- you know. I think what you are going to eventually do, is cause all the people in the old units to move to this unit. And then create a continuous ghetto in an area. And I really have some concerns with it. Not about the tax credit. It is not that. I am more concerned about all the apartments in that general area.

And I truly just you know, walking it, driving it. I don't see how staff could have recommended it, personally. Other than looking at it from a tax credit side. And I can see that. But from a market side. And think about it. They are beginning not to pay fees. Beginning not to pay rentals on people from Louisiana. So where are those people going to go? They are going to go back home.

And so we had a glut of apartments in Houston, before Rita or Katrina. And if you think about it, we were very soft in the apartment market. All of a sudden, you have got 95 percent occupancy rate, all across the City. But now, that is dwindling, because who is going to pay for that?

Those people are going home, now. Because nobody is willing to pay for their rent. So I would just have a really hard deal to be able to approve a project. It is just my opinion. Highly concentrated units. And I am just tired of putting apartments in the same areas. We need to spread them out. I don't think Katy has as many as we have got over there in Southwest Houston.

I live in Fort Bend, and we have very few. And there is a huge need there. So I just, looking at it, I just couldn't support it. I am just being very up-front with it. It has nothing to do with tax credits. It is just lower concentration of apartments.

MS. ANDERSON: Mr. Gouris, can I ask you some questions? You knew that was coming. Okay. The part of the market study that Mr. Opiela cited on page 5 of the underwriting report had caught my attention in reviewing this document.

And even if the onsite manager at City Park didn't give the right numbers, there is this language in here that says if they had been included as unstabilized comparables, the capture rate would have been 34 percent.

So then why, on what basis did the underwriter not leave the capture rate at that 34 percent?

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. Our rule on capture rate only includes

those transactions that have not reached stabilized occupancy, 90 percent occupancy for 12 consecutive months.

And the assumption by the markdowns was that these two properties, the City Park properties had reached that stabilized occupancy. We had some concerns about that, because we had looked them up.

MS. ANDERSON: Reason to believe that --

MR. GOURIS: Reason to believe that they currently were not at 90 percent occupancy. And so we followed up with the management company, and verified what we thought was verification that they had in fact made that 90 percent occupancy test, from the stabilized occupancy perspective, and therefore would not be included in the capture rate, whatsoever. And that is the conclusions that we made, were based on that information.

MS. ANDERSON: Okay. So that onsite manager told you that they had been, and then subsequent to that, the Department, according to the testimony we heard, has received information from the property owner, saying that the onsite manager was incorrect.

MR. GOURIS: I received a phone call yesterday with regard to that. Or maybe it was day before yesterday, and received a rent roll for both properties, suggesting that currently, they are not at 90 percent. That currently not at 90 percent wouldn't hurt the

transaction.

But the fact that the other owner says they have never been at 90 percent refutes what the property management, onsite management company said. I don't know how to validate that. I don't know now to verify that, other than taking that other owners --

MS. ANDERSON: Well, don't they have month-end books that would show you what the rental income -- I mean, they don't report that to us, I guess.

MR. GOURIS: They report financial statement to us. And I believe they have not, I was told that they hadn't converted to permanent, yet. And one of the reasons was because at least their economic occupancy wasn't there.

That doesn't mean that their physical occupancy wasn't there. I am sure, I don't doubt that their financial statements would reflect that the economic occupancy is lower.

MS. ANDERSON: So that would imply that they weren't getting the maximum tax credit rents that they had thought they could attain when they applied?

MR. GOURIS: Or whatever the projected rents that they had underwritten. And it was fairly common. You have seen our bond transaction reports, where it says Board acceptance of a likely redemption of X amount of

bonds.

MS. ANDERSON: Uh-huh.

MR. GOURIS: Well, that gets to this whole issue. We have been saying that for a number of years. And sometimes it comes true. And sometimes, it hasn't come true, you know. But thankfully, most times, it doesn't come true.

But in this instance, that might have been something that was even anticipated back then. And they just haven't reconciled it out, yet.

MS. ANDERSON: Okay. Thank you. Mr. Opiela, we have completed public comment on this agenda item. Thank you. It is the Board's turn now. Thanks.

MR. FLORES: Madam Chairman, I would like to make a motion to deny this tax bond on the basis of an over-concentration of affordable housing.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(A chorus of noes.)

MS. ANDERSON: And the Chair will break the tie, and vote no. I mean, I vote for the motion.

MR. FLORES: Thank you. The motion passes?

MS. ANDERSON: The motion passes.

MR. FLORES: Thank you.

MS. ANDERSON: 7(b).

MR. GERBER: 7(b). Madam Chair and members, just to make a quick correction to Hillcrest on the agenda is not 09024, it is 06024. Ms. Meyer, why don't you do this presentation.

MS. MEYER: This is a Priority Three private activity bond and housing tax credit application. TDHCA is the issuer. The proposed acquisition, rehabilitation development. You know that, will consist of 352 general population units, which is to be located in Mesquite, Texas. 299 of the units will be restricted, and 53 of them will be unrestricted market rate.

The applicant is requesting an amount not to exceed 12.7 million in bonds and 449,583 in housing tax credits. You will note on the agenda, the amount for tax credits is lower than that one. This number is in the underwriting report.

The bonds will have a fixed rate and publicly offered through Merchant Capital, to be credit-enhanced by Fannie Mae and amortized over 30 years. Boston Capital

will provide the syndication, and Wachovia Bank will be a letter of credit provider to construction. The Department has received one letter of support from the Mayor of Mesquite, and staff is recommending the approval.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are 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. Oh, Mr. Paramore, I assume that that was okay that we did that, that way.

MR. PARAMORE: Yes.

MS. ANDERSON: Sorry, I didn't give you the chance to testify. Sometimes, it is better not to testify. I believe now we are ready for the report items. Mr. Gerber, in your report.

MR. GERBER: Madam Chair, members. I just would refer you to the -- our executives we have for the month of June, including a very successful news conference

with Governor Rick Perry on June 30 in Orange, announcing the \$255 million in available first-time homebuyers' funds. The two advertisements in the back were featured at that event.

And part of the advertising campaign that the Department is using to get the word out about these homeowners dollars being available. You will also note that there is a report item, as requested by the Board, for the monthly reports. An updated status on those previously approved HOME amendments that required a monthly report.

That monthly report is included here for your review. And if there are no other questions about those report items.

MR. CONINE: Stimulating, Mr. Gerber.

MR. BOGANY: I do have a question.

MR. GERBER: Yes, sir.

MR. BOGANY: It has nothing to do with your report items.

(All talking at once.)

MR. BOGANY: I just wanted to find out, Mr. Gerber, are we doing something where we are going back and putting these people that are non-compliant, and I guess I am picking on Park Village. The one that we saw, the pictures, all boarded up. Are we looking to see if those

people are still applying for tax credits and are they getting them.

MS. ANDERSON: So glad you brought that up.

MR. BOGANY: Because we, at some point, need to start scrubbing, and taking complaints, and reviewing projects that we get complaints to, and making sure that they are not continuously getting tax credits.

MS. ANDERSON: Could we maybe have Kelly, who runs PMC come up. So glad you brought that up. Kelly, do you want to tell us a little bit about when you looked at the monitoring records on this development.

MS. CRAWFORD: Unfortunately, staff just left, that has most of the information. We thought we had dodged the bullet. Kelly Crawford, acting director of PMC. My understanding is that we had our contracted on-site in-site conduct a UPCS inspection, a physical inspection of the property. We didn't get a report of any boarded up windows.

And that occurred in February of this year. So I am not really quite sure when the boarding occurred. So while they are in material non-compliance for addressing some of the issues that we identified, my understanding was not that we felt like this development to be substantial based on the information that we had.

MS. ANDERSON: Okay, so the owners -- so we had

the physical inspection in February. The owner's response on the deficiencies was due to us on May 10, and it has not yet been received. Is that accurate?

MS. CRAWFORD: Right. We had an on-site monitoring as well, and they did respond to that.

MS. ANDERSON: Okay.

MS. CRAWFORD: But they haven't responded to the physical inspection.

MS. ANDERSON: What do we do, when it gets to be, if it is due on May 10, what do we do on May 11, on May -- I am sorry. Are we not supposed to be doing this?

I thought you were shaking your head, like you normally do. Thank you.

MS. CRAWFORD: Actually, for this particular, we have, for all of these circumstances, we have 45 days in the letter that we let them know they have to respond. After that, or 30 days. I am sorry. I may be misspeaking the dates.

But within the time frame that they are supposed to respond, if they don't, then we report them, via 8823 to the IRS. And we have done that on this property.

MR. BOGANY: Do we have anything in place where we are going by and randomly checking, especially the older units, more than the newer stuff, and seeing if they

are in compliance. Because I have gotten complaints where people have called me, cursing me.

And said the complex is not being maintained well, and stuff like that. And typically, I ask people to send me something, and I forward it to you guys if I get it. But I am just wondering if there is anything in place.

Because we are out here doing it, and then we get units that people can show up boarded, or show things to go against our mission. It is hard to fight those visual pictures there.

MS. CRAWFORD: Absolutely.

MR. BOGANY: And it paints the whole group as bad. And I just would like to see us put something in place, where we go to the older units, and start with them first, and work our way back up to the more current stuff.

MS. CRAWFORD: My understanding is that we have the requirement to visit each one of these properties every three years, and we have a schedule that we keep. I am not sure that we have, I think that is why we use on-site in-site.

And I am disappointed to hear that we had no idea from the report that there were boarded up windows. I need to look into that process, and see if it was a failure on their part. They report things like dirty lint

traps in overhead venting systems. So I can't imagine they wouldn't have reported that.

And so I really don't know, and we'll have to look into this one particularly. As far as looking at older properties more frequently, I don't know if we have resources to do that. But certainly, I feel like this one was just reviewed in February. And so within five months, we are seeing something there.

MS. ANDERSON: Well, I am concerned that we are not getting a response from an owner to a physical inspection set of deficiencies. And I don't know what, I would be interested in knowing how many developments in the Department's portfolio are in material non-compliance. I don't know if it is five, 50 or 500.

And you know, I know this is 13 years old. The syndicators are probably not as interested as they were in the early days. But they are probably still involved. I mean, I don't want to embarrass anybody. Maybe this developer is no longer active in the state.

But I would like for you to think about how you could provide some management reporting to the board. Just think, take a few weeks and think. Let's get through the awards and the rules and stuff. But think about how you might give the board a little insight into.

Because what I particularly don't like is

reading about a thing that looks like this, and not knowing it until I read it in a public hearing transcript. I was embarrassed.

MS. CRAWFORD: We welcome the opportunity and we will do that.

MR. BOGANY: And I think it would be nice to know maybe once a quarter, get the non-compliant people, who are non-compliant. Just in a report. Not nothing -- just a report. Hey, these are the developers or syndicators or whatever. I am just saying we need some sort of police, and we don't --

MS. ANDERSON: Put it out on the website. I mean, there are a whole bunch of things we could do.

MR. GERBER: Mr. Hamby, did you want to add something to that?

MR. HAMBY: Kevin Hamby, General Counsel. And I am glad the subject came up. Because if you recall at our last meeting, we were discussing enforcement of LURAs. And we pushed that discussion to August 30. And we believe this ties in directly. We talked about it, were there administrative penalties that could go on.

At this point, if someone is non-compliant, not participating in the program, has exhausted any sort of tax credit recapture questions, and it is especially prevalent in the second 15 years of the compliance period,

we have very little we can do to them. And that is why we were having the discussion on the LURAs and why we consider it to be a very important part of an overall topic of how you want us to do the enforcement.

The debarment list is part of that question. It is a very big topic that we actually want to have that dialogue with the Board, and we think it is necessary as we look for more accountability. And so I think if you are asking us, that is part of our discussion that was last month.

And we are planning again to have that on August 30, is when the Board directed us to bring that issue back forward. So that would be part of that overall discussion.

MS. ANDERSON: There is no other business to come before this Board today.

MR. CONINE: Motion to adjourn.

MS. ANDERSON: We stand adjourned.

(Whereupon, the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: July 12, 2006

I do hereby certify that the foregoing pages, numbers 1 through 204, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sunny L. Peer before the Texas Department of Housing & Community Affairs.

(Transcriber) 7/26/2006
(Date)

On the Record Reporting
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