

TEXAS DEPARTMENT OF HOUSING AND  
COMMUNITY AFFAIRS

BOARD MEETING

Capitol Auditorium  
Texas State Capitol  
1100 Congress Avenue  
Austin, Texas

Friday, July 28, 2006  
9:30 a.m.

BEFORE:

ELIZABETH ANDERSON, Chairman

MEMBERS PRESENT:

C. KENT CONINE, Vice-Chair  
HON. NORBERTO SALINAS  
SHADRICK BOGANY  
VIDAL GONZALES  
SONNY FLORES

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P R O C E E D I N G S

MS. ANDERSON: Good morning. Welcome to the July 28 Board meeting of the Texas Department of Housing and Community Affairs. We're glad to see this overflow crowd this morning, and we appreciate your participation in the provision of affordable housing to the citizens of Texas.

We have a very long agenda today. We have a very long list of people who wish to speak. So we have a three-minute time limit, that with all these people, that's going to be strictly enforced today.

So I appreciate your indulgence of the Board because we have the equivalent of several hours of comment before we even, you know, get to act on action items. So that I ask that you keep your comments, you know, directly to the matters at hand, as I'm sure you will, and that you be prepared.

I'm going to announce -- as I announce each witness, I'm going to announce the next couple of witnesses, and I'm going to ask that you be prepared then -- you'll know that you're coming, so be prepared to approach very quickly to the podium.

MR. CONINE: Call the roll.

MS. ANDERSON: The -- oh, I'm supposed to call the roll. You're right. Thank you, Vice Chairman Conine.

He keeps me -- for those of you all that don't come to these meetings, we're very fortunate to have him as our vice chair, and he keeps me on the straight and narrow.

Vice Chair Conine?

MR. CONINE: It's because your husband asked me to do that. Here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Mr. Gonzalez?

MR. GONZALEZ: Present.

MS. ANDERSON: Mr. Flores.

MR. FLORES: Here.

MS. ANDERSON: Mayor Salinas?

MAYOR SALINAS: Here.

MS. ANDERSON: We have six members present, we do have a quorum.

State Representative Robert Puente will be the first witness. The second person will be Sumaya Sahti, with Senator Van de Putte's office. The third person is Perla Cavazos.

MR. PUENTE: Was I quick enough up to the podium?

MS. ANDERSON: Ye, sir, that was wonderful.  
Thank you.

MR. PUENTE: Good morning, and thank you for  
the opportunity to address the Board.

I'm here in support of two projects, the San  
Juan Square development project, and the San Jose  
Apartment project. The San Jose Apartment project is  
number 060040. The San Juan Square development project is  
060066.

Let me first talk to you about the San Jose  
Apartment project. This is located in San Antonio,  
Southern San Antonio, Roosevelt Avenue. Right down the  
street is the historic San Jose Mission. This is an area  
of San Antonio that is very historic.

Since I was the first one, I failed to push  
that, so I am blazing the trail for the rest of your  
speakers.

It's located in a part of San Antonio that is  
very historic, the historic San Jose Mission, and so this  
area of town needs to stay revitalized, needs to stay on  
the cusp of what is going on in San Antonio.

It's on a street that is coming straight out of  
downtown where a lot of the tourists come that visit our  
other sites in downtown San Antonio, and on into the

historic part of the city.

Another reason I ask that you support this particular project is I actually lived there when I was in high school. This is a very old apartment project, one that needs some help, that oftentimes cannot get the help that it needs without some assistance from public entities from our state government.

So I ask that you support this particular project. This one is also supported by our City Councilman, Roland Gutierrez. He has written a letter of support, and I believe it's within your documents there.

The San Juan application, number two application, I believe this project scored the second highest in the entire state. It's a very old project, it's a combination of demolition and rehabilitation.

Again, this is in a part of town that -- it's a very old part of town. A lot of needy individuals in this area, and San Antonio really needs this assistance that hopefully this Board can give it.

In closing, what I'd like to just reiterate is that San Antonio is really, really growing. Our former mayor, Mayor Cisneros, former housing secretary, said that the number one impediment to this continued growth is the unavailability of housing, and in particular low income

housing.

So this is something that we're trying to get a grasp on. Our region is the third largest region, although it receives only one tenth of what the largest one does. I understand there's a state formula that causes this, and I'll look forward to working with this Board and the legislature next session to try to remedy this.

So in conclusion, please support these two projects. Thank you very much.

MS. ANDERSON: Thank you, sir.

Sumaya Sahti, then Perla Cavazos, and then Robert McVey from Representative Ryan Guillen's office.

MS. SAHTI: I'm reading a letter on behalf of Senator Van de Putte.

"Dear Madam Chair and Board members. The San Juan Square II development is located at the corner of South Calaveras and Brady Street in San Antonio, Texas. The development will include a modern clubhouse, swimming pool, health club, laundry facilities, and computer room.

And an after-school program that will include social services and provide for its residents.

The project is a public/private partnership demolition and rebuild, and it's the second highest

scoring project in the state of Texas. The development has support from the resident council, the surrounding neighborhood, the city council, and the local school district, San Antonio Independent School District.

This is the very type of project that the 9 percent tax credits are intended to fund, a demolition and rebuild of a deteriorating 60-year-old product. The development will have 144 mixed income units, of which 10.4 percent, 15 units, will be for tenants for approximate incomes less than 30 percent of the area's median income; 22.9 percent, 33 units, will be for tenants with approximate incomes less than 60 percent of the area's median income; 63.2 percent, 91 units, will be for tenants will approximate incomes less than 60 percent of the area's median income; and 3.5 percent, five units, will be for tenants at market rate.

As part of the San Antonio legislative delegation, I am concerned about the inequity of distribution in tax credits between regions in the state and, in particular, the lack of necessary credits available to fund worthy projects in Region 9.

The San Antonio region is the third largest region in the state, yet this year it is slated to receive one tenth the number of awards than the largest region,

Region 6.

While I understand that the regional allocation formula is designed in both statute and rule, I urge you to work with us to not only address this inequity next session, but also to remedy it this year by granting a forward commitment of tax credits.

Moreover, I ask you to consider that the current allocation does not address the additional need created by the influx of Hurricane Katrina evacuees into our region. Based on conversations with Mayor Phil Harburger and FEMA officials, it is estimated that over 10,000 evacuees still remain in San Antonio.

San Antonio has moved from being the eighth to the seventh largest U.S. city, experiencing a growth of 21,420 residents for a 1.7 percent increase in population from 2004 to 2005. This represents the second largest population gain of any U.S. city during this same time period.

San Antonio clearly needs more affordable housing to support our sudden population growth. Your quick action in approving this project will help us to address this need.

Thank you for your time and consideration.  
Sincerely, Leticia Van de Putte." Thank you.

MS. ANDERSON: Thank you.

Perla Cavazos, and the next -- and then Mr. Robert McVey, and then Councilman Gary Griffith.

Oh, yes, if each of you all would introduce yourself for the record at the podium as you -- when you approach the podium. Thank you.

MS. CAVAZOS: Yes. Good morning, Madam Chairwoman, Members of the Board, and Mr. Gerber. My name is Perla Cavazos, and I am here on behalf of Senator Eddie Lucio, Jr.

I asked staff to distribute a letter. I hope you received that. I'm not going to read it. I know you have a long day today. But I do want to say that Senator Lucio supports a forward commitment for the Mesquite Terrace Apartments in Pharr, Texas. He feels it's very urgent to develop this housing for our elderly citizens in the City of Pharr, in Hidalgo County.

I also wanted to just add that Senator Lucio does have some concerns with the community input process, and he looks forward to having a dialogue with the Agency to help address those concerns. Thank you.

MS. ANDERSON: Thank you.

Mr. Robert McVey, then Councilman Griffith, and Representative Flores.

Oh, okay. I'm sorry. On behalf of Representative Ryan Guillen, we have a letter of the Representative's support for the Starr County Housing Authority to Estrella del Sol Estates.

"Starr County has a very high need for improved housing for low income and elderly citizens, have one of the highest poverty levels, and lowest average income levels in the nation. Favorable consideration of the application would be greatly appreciated."

Councilman Griffith, and then Representative Flores.

COUNCILMAN GRIFFITH: Honorable members of the governing Board, I'm Gary Griffith, I reside at 6903 Westlake Avenue in Dallas, and I'm a member of the Dallas City Council representing East Dallas, District 9. And I'm here today to ask for your support for a forward commitment of the City Walk of Akard project, 511 North Akard in downtown Dallas.

I've never had the pleasure of appearing before your Board before, but I traveled to Austin today because this is a very important project for Dallas. Let me tell you why.

First, to effectively reduce our homeless population, we need housing for those who demonstrate a

desire to move forward in their life. City Walk project provide 50 of those apartments for that use.

Second, we need housing for our lower wage worker, particularly in the service industry who work in and around downtown Dallas.

Third, we need to create a proper mix of housing in downtown, mainly affordable housing to complement the upper scale condos, apartments, and lofts in our recently renovated buildings.

And fourth, we need to put into good use a building that has been vacant for some time, and has served unofficially as a home for the homeless, and many of those have consumed drugs and alcohol, as you can tell by inspecting the site.

And fifth and most importantly, your support of City Walk will give Dallas momentum. This will be a sentinel project for us, and it'll be a statement that Dallas is moving forward in a significant way, addressing downtown housing for the homeless, for the working -- the hourly worker, and anyone willing to abide by the rules of the facility.

I close by saying that the owner/operator, Central Dallas Community Development Corporation, who you'll hear from later when the issue comes up on the

agenda, has earned our trust because the City of Dallas has committed \$1.7 million to City Walk.

More importantly is the fact that Larry John and the entire Central Dallas CDC team will work to make this project a success by helping build successful lives of the people who will reside at City Walk.

This is not just about bricks and mortar. This is a chance for people to start living a productive life because they have a good place to live, run by people who care. We need your support, we must have your help. Thank you for your consideration.

MS. ANDERSON: Thank you.

Representative Flores? And the next two witnesses will be Todd Gallaher and Bob Sherman.

Representative Flores?

(No response.)

MS. ANDERSON: Todd Gallaher, Bob Sherman, and then the next witness will be Janna Cormier.

MR. GALLAHER: My name's Todd Gallaher. I'm chief of staff for Senator Bob Deuell. I won't take up a lot of your time. We've provided you all with a letter that I believe will be read into the record later on.

Senator Deuell wanted to express his strong support for the Moore Grocery Store project -- lofts

project in Tyler, Texas, and would ask that you all would activate this project at its earliest -- at the earliest possible time. Thank you.

MS. ANDERSON: And, Board members, we do have a formal letter of support from Senator Deuell.

Bob Sherman?

MR. SHERMAN: Good morning. My name is Bob Sherman. Good morning members of the Board, Madam Chair, Mr. Gerber.

I've talked before about -- in opposition of the Renaissance Plaza in Texarkana. And I'm here again because they've apparently changed their market study to show that they don't need a market sector in Arkansas, they only need a market sector in Texas.

That effectively cuts their market area in half from the last time they presented. As I said, we only had 96 visitors to our property, which is a short distance from theirs, for the entire year last year, and we still have vacant units.

One -- you can basically make a market study, I guess, say whatever you want it to say. But as we learned yesterday -- in a seminar there was a very good statement made, it says, the conclusion ignores the reality. And I think that's what's happened here.

They can make that thing say anything they want, but we have facts and figures, and they can't be disputed. I mean, if there's only 96 people, how do you fill up 120 units?

And, Mr. Bogany -- I believe it was Mr. Bogany yesterday, and correct me if I'm wrong, was speaking out on overcrowding of units in certain areas. And forcing the new development to, in fact, plunder the other deals in the area. It just hurts everybody.

Now that's my summation right there. I think there's just not room for two in that area, and we know it.

Now, if you will, there are two gentlemen in the back that are speaking in favor of this property. Perhaps in order to confine the questioning, you could invite them to speak next, if you could. Thank you.

MS. ANDERSON: Senator Madla?

SENATOR MADLA: Thank you. And let first clarify the senator thing. As you know, I did lose the election. I did submit a letter of resignation and I found out that it's as tough to quit as it is to get elected.

MS. ANDERSON: We're glad you're here, sir.

SENATOR MADLA: I was notified that I can't

quit until my replacement is sworn in, which probably won't happen till sometime in November. So I'm going to use this position every way I can until November.

And so thank you for taking me up out of order. I have a doctor's appointment. You can tell by my voice.

Let me first of all commend the Board for appointing Mike Gerber as your executive director. I have had the privilege of working with him when he was with Governor Perry's office, and he was an exceptional individual to work with, and I think you've done yourself a big, big favor.

I'm here today to express my continued support for the San Jose Apartments project, which is the -- you want me to give you the number, 060040. That project is on Roosevelt Street, which is not too far where my current senate offices are.

And I think you're very much aware that they're applying under the tax credit award under the at-risk set-aside, and it's a project that Aimco [phonetic] Equity has submitted.

You know, you folks are more familiar with these type of projects than most of us who are in public office, and I think you know the type of benefits that this community will receive as a result of this project.

I cannot tell you the importance to this community, not only because of the immediate community, but it's along the San Antonio River.

So I would ask this Board, that as I ride into the sunset, please give this particular project every, every consideration that you can give it. I think you would do the folks in this community a major favor. And thank you for taking me out of order.

MS. ANDERSON: I think all of us in the audience owe Senator Madla a huge thank you for his years of service to the State of Texas.

(Pause.)

MS. ANDERSON: His leadership on the Senate ITR committee, as you all know, his friendship to this department and to the affordable housing community, there aren't many like him, and he will be missed.

(Pause.)

MS. ANDERSON: Okay. Ms. Cormier, we're going to come to you in just a minute, but some people kind of keep sneaking up ahead in line.

The next -- we're taking our comments from state and local elected officials, so I have a letter from State Representative Jim McReynolds asking to be read into the public comment period indicating that he is in strong

support of approving the lease of CD Block Grant Disaster Recovery funds developed and coordinated between the counties and the local COGs.

These funds are critical to meet the needs of our local communities who are still recovering from the disastrous effects of Hurricane Rita.

Has Representative Flores come in the room? Yes, sir. And the next witness will be Larkin Tackett.

REPRESENTATIVE FLORES: Thank you, Madame Chairman and members of the Board. Mike, thank you also, for allowing me the opportunity, and my apologies to all those who have been waiting, and they're going to take us out of order.

And today I'm here for the City of Pharr, and unlike Senator Madla, I'm trying to keep my job. So I'm here in support of what they're trying to do with Mesquite Estates, and be asking you that -- some of you already know Mike, and so maybe the Board -- with the letters that have gone back and forth or whatever, and maybe if -- this is an area that the City of Pharr has annexed that was six, seven miles away from the city.

And the city has spent millions and millions of dollars in upgrading the colonia, because this was the colonia that showcased. Every time you wanted to go look

at a colonia, you went to Las Milpas because of the substandard conditions that existed. There were no roads, there was no water, there was no sewer, the quality of life was horrible, it was despicable, and it was an area that the City of Pharr did not have to annex.

It certainly was not in their best interest, but they went ahead and annexed it, to prove that -- a couple of months ago, they went to -- they traveled to Los Angeles and competed with thousand of cities for the all-American status.

And the one thing that separated the City of Pharr from the rest of country was the fact that they had invested so much money in a community where they didn't have to, in terms of bringing parks, and bringing streets, and water, and sewer, and lights, and improving the condition for the people who live there.

But there was one little thing that is left, is we have to improve the living conditions for the elderly there, and this is what this project, this 106-unit project will address, will be the needs of the elderly who are about as close to being homeless that you can be.

And they've taken all the necessary steps, the infrastructure is in place, the commitment is there, and I urge you that if you can do something next year on the

commitment, on the forward commitment to help us to achieve the needs that we need for these people.

And that we address the true need, to provide the people who are close to being homeless, to give them a place to live and the people who are displaced because of growth, to bring them back, and hopefully they'll have a place that they can call home.

So with that, I think Mesquite Terrace will allow us to fulfill the dream of the elected officials in the area, in the Las Milpas area. So with that, I thank you for your service, and I thank you for what you do for the State of Texas. And with that, thank you all so much.

And as we say back home, "Que Dios les bendiga a cada uno de ustedes." Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Larkin Tackett, and then Ms. Cormier, and then Nicole Flores.

MR. TACKETT: Good morning, Madam Chair, and Board members, Mr. Gerber. I'm Larkin Tackett, the legislative director for Senator Zaffirini.

She asked that I read a very brief statement into the record. This is to support enthusiastically the application of the Starr County Housing Authority for allocation of the 9 Percent Housing Tax Credit program to

Estrella del Sol Estates, which is item number 60089.

In light of the significant need for housing improvements in Starr County, especially for low income and elderly persons, your favorable consideration of the application would be appreciated greatly.

And we understand that this project is recommended to be placed on the waiting list. However, because of the significant needs in this community, Senator Zaffirini asked that it receive your highest priority. Thank you.

MS. ANDERSON: Thank you, sir.

Ms. Cormier, and then Ms. Flores, and then Ms. Cash.

MS. CORMIER: I yield my time to Cynthia Bast --

MS. ANDERSON: Okay. Ms. Flores?

MS. FLORES: My time.

MS. ANDERSON: Thank you. Ms. Cash? Are all these people yielding we think? Ms. Cash, Ms. Lewis, Kenneth Cash, Jerry Wright, are you all yielding to Ms. Bast? I guess so.

MS. BAST: Let me help you.

MS. ANDERSON: It's a lot of time to let a lawyer speak.

(Pause.)

MS. ANDERSON: We heard a joke yesterday about lawyers and ministers and who gets to live where in heaven, so.

MS. BAST: Ms. Anderson, may I respectfully appeal that that kind of joke is actually Mr. Conine's job.

(Pause.)

MS. BAST: Actually, in terms of our witness affirmation forms, Ms. Anderson, we have myself, Mr. Cash, and the market analyst who will speak. And the rest will yield their time. And I will stay within my three minutes.

I'm Cynthia Bast of Locke, Liddell and Sapp, here representing Houston, 3601 Park West Apartments, LP.

This application was denied approval for tax exempt bonds at the last Board meeting, and the applicant would like to respectfully request reconsideration.

Park West Apartments received its inducement last March, and at that meeting the Board discussed the site for this proposed transaction, and actually discussed that it would be an acceptable site. The Board had just considered on its agenda another proposed transaction in Houston, and declined to approve it because of the

concentration of apartments in the area.

So the Board took that extra step at the inducement meeting of discussing the proposed site for Park West prior to the inducement so that the applicant would not proceed without significant cost, if there was going to be a problem.

Obviously, somewhere between that March meeting and the Board meeting two weeks ago, something changed. The applicant believes that information presented at the meeting two weeks ago was erroneous or misunderstood in a fashion to impact the Board's prior perspective.

Now we have a little bit of a disadvantage here because the transcript from that meeting has not been posted. However, based on the collective recollections, we believe the issues addressed included the following:

First, the capture rate in the market. The applicant has presented four separate market studies supporting the market for the Park West Apartments. And one of those studies was prepared by the same market analyst who did the overall Houston market study that was specially commissioned by the Department.

Yet at the Board meeting, a variety of statistics were presented, included information from another tax credit property owner, and we have here today

to speak, the market analyst who has data from the past two years to indicate that certain figures that were presented at the Board meeting may have somehow been misleading.

Another issue was concentration, and the number of apartments in the area, whether tax credit or not. The applicant believes that at the meeting, the proposed site was described as being in a QCT. It is not. It is in a DDA, that benefits from the Hurricane Go Zone boost.

The location and desirability of this tract indicate that, despite the fact that Houston does not have zoning, the property will likely have a multifamily use in that the seller of the land has already indicated that he has been approached by a market rate apartment developer with a similar interest.

Finally, you heard testimony from hospital and emergency officials who were concerned about capacity. Access to healthcare is very important. But recent articles in the *Houston Chronicle*, and the construction of additional hospital beds, indicate that there are ways to mitigate this concern.

With that, I will allow to speak, the developer, Mr. Cash, the market analyst, at your discretion, Mr. Anderson, who are here to appreciate your

opportunity to present the information, clear up any misconceptions, and request your reconsideration for this project. Thank you.

MS. ANDERSON: Thank you.

Ms. Lewis?

MS. LEWIS: Good morning. My name is Davonne Lewis with Vogt, Williams and Bowen.

And I am addressing the information that was provided in the Board book on July 12. At that time, a concentrated capture rate at 34.7 was calculated, and this included two properties that, based on information provided to TDHCA, were not stabilized.

And over the past two years, through providing market studies for Park West Homes and also the Houston-wide NSA study, and previous studies before that, we have different information.

On June 4, when we provided a market study, we surveyed the property, City Park at West Oaks, it was 92.9 percent occupied. City Park at West Oaks II, in June 2004, was 77.6 percent occupied. They had just finished construction in January of 2004, and was --

The next time that we were out doing market studies was December 2005. City Park at West Oaks presented information to us stating that they were 100

percent occupied. City Park at West Oaks II in December 2005 also stated they were 100 percent occupied.

We were back out in May 2006, and surveying City Park at West Oaks I. They, again, reported 100 percent occupancy, and City Park at West Oaks II also reported 100 percent occupancy.

When we were asked to update the information in July of 2006, they would not provide occupancy information, so we had called back as potential renters and tried to estimate what the vacancy was, and estimated at 93 percent, based on conversations that we had with them.

So if you include both properties, based on the fact that they were not stabilized, you would get a 34.7 percent occupancy. If you remove the 168 units at City Park I, then it would yield a 23.6 percent capture rate.

And that's still considered conservative, because we went ahead and included phase two, based on the information that we had. Thank you.

MS. ANDERSON: Thank you.

Mr. Kenneth Cash? The next witness will be Larry Rincones, and then Mike Lopez.

MR. CASH: Madam Chair, members of the Board, Mr. Gerber, thank you for the opportunity to speak.

After sending out our notices of public officials, we met with the local homeowner associations, the community center, church and school district. The school district superintendent stated that he would prefer to see single family homes built on our project.

His letter to the TDHCA stated that he did not want to see additional tax credit units placed within the Alief school district.

We mentioned to him that the current land owner also had offers from other apartment developers that were considering market rate apartments. We tried to offer the school concessions, and we do agree that there are many apartments throughout the Alief area.

Some are very expensive, like the Villas at West Oaks. There are also many that are in poor condition and beyond repair. And there are thousands of new single family homes built in this school district each year.

Our project would provide a quality alternative to the people that can't afford the high cost of high -- the expensive apartments and single family homes. I don't believe that this project would overstress the area hospitals or emergency management services, whether it's a market rate project, affordable, or single family homes.

There are two additional hospitals in this area

that can receive emergency management patients, if necessary. And there are additional hospitals currently being built in the area.

I can understand why some people do not want additional affordable housing in this location. This is an upcoming area with lots of new growth and single family homes, commercial and retail development.

It's very common that school districts do not want additional children. The school district has a very organized opposition to affordable housing, and we would not have proceeded forward with this project had the Board originally indicated any issues regarding to the location of the site.

We respectfully request your reconsideration and be placed back on the agenda for future Board meeting.

Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Larry Rincones? Mr. Mike Lopez, and the next witness will be Don Schwartz.

MR. RINCONES: Thank you. My name is Larry Rincones. I'm the city manager for the City of Alton. I'm here in support of the Alton Apartment project.

I wanted to just leave this morning with you, two things that are super important to our region, and

that is the incredible growth that we're experiencing, and the tremendous need that we have for affordable housing in our region.

In our community, in our small community, in the northeast [sic] west point of Hidalgo County, we are located just three miles north of Mission, we had, in the year 2000, approximately 4900 residents. We had 1100 water connections.

In 2006, we've almost doubled our population with 2300 water connections. And I use water connections as an example, just of the growth, because typically water connections give us a feel for the growth that is occurring in our region.

Just in the 15 months that I've been with the city, we've approved 1100 residential subdivision lots. When we grow those lots within the next two or three years, we will actually double, again, in population. Double again.

We expect fully by the year 2010, by the next census, that we will be a community of 10- to 12,000 residents. Just within our city limits, but probably the same within our ETJ area.

We have three school districts serving our community, with already five elementary campuses and two

more coming to our community. Three great school districts serve our community, Sharyland ISD, Mission CISD, and La Joya ISD. Many of you know the incredible growth those school districts are experiencing presently in the region.

So housing has become an incredible need for our region, and we haven't even begun to tap the incredible retail and commercial growth that will be coming to our community. Once our community is dissected by a very important artery that will feed into McAllen, once that development of that artery, that road, we will see more and more growth.

So I'm here today to tell you that a community where 40 percent already of the population is under the age of 18, we will invariably have a tremendous need in the next 10 to 20 years just addressing the housing need for a working poor community.

And I want to leave that concept with you, because we are a working poor community. Those residents drive every day to our larger communities to help build the economy for our region. And those residents, we believe so importantly, deserve quality housing and a better quality of life.

Thank you for the opportunity to address you

this morning.

MS. ANDERSON: Thank you.

MR. CONINE: Mr. Rincones?

MR. RINCONES: Yes, sir.

MR. CONINE: What do you think about the elected leadership over there?

MR. RINCONES: We have incredible leadership in that area, and solely -- Mayor Salinas is one of the great leaders in our region. And we have some other ones here as well. I want to say that.

Thank you so much, sir.

MS. ANDERSON: Thank you.

Mr. Lopez, then Mr. Don Schwartz, and then Mr. Eric Opiela, and then Wayne Wright.

MR. LOPEZ: Mike Lopez. I'm the executive director for the Hidalgo County Housing Authority, and I'm here on behalf of the -- support of the Alton Apartments, TDHCA number 060047.

Madam Chair, Board members, Mr. Gerber, I believe there's enough stats, market studies, and other information that you all are familiar with in our county, and in the area of Alton, and I think it does support the need for additional housing.

They do not have a housing authority, so we go

in there and try to help them. And this program would be just a very good development in that area.

The Alton Apartments is in Region 11, rural sub-region. When the staff made their initial recommendation of credit awards, there was \$631,000 remaining in the sub-region allocation. Alton Apartments requested 656,000 based on preliminary comments from TDHCA underwriting staff, and recommendation of credits will be 636,000, or \$5,000 more than the amount of credits left in the sub-region allocation.

The 2006 QAP added a line that states that the redistribution of credits will be made to fulfill the need to most closely achieve regional allocation goals. Closely would mean both over and under allocation.

It is my belief that having a development that would bring the region's awards to an amount within \$5,000 of the allocation would most definitely closely achieve regional allocation's goal. In fact, this would bring the Region 11 rural awards closer than any other sub-region in the state.

So it is this request that we make to you, that you consider these facts and hopefully approving us. We're right at that line, and we think we can make the project work if you do not take that allocation away from

Hidalgo County, and you approve the Alton Apartments.

Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Schwartz, and Mr. Opiela, then Wayne Wright.

MR. SCHWARTZ: Good morning, Madam Chairman and Honorable Board. I'm Don Schwartz. I'm here and speaking in opposition to Providence Estates, application number 060219.

I was here in June and made reference to a 69-page report by Dr. Dan Ives. I, again, would refer that report to you as to the many reasons why an award should not be made to this project.

The false representations made in the application have still not been corrected, to the best of my knowledge. And that the only correction that was made is that the project went out and reinstalled the sign that had lain on the ground for three months.

I would also make -- state to you that Dr. Randall of Lamar Consolidated Independent School District, as well as the city mayor, made a request to the Board -- to the developers to discuss various aspects. To my knowledge no response has been made to either the tax -- I mean to the school district, or the mayor of Rosenberg.

And that I read in the Chronicle where the developers of this particular project have stated that they're not requesting to go further with this project in lieu of the opposition that's against it.

And I would just state, again, that the 300 families in the immediate area of the proposed project are still in strong opposition to this project. And I thank you for your dedication to this -- to your Board and the work you do. Thank you.

MS. ANDERSON: Thank you. I just note for the record that this is not on the recommended list.

MR. SCHWARTZ: Right. I just wanted --

MS. ANDERSON: Okay.

MR. SCHWARTZ: -- to make sure.

MS. ANDERSON: And Mr. Wright therefore might want to save us all three minutes.

MR. SCHWARTZ: We'll do that. Thank you.

MS. ANDERSON: Okay. Thank you, sir.

Mr. Opiela.

MR. OPIELA: Chairman Anderson, members of the Board, I'm here addressing Park West Apartments that we just heard some testimony calling into question some of the statistics represented in regards to my client's properties, City Park I and City Park II.

I provided these documents to TDHCA staff this week, but because of the seven-day posting rule, they aren't able to be presented to the Board, and so that's why I'm presenting them to you right now. They include the audited financial statements for 2004-2005, as well as some rent rolls for both those years.

(Pause.)

MR. OPIELA: While the market analyst's testimony that you just heard was based on speculation and calls that were made, these are the actual figures. They audited by the CPAs for the development, and also include the actual rent rolls for the properties. They will show that, at no point during 2004-2005, these properties had reached stabilization.

From January through July 2004, City Park II had a vacancy loss greater than 10 percent, and so the occupancy was less than 90 percent. For City Park I, the property had a vacancy loss greater than 10 percent for May, June, July, and August, October and November, and so occupancy was less than 90 percent for those months.

As you know, the rule requires 12 consecutive months of 90 percent occupancy in order to be stabilized.

And so 2005 City Park II, in both July and August, had less than 90 percent occupancy at 81 and 82 percent, as

well as City Park I had 86 and 83 percent occupancy in July and August.

So you can see from the actual audited financial figures, as well as the actual rent rolls for the property, not based on speculation by market analysts, these properties are unstabilized, and so they were -- that substantiates testimony that was made last week. Thank you.

MS. ANDERSON: Thank you, sir.

Melissa Castro, and then Ignacio Almaguer, and then Juanita Sanchez.

Ms. Castro?

MS. CASTRO: Good morning. Melissa Castro. Councilwoman Patty Radell from San Antonio District 5 requested that we read this letter into the record. It's on behalf of the San Juan II in San Antonio, Texas.

"I respectfully request that the TDHCA Board of Directors support tax credit allocations for Region 9. This region is in great need of housing. My particular district, District 5, has the highest poverty rate compared to the city-wide average. It is the poorest precinct in Bexar County.

Since our region is in such great need, and since tax credits are a major source of funding affordable

housing, since the tax credit program mostly targets families earning 40 to 60 percent of the area median income, and since the state allocations to the San Antonio Region 9 has traditionally received a lower amount compared to other large cities, and whereas San Antonio is now recognized as the eighth largest city in the nation, I feel it is important that the TDHCA give significantly greater attention and allocation to the Region 9 than it has in the past.

A group of residents from my district will be addressing you with their particular concern regarding the San Juan homes. I ask that you give them the attention they need as they speak, and they are people who truly understand the need for housing in our area.

I also ask that you give good attention to the overall process for deciding allocations to different regions. The City of San Antonio staff will be requesting a meeting with TDHCA to review the allocation formula for the San Antonio region.

You have a great task in front of you, and I thank you for your service and your concern for housing throughout our state. Sincerely, Patty Radell, Councilman, District 5." Thank you.

MS. ANDERSON: Thank you.

Mr. Almaguer, and then Ms. Sanchez.

MR. ALMAGUER: Good morning, Madam Chair, and members of the Board. My name is Ignacio Almaguer, and I am a resident of the City of San Juan. I also serve on the Board of the San Juan Housing Authority.

And shortly after I was appointed, in January, to the Housing Authority, I realized that the housing units that we have in the City of San Juan needed refurbishing. We were also informed shortly thereafter that even if we refurbished the buildings, we would still not meet the EPA standards. The Board members of the Housing Authority decided to look for ways to demolish the buildings and rebuild the aging buildings.

The proposal for the San Juan Apartments, 060046, gave the Housing Authority an opportunity to have our current residents -- to house our current residents in the new 128 units while the new housing -- buildings were built. We have been sent back to step one after we were informed that this project would no longer be funded.

Dear Madam Chair, and members of the Board, please provide the City of San Juan with the funding to allow us to offer affordable housing for the residents of San Juan. Thank you for your time.

MAYOR SANCHEZ: Good morning. My name is San

Juanita Sanchez, and I am the mayor of the City of San Juan. Greetings from the City of San Juan. We're known as a friendly city, but we're fierce fighters when it comes to our constituents.

And I'm here before you to tell you that I come from a community where we have a population of about 31 percent. Average income in our area for a family is 24,000 and the housing -- HUD, for low income, says that the lowest is -- at median for poverty is 34,000. We're already falling behind.

The last construction that we have had of any affordable housing in our community has been over 15 years ago. Our population is growing at a rate of 4 percent per year. The past five years we had an increase of 20 percent.

Yet the hardest thing to do is to get a call from someone who comes and shows you the state of their housing. And there's nothing you can do. There's nowhere to send them. The city does contribute at least 20 percent of its CDBG money for refurbishing of homes and rebuilding, but it is not enough.

We are so desperately in need in our area for this kind of funding. Our project and our community that we're looking at would benefit tremendously. I brought

pictures, and maybe what you would say is, well, doesn't your city have ordinances, or building, speculations, or regulations.

And I say to you, yes, we do. But we're not the city that throws their people to the streets. Our housing that we have, and I'd like to -- if I may approach?

(Pause.)

MAYOR SANCHEZ: It is not only of our city, but also our surrounding areas. Our children are living in these homes, our families, our neighbors. And I ask you then, as you look at the monies that are available, that there be no more funds taken away from our region, but rather you re-evaluate. Our community would benefit tremendously from receiving monies for our project, the San Juan Apartments.

And I ask, as you look at these, that you keep in mind what a tremendous work can be done in helping. Right now we only have 137 units available of this kind. For a population of 31,000 growing at 4 percent, it is not enough.

So actually, please, as you look at these applications, that you take great consideration and remember that the friendly City of San Juan needs your

assistance. Thank you very much.

MS. ANDERSON: Thank you. Thank you.

If I can just sort of give everyone in the room sort of a status on where we are, it might be helpful. There are 13 more people signed up to give public comment. That times three is 39 minutes.

For those of you that are on that list of 13 might want to keep in mind that -- I mean, we welcome public comment, but I just wanted to make you aware, everyone, that we've got 13 more people to do public comment.

Then what we're going to do is we're going to proceed to action item number 3, which is the CD Block Grant funding for Hurricane Rita disaster recovery. And then we will go back to the beginning of the agenda.

The next witness is Gary Driggers, and then Judge Alger Kendall, and then Terry Trevino.

MR. DRIGGERS: Good morning, Madam Chair, members of the Board. My name is Gary Driggers, developer of Fenner Square, application 060124.

For many months now I've discussed the issue that not only affected our project, but also several of my colleagues that began construction of their projects in the fall and the winter of 2005-2006, that is, the spike

in construction cost caused by Hurricane Katrina.

I would like to thank the Board for allowing the staff to address this problem in a systematic and fair manner, which I understand is currently under way.

We believe, when we first brought this issue forward, that the only avenue to address it was to file an amended application in the '06 round. That would illustrate the additional costs that we have incurred.

We are now only a few days from completion, and despite the hardship, we have maintained all of our deadlines and will soon deliver affordable, attractive housing in a county that has never received a tax credit award.

For the years 2003 through 2005, our original award ranked no lower than 15th in the least amount of tax credits per unit. And based on the request submitted this year that are designated priority, we should be ranked number two.

Based on this, we would respectfully request your approval for our request for this '06 round for the additional \$41,000 to make up for our additional construction cost. Thank you very much.

MS. ANDERSON: Thank you.

Judge Kendall, then Terry Trevino, then Maggie

Hunt.

JUDGE KENDALL: Madam Chair, Ms. Anderson, members of the Board, my name is Alger Kendall. I'm county judge in Karnes County, and I want to thank you for this opportunity to speak to you.

We are here asking for a forward commitment of 2007 tax credits for the Villas of Karnes City, TDHCA number 060163. This is a project by Kilday Development Company.

They proposed to building new construction of a 76-unit gated community, a multifamily residence community on Highway 123 just north of the city limits of Karnes City. There is a large need for housing in Karnes County.

The county is, at this time, in excess of 90 percent occupancy for rental units.

Another area I want to address is the fact that the state grants preferences for areas with financial need as well. And Karnes County uniquely meets this definition. Our county is the 26th poorest in the state, with an average median family per capita income of \$16,234 per person.

Another thing that I would mention to you, that in the San Antonio regional ACOG area we're the lowest -- only one other county is lower and that's Frio County.

I'll also mention to you that our county and ACOG area has the highest unemployment area.

And despite being -- this area, despite being the largest region in terms of -- the third largest region in terms of population, the San Antonio region is receiving one tenth the tax credits of the largest region.

We need a forward commitment of 2007 funds to meet this shortfall and try to achieve parity.

We have not received an allocation since 1994, and that allocation was only a small 24-unit apartment complex. We have a need in this county -- for our county for multifamily housing to aid in economic development, house new teachers as they come into the school districts, as well as to house employees and their families at existing businesses in the county.

Speaking with one of the managers of one of the companies in our county that employs a number of people, they have told us that people working for them -- there is approximately 100 people employed by them that could live in the county if there were places for them to live. At this time it is not sufficient.

I know of another gentleman that just moved in the county to open a business. He's going to have to

build a house. He cannot find any place to rent.

There's a need. I thank you for your attention, and I appreciate your consideration. Thank you very much.

MS. TREVINO: Maggie Hunt has yielded her time to Judge Kendall and myself. My name is Terry Trevino, and I am the executive director for Karnes County Economic Development Corporation.

The project considered is located in Karnes City, in Karnes County, Texas. The Economic Development need for the housing tax credit program, Villas of Karnes City, 060163, forward commitment of 2007 funds will basically provide housing to an area with shortage of housing with the expected recruitment expansion of several businesses that we are trying to recruit and retain in our area.

The overall impact -- economic impact and condition of the area is distressed, and in dire need of economic stimulation. The proposed project will -- we are recruiting aggressively, recruiting and encouraging industries to locate and expand in our area.

As Judge Kendall indicated, in order to do that, we also have to provide housing for them. The proposed project benefits and supports regional efforts,

including Karnes County, Karnes City, the Chamber of Commerce, economic development, and all of the citizens.

The countywide consensus is represented in the Karnes County strategic plan with a goal to attract, retain, recruit, generate tourism, and develop housing programs and recruit developers to better the quality of life of our area.

The community's two-pronged approach of business and housing development in an effort will be supported by this project. The project also reflects the coordination of regional leadership to come together with a common vision and create and attract housing, high-paying jobs, and work with the area work force development to provide opportunities.

Finally, this project will encourage the continuation of formal organization structure within Karnes County, so I encourage all of you to, if you have the ability too, to help us with this project and support this project so that we can expand our business and recruit industry and be able to house them as well.

I thank you for your time, and appreciate the opportunity to speak today.

MS. ANDERSON: Mr. Paul Holden, then Mr. Robert Davidson, then Mr. Willie Williams.

MR. HOLDEN: Thank you. My name is Paul Holden. I represent Wilhoit Properties on their applications in Texas, and I'm here to talk about the application for Deer Creek Apartments in Levelland, Texas, Region 1 rural.

I have submitted an application for the same piece of property in Levelland for the last three years. Two years prior I was outscored by our competition, and I applaud the applicants for getting their deals done.

However, this year we have a different situation. There was \$924,000 that were targeted for this rural area of Region 1, and a forward commitment was made last year that leaves over \$300,000 available for this region, and it appears to be under-served. We're asking for approximately \$500,000, and we were the only applicant within this region.

I have a letter from the City of Levelland I'd like to read into the record, and I'll give you a copy of it.

"I was informed earlier today that the Texas Department of Housing and Community Affairs is considering not funding the Wilhoit Properties' Deer Creek Apartments this year. This is a matter of great concern to our community.

This is the third year in which this project has been under consideration. Levelland needed it then, and it needs it even more now. Levelland should be considered as a rural area, and I believe that as a rural area we would be under-served if this is not funded.

The neighborhood in which Deer Creek Apartments is to be built is an area in the City of Levelland, a community most -- which is most needed. The families in our community for whom it needs to be built are those which have the longest been denied the opportunity for decent housing.

The City of Levelland has made a substantial and unequivocal commitment to this project. We earnestly request that your department allocate its resources to do likewise. The City of Levelland has made a good financial commitment to this project.

And I'm asking that the Board consider this project to be funded this year, and if you can't do that, I would ask that you make a forward commitment. The City of Levelland truly needs this housing. Thank you very much.

MS. ANDERSON: Thank you.

Mr. Davidson, do you have comments, or were you yielding your time to Mr. Holden? Thank you, sir.

Mr. Willie Williams, the next witness will be Richard Herrington, and then George Shackelford.

MR. WILLIAMS: Madam Chair, Board, my name is Willie F. Williams, Jr., and I'm here to represent the Rose Hill Neighborhood Improvement Association in Texarkana, Texas, and I'm also here to prove that -- I'm not a lawyer -- but a Baptist preacher can do it in less than two minutes.

We're here in full support of 060050, the Renaissance Plaza. We're excited about your consideration for this shot in the arm for our neighborhood, and we just want to tell you, thank you and we appreciate the job that you do.

MS. ANDERSON: Thank you.

Mr. Herrington, Mr. Shackelford, and then Hollis Rutledge.

MR. HERRINGTON: Thank you. Good morning, Madam Chair, Board members, Mr. Gerber. My name is Richard Herrington, Jr., and I'm the executive director of the Housing Authority of the City of Texarkana, Texas.

I ask for your support. You have our documents, we have worked fully with your staff, we have answered all of their questions, covered every area that they could possibly come up with, and we think that we

have satisfactorily resolved all the issues that were presented in front of you, and for the staff.

So, again, I ask you for your support in Renaissance Plaza, number 60050. Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Shackelford, then Mr. Rutledge, and then Mayor Palacios.

MR. SHACKELFORD: Madam Chair, my name is George Shackelford. I'm the city manager in Texarkana, Texas. I'm also here asking your support for the Renaissance Plaza project.

It's 120 units for elderly, it has the full support of the city council, and the Rose Hill Association, and we appreciate your support for the project. Thank you.

MS. ANDERSON: Thank you, sir.

Mr. Rutledge?

MR. RUTLEDGE: Madam Chair, if I could, I'd like to yield my slot for Mayor Palacios, first on the Mesquite Terrace. The gentleman's --

MS. ANDERSON: Right.

MR. RUTLEDGE: -- right here.

MS. ANDERSON: Fine. Thank you.

MR. RUTLEDGE: Thank you.

MAYOR PALACIOS: Good morning, Ms. Anderson, Board members, and staff. My name is Leopoldo Palacios, Jr. I'm the mayor of the City of Pharr, and I'm here on behalf of the city of Pharr to voice our support for the Mesquite Terrace Apartments in Pharr.

I have lived in Pharr all my life, and there's no question that Pharr and Hidalgo County elderly, and specifically those who live in the City of Pharr, need quality housing.

The rental subsidy support provided by the Housing Authority will ensure that its really low income citizens will have the opportunity to spend their twilight years in a place they can call home.

Several presentations have been made by supporters of this important housing development, but it has not been recommended for an allocation of tax credits since a support letter from the Las Milpas resident council was not counted for quantifiable committed support.

I know the Las Milpas neighborhood, and I personally know members of the Las Milpas resident council [indiscernible] public that their voices cannot be heard while other types of neighborhood's organizations [indiscernible] where the county and the state are allowed

to submit support letters for tax credit developments.

Mesquite Terrace is essential to [indiscernible] much needed low income housing in our community. The project's sponsor, the Pharr Housing Authority Development Corporation, is poised to provide quality housing and excellent service for low income senior citizens.

Roy Navarro, the executive director of the Housing Authority [indiscernible] a tremendous understanding of the needs of the local community, especially the needs of low income and senior citizens.

We do not believe that it's fair or reasonable to place public housing authority residents councils in a different category than all other neighborhood organizations.

The 2006 qualified application plan was changed to address and ensure that entities will establish a resident council for self-serving reasons. This is not the case with the Las Milpas resident council.

State representative Kino Flores and Senator Lucio had both expressed concerns. They do not believe that the enabling legislation allows a change in what type of neighborhood an organization can and cannot support with an application.

It is very unfortunate that the 2006 qualified application plan was changed to segregate resident councils into a different category. It was poor performance.

I urge you, on behalf of the citizens of Pharr to issue a forward commitment for the Mesquite Terrace Apartments. With a forward commitment in my hands, I can return to Pharr and tell the Las Milpas residents that their voice has been heard.

In closing, members of the Board, I have made a 300-mile trip [indiscernible] but I believe that if the Board placed [indiscernible], it had been very important for me to be here today.

But it's more important to me knowing that my community -- there's hundreds of elderly people that don't have a nice -- a home that they can call a home.

I thank you for your time, and God bless all of you. Have a good day.

MS. ANDERSON: Thank you, sir.

MR. RUTLEDGE: Madam Chair, members of the Board, Mr. Gerber, I'm here to express my interest and support for Mesquite Terrace -- Hollis Rutledge for the record -- and your consideration and deliberation for possible forward commitments today.

I ask for your serious consideration of Mesquite Terrace for those forward commitments. I appreciate it. Thank you very much.

MS. ANDERSON: Thank you, sir.

Mr. Sandoval, and then the last witness for public comment is Linda Shelton.

MR. SANDOVAL: Good morning, Madam Chair, Ms. Anderson, Board members. My name is Fred Sandoval. I'm city manager for the All American City of Pharr, Texas.

As representative Flores so graciously explained to you all earlier, the City of Pharr has made a tremendous investment in the area of Las Milpas in Pharr, Texas. We've improved the quality of life for the area residents, and Mesquite Terrace would do the same for the last bit of demographic in the area, which is the elderly.

Mesquite Terrace will provide senior housing to Pharr's very low income, senior citizens with incomes below the poverty level. Our elderly deserve the opportunity to live the remainder of their years within a community that provides a wide range of services that meets their needs.

The Pharr Housing Authority has committed significant financial resources in the form of a rental subsidy for the very low income residents. Mesquite

Terrace replaces 30 public housing units that were demolished in 1999 when Villa Esperanza Public Housing Apartments was demolished.

I understand that Mesquite Terrace is not recommended for approval, however, I'm here today to respectfully urge you to recommend Mesquite Terrace for a forward commitment for this project. Thank you very much.

MS. ANDERSON: Thank you, sir.

Ms. Shelton?

MS. SHELTON: Good morning, Madam Chair, and members of the Board. I'm Linda Shelton. I'm city council member for the City of Bowie.

I was here, I believe, June 26 to speak to you about our application, 060104, and I'm here again to ask for your consideration for the Grove at Brushy Creek that is to be located in Bowie, Texas.

The Grove at Brushy Creek is not currently identified as a priority application on the list released by your staff. However, this proposed development is a big priority for the City of Bowie, so I'm here to ask for a forward commitment for this project.

Bowie has just one affordable housing development for a town of more than 5,000 residents, and we have no public housing authority. A 10-unit apartment

complex burned just this week resulting in the death of one of the tenants.

And though this was not officially affordable housing, this complex catered mainly to lower income residents. So overnight our need for affordable housing rental units has increased.

For this reason, the City of Bowie has granted \$170,000 in financing to the Grove at Brushy Creek. We're contributing six acres of land valued at \$75,000, and \$95,000 in income, labor, equipment usage, materials, or other services. I want to emphasize this is a grant from the City of Bowie, and not a loan.

We put our money where our mouth is when it comes to supporting affordable housing in the community. Bowie is just a small rural town in north central Texas, and we're considered a difficult development area for tax credit purposes, but we've tried everything we can do to make this development possible.

So, again, I would like to ask you to please consider a forward commitment for the Grove at Brushy Creek. Thank you.

MS. ANDERSON: Thank you.

That concludes the public comment for the public comment portion of the meeting. We have numerous

other individuals who have asked to speak when the agenda item comes up.

With the Board's indulgence, I'm going to move to agenda item number 3, which, as I mentioned a few minutes ago, is presentation, discussion and possible approval of disaster relief conditional awards in the amount of \$74,522,000 in accordance with the State of Texas action plan for CDBG disaster recovery grantees.

There are 25 people who have signed witness affirmation forms wanting to make comment on this item, and that is another three minutes apiece, 75 minutes of public comment.

So I'm going to ask the Board's and the audience's indulgence, just for a minute, for me to recap what the staff recommendation is very briefly, and be sure that everybody in the room is clear on what staff is recommending, because it's very important to these communities in Southeast Texas that we get this moving.

We had an extensive discussion at the July Board -- earlier July Board meeting that has resulted in the Department, ORCA, and the COGs reducing administrative funding by significant amounts to put more money actually out into housing and infrastructure to serve those people that need this recovery assistance.

And I, as Board Chair for one, am very grateful to each entity that has backed off their -- shaved their administrative dollars, sharpened their pencils, so more money goes out in actual direct service.

The Board is also being asked today to approve both the, you know, final allocation and the activities for the housing awards. So that enables us to go ahead and begin getting the money flowing for the housing activities.

On the non-housing side, the Board's being asked to approve the non-housing allocation. And I want to be real clear with everyone that we are -- that what is before the Board is an allocation that mirrors what the local community's submitted.

So at our staff level, we have not, you know, tried to -- we have tried to leave those decisions in the hands of the local community.

And the only remaining action that will need to be taken, according to the forward recommendation, to actually allow communities to start drawing those funds, is submission at the August Board meeting of, you know, the line item projects, and reimbursement, unreimbursed expenses from FEMA, and so forth that make up the allocations.

And so -- and we're -- the staff also recommends that we authorize the executive director to enter, you know, to participate and enter into negotiations with -- both with ORCA, and there are a lot of different contractual arrangements we have to have, and, you know, in order not to hold that up there's a Board -- there's a staff recommendation that the executive director be allowed to proceed with that.

And so I'm going to ask Mr. Dally to make his presentation, and then we're going to come back and see how many people really just want to -- how many people want to make public comment.

Mr. Dally.

MR. DALLY: Thank you, Ms. Anderson.

Subsequent to that meeting two weeks ago, the COGs were -- we went back to the COGs and asked them to submit supplemental information, in particular on their administrative budget costs, to get down to more of the detail on the questions that the Board had asked.

We then -- they were very compliant with that, and brought that information in to us, and I have a quite a bit of detail here if you've got specific questions.

They've also -- in our discussions through this week, we've also made suggestion to them that in the down

payment assistance area, for a couple of the COGs that asked for down payment assistance, what we offered was to go ahead and use our Go Zone money, which is applicable in those particular counties, but it will have the benefit of not only a down payment assistance, but it also is linked up with a first lien at a very, very competitive rate in that area.

So they have come back to us and suggested that those be moved into other areas. And so there are some adjustments that are subsequent to what's in the Board write-up. And I would like to have the opportunity to read that in.

Going on to page 4, where we have a listing of the total beneficiaries, that was listed at 4,240. That is now 5,021. If you look up at the top there. Oh, excuse me, page 5. I'm sorry. Page 5.

MS. ANDERSON: Oh. What's the new number, Mr. Dally?

MR. DALLY: 5,021.

MS. ANDERSON: Thank you, sir.

MR. DALLY: Then if you'll move to page 6, under South East Texas Regional Planning Commission, that first -- underneath the direct services and general admin and project delivery, we have an error there. We have

535,000 going to Beaumont and Port Arthur. The total is actually \$10,200,000.

Then going --

MS. ANDERSON: I'm sure they called that to your attention.

MR. DALLY: Yes. And then relative to the down payment assistance adjustment, they moved -- instead of 10,230,000 for emergency repairs, they have added a million dollars to that, so that now reads 11,235,000.

It's still at -- the maximum would still be 25,000 per activity, but now proposed beneficiaries, instead of 1,385, it would 1,549, and proposed units are adjusted from 271 to 597.

The other adjustment is in the housing rehabilitation. They went ahead and added, I think, 1,155,000 to that particular category. So it now reads, under housing rehabilitation, \$6,005,000.

It still remains a maximum of 65,000, but proposed beneficiaries are not 229, but 274. And then proposed units are not 81, but 104. And then that down payment assistance line is struck.

They've also made some adjustments in the area of the single family rental rehab. That now should be 140 proposed beneficiaries, and 50 assisted units. And then

under demolition, that is now 443 units and 327 units, housing reconstruction is -- proposed assisted units is 25.

MR. GERBER: Bill, could I just interrupt? On the down payment assistance, it's important to note that the 21 families that have been identified for assistance through the proposed local down payment assistance program will be connected with our lender network, and the funds that we have available for our first time home buyer program, and other resources, so that the two million-and-change that the locals were proposing will actually be able to be instead used -- down payment assistance will come from our existing --

MR. DALLY: Come out of our bond funds.

MR. GERBER: And the two million-and-change will be able to actually be flowing into emergency repairs and other services to assist disaster victims?

MR. DALLY: That's correct.

Then moving on to -- well, I guess, on that total -- so for total beneficiaries in Southeast Texas, rather than 1,838, that's now going to read 2,476. And units, rather than 971, would be 1,103.

Then moving on to page 7, for the Houston-Galveston area council, the direct services number should

read 6,277,954, and planning and project delivery should read 695,880, and then with a total of 7,015,706.

They too had some down payment listed originally in their request, and they've reprogrammed that and moved that up to the emergency repair. So that activity now is 3,384,534, and it moves up the proposed beneficiaries from 742 to 914, and proposed units were 271, now they'll be 339. And so for total beneficiaries, that's going to now be 1,189, and proposed units 441.

And then there -- back in the non-housing, on page 9, under East Texas Council of Governments, there was an error. We made reference in the original to Mount Pleasant in that first paragraph.

It reads, ET COG chose to recommend all the applicants at a reduced rate of the amount requested, with the exception of Gallatin at 50,000, and it should read Mount Enterprise, as opposed to Mount Pleasant, at 5,000.

Then moving on to page 10, under non-housing for Houston-Galveston, total direct services are now going to be 3,357,822, and the total planning and project delivery will be 314,251. The total will remain 3,690,712.

And at this time I will pause, if there are questions with the housing portion, or I will allow

Charlie Stone to just very briefly touch on what our expectations are and what we'll be bringing to you at the August 30 Board meeting.

MR. STONE: Madam Chair and members of the Board, Charlie Stone, executive director, Office of Rural Community Affairs.

I had five pages of prepared points here, 74 points exactly, one for each million dollars in allocation, but in the interest of time, I'm going to shorten this down very substantially.

We will be bringing to you the level of detail that you heard from Bill at future meetings of your Board, and it's expected that we won't have that until 30 to 90 days. But we will bring that level of detail back to you as we get it from the COGs.

Okay. And in the interest of the point that you made on what I hear is your intent to do today on action item number 3, I just have one point to make, and that's that ORCA concurs with your staff's recommendation.

Thank you.

MS. ANDERSON: We appreciate you, Charlie, and the way that the two departments are working together on this.

MR. STONE: We've enjoyed it.

MR. CONINE: Madam Chair, I too would like to add my appreciation to the COGs, as well as ORCA, for sharpening their pencils and administration expenses. I think --

(Pause.)

MR. CONINE: But anyway, I appreciate the effort that has gone in working with the staff and I'd like to move that we approve staff's recommendation as --

MR. BOGANY: Second.

MS. ANDERSON: Any of you 25 people have anything you feel compelled to say?

JUDGE THOMPSON: May I ask one question?

MS. ANDERSON: You bet, sir. I'm not trying to --

JUDGE THOMPSON: Okay.

MS. ANDERSON: -- we like public comment, but --

JUDGE THOMPSON: Just a point of clarification. Yes. John Thompson, County Judge of Polk County, one of the counties affected.

As I understand it, other than the noted changes we just heard, the plan as submitted is what we're talking about approving. Is that correct?

MR. CONINE: It's my understanding that we are

approving the housing and the non-housing portion, so the housing money can go ahead and get started. The non-housing portion is projects individually. It will come back to us at our August 30 Board.

JUDGE THOMPSON: Okay. Now that -- as we are entering the third month of hurricane season, and we're talking about waiting another month to be able to do the non-housing improvements. Is that what I understand? So we're going to be entering the fifth month of hurricane season.

I'm not complaining. I'm only bringing to everyone's attention, are we doing it as rapidly as we can?

MR. CONINE: Well, I think --

MS. ANDERSON: Yes, go ahead.

MR. CONINE: I think what we've what asked is for a little detail.

JUDGE THOMPSON: Okay.

MR. CONINE: That hasn't been sufficient for at least this Board member to maintain my responsibility of fiscal oversight. And I understand that that level of detail is coming. We've talked with most -- all the counties affected, that they are agreeable with supplying that level of detail so that we can do what we do as our

responsibility.

MS. ANDERSON: And, Judge, if I may -- you know, we had a very lengthy conversation on Monday this week with the executive directors of the COGs. You know, we're not asking for, you know, for huge granularity, but what we are uncomfortable doing as fiduciary for this money.

And as the people who are ultimately going to be audited about it, when none of the folks that are with us today are in the room, you know, a year and two years out, is to know by sort of line item -- you know in your county what your own reimbursed FEMA match, you know, for debris removal is. We just want to know what that number is.

You know, if you're going to get X dollars, then you work out with Walter that, you know, okay we have this much in unreimbursed debris removal, this much in unreimbursed, you know, repair of the police station, whatever the items are, we just want to be able to tie it back to something that we know is damage incurred by Rita that has caused your financial distress in your county government.

JUDGE THOMPSON: Yes, ma'am. And the process will not continue until the next meeting in August.

MS. ANDERSON: Right. The funds -- but the funds, if you can put that list together, you know, with Mr. Diggles, then the Board, you know, has the opportunity to approve that on August 30, and then the funds can flow.

JUDGE THOMPSON: Okay. Thank you.

VOICE: Madam Chairman?

MS. ANDERSON: Yes, sir.

VOICE: -- is it live? Okay. I'm with the Judge, I have some concerns of how much time it's taken. It's been a year now, and here we are -- I'm with you. We've had five days of rain straight in Houston, so we've had flooding and so on, and that -- it's kind of in the front of my mind at this point.

But, Madam Chairman, and Board members, is there any way we can consider delegating this authority to the staff where we could perhaps have Mike and staff somehow report to us and let this money start flowing prior to 30 days from today?

MS. ANDERSON: Well, I think we just heard that some of the money -- that we can't get the list together -- that there's some question about whether we could even get the list together in the next 30 days.

So I -- you know, I'd certainly be open to the Board's pleasure on that, but I think, you know, the

governing Board, not the staff, was entrusted by the Department with -- was entrusted by the governor to exercise oversight and distribution of the funds, and I think that's the prior direction we'd given the staff, and they're just trying to follow our prior direction.

MR. DIGGLES: Madam Chair, this -- I'm Walter Diggles, executive director of the Deep East Texas Council of Governments. I think that reference that some of the county officials have is with FEMA.

As you know, there's been a very extensive process with these local governments in negotiating with FEMA on the reimbursement and the 75/25. That very detail process with the federal agency has -- those counties -- county auditors have significant information --

MS. ANDERSON: Then I would --

MR. DIGGLES: -- for the appeals process.

MS. ANDERSON: -- suggest that you just need to submit whatever copies of that documentation are necessary to prove that up so that we have the information. That's why -- I hope it can all be done in the next 21 days so this will all be -- we get the pipeline flowing on the 30th of August. That's my fervent hope.

MR. DIGGLES: And my point is, is that some of

these things are going to be very easy for us to comply with, and also satisfy the need for the Board to exercise its responsibility.

MS. ANDERSON: Great. Thank you, Mr. Diggles, and we appreciate your cooperation.

Judge, do you have other --

JUDGE THOMPSON: Just one comment in reference to the gentleman's comment about allowing staff in the interim to move the process along. Thank you.

MS. ANDERSON: Thank you.

MR. GERBER: Madam Chair, if I could just interject one point. Obviously the Department signed a grant agreement with HUD on June 19, so those funds have only been available to the state since June 19.

It's been very helpful in the relationship that I've had with Judge Stone, to really work with the COGs, and they've been very responsive to bringing to us, on the housing side of it, a clear scope of work, a clear budget, and a clear time line.

I know the Judge is working -- we're very pleased that we're able to move that forward on the housing side, and certainly we would very much look forward to the opportunity to work with the Judge and monies for what we can, to move it forward on the critical

infrastructure side so that we can bring it to our Board together at that August meeting.

I would just add also that I know that after this meeting, I believe Mr. Dally and the Judge perhaps are going to try to bring the COGs together to see how we may be able to advance that process a little bit, understanding that we've got a fairly short time window, and people have suffered long enough and we really should get relief to them as quickly as we can.

MR. DALLY: Yes, I was just going to announce that, if you will, if you're here for the CDBG money, we are going to have a meeting over at our office building at 221 across the street there at 11th and San Jacinto, with the ORCA folks and our staff, to kind of visit on the next step so that we're ready to go and proceed on August 30.

So if you will, kind of gather up and head that way.

MR. FLORES: Madam Chairman. To clarify the point, what funds would be available between now -- before -- between now and the next Board meeting, if this motion passes.

MS. ANDERSON: All of the housing money is being released. Okay. It's the 30-some-million in critical infrastructure money that is not released,

according to the staff recommendation, pending the identification of the projects that tie the release of the money back to damage, you know, of Hurricane Rita.

Yes, sir. Would you identify yourself please, sir?

JUDGE FOLK: Madam Chairman, Honorable members of the Board, I'm Joe Folk, and I'm the president of the Deep East Texas Council of Governments, and the Jasper County Judge. And I'd just like to express our appreciation to you all for your working on this and for what you're doing this morning. We are grateful to you. Thank you.

MS. ANDERSON: Thank you very much, sir.

MR. OWENS: Madam Chairman, I would like to address the Board.

MS. ANDERSON: Would you identify yourself --

JUDGE OWENS: I'm Jerome Owens. I'm the County Judge of Tyler County, and I'm executor -- well, on the executive board of DETCOG. I'm here today with my four commissioners from Tyler County. I'd like for them to stand up. I want them to stand up because gasoline at \$3 a gallon, I'm not sure we can afford to get back here.

MS. ANDERSON: Thank you all.

JUDGE OWENS: Our county had the distinct

dishonor of taking on the worst physical disaster that East Texas had ever sustained. Hurricane Rita entered the south end of our county and did not leave Tyler County, till it got to the northern boundary, making sure that no part of Tyler County escaped the ravages of Hurricane Rita.

The bad news is, there's not going to be enough money to take care of Tyler County. Even with the money you're talking about. And so I'm basically talking about money that's going to be coming down in the future, because we're going to have to have more money for the citizens of our county in order to get by.

The second thing I would like to say is, the good news is that since we've gone a year almost now, we've had time to get together with all of our elected officials, we've had time to get together with COG, I have personally visited with all of the legislators from the State of Texas.

I have visited with all of our elected officials in Washington, and they're fully aware of our situation, and I know of no elected legislator, either in Washington or Texas, that opposes this infrastructure pass-down. And I think the record will bear that out.

Now the immediate need is, we have been without

money for almost a year now. And we are now heading in to our next -- we're already into our next hurricane season.

We should have been planning for our next hurricane about five months ago. And now we're delayed.

And I felt like that it was important that the Board know, although I don't assume that you don't know, but, for the record, I want you to know how we feel in East Texas, and our concern in East Texas to protect our citizens.

Anything that you can do to alleviate the harm, the injury, the distress to the disabled, and I would point out to you that Tyler County is 46 to 48 percent over 65 or disabled. And that is a large segment which needs this revenue to put their lives together. And so lives are affected.

And I know you know this. But we feel it. And I'm sure you do. So we would ask that you expedite this to get these needed funds to these individuals who are hurting and distressed by the past hurricane. Thank you very much.

MR. PELT: Madam Chair, members of the Board, Mr. Gerber. My name is Ken Pelt. I'm Commissioner in Hardin County, and I'm chairman of the regional review committee for the Southeast Texas Regional Planning

Commission, which is composed of Hardin County, Jefferson County, and Orange County.

I concur with a lot of the remarks that have been made. Judge Owens mentioned what devastation Rita had done to Tyler County. Rita had to pass through Hardin County all the way before it reached Tyler County.

Hardin County is heavily wooded. We were devastated by the winds, the high winds. We picked up in the county areas and city areas, on the streets and rural roads, exclusive of the state highways, over one million cubic yards of debris.

It concerns me, when we're talking about any amount of delay, and when we're talking about 30 to 90 days, it could be another disaster for Hardin County. Now, our applications are for infrastructure, mainly for drainage. And I had an example this week that points out how drastic this situation is.

Wednesday we received seven inches of rain in a 12-hour period. I had a subdivision that -- in Allison -- FEMA bought over 100 homes. In 1994 it had over 200 damaged. When we received the seven inches of rain Wednesday, this should not have created any problems. Seven inches of rain drains right off.

But due to the debris that could not be picked

up, the leaves, the pine straw, the small twigs and sticks left in the ditches, we had people sandbagging in areas -- one subdivision that have never sandbagged in Allison or the tragic 1994 flood.

We won't need a hurricane for FEMA to buy many of these homes in this subdivision, and other subdivisions, because if we cannot get these ditches cleaned, then there is going to be home flooding, and this is going to be a tragic disaster that we could have prevented, if we could get the work done.

And as the gentleman on the end said, I would encourage you all to, in this specific area, drainage relief -- I can understand with FEMA reimbursement and stuff like this, this is a cash flow problem -- but it will not be a problem that will destroy lives that have already been destroyed once only 10 months ago, and it will not take a hurricane to do this destruction the second time.

I would ask you all to, in that one area maybe, to allow us to expedite this thing. We have our projects ready, we have them ready to present to ORCA, but it's going to be a tragedy if we cannot get something done and we end up with many, many homes flooded. It's going to cost FEMA far more funds than what we're asking for to do

this.

I thank you all for your time. I thank you all for the service that you give the State of Texas. Thank you.

MR. DUBOSE: Madam Chairman, my name is John Dubose, and I'm a County Commissioner in Orange County. I'm not a Baptist minister, so I'll take a few minutes more perhaps, but I won't bore you.

I evacuated to a travel trailer in Tyler County for the storm.

It was interesting, Judge. I recognize your concern, sir, regarding your fiduciary responsibility here, but I want to tell you that the counties and the entities in those counties and cities, are well equipped to deal with all the details and proof of loss that you folks need.

I appreciate the job you do. The COGs are the right place to go. Let's turn loose that non-housing money as quickly as we can. Thank you.

MR. JOURDAN: Madam Chairman --

MS. ANDERSON: Your name?

MR. JOURDAN: -- Vice Chairman, members of the Board. My name is Chester Jourdan. I'm the executive director for the South East Texas Regional Planning

Commission. The number of elected officials you've heard from today are from our area, Hardin, Jefferson and Orange counties.

First of all, thank you for the opportunity to speak before the Board in strong support of the CDBG Hurricane Rita Recovery Funding as outlined in approved regional plan, state plans and HUD guidelines.

We greatly appreciate your commitment and willingness to work with the South and Deep East Texas Regions where Hurricane Rita hit.

I do have two very specific issues I'd like to focus on during on my comments. You've heard a lot about the non-housing issue. I'd like to talk for a couple of minutes about two housing issues, Madam Chairman, if I could.

One you've already mentioned. One is about the down payment and closing cost assistance program. In the City of Beaumont, as part of our initial application, we had \$2 millions, or thereabouts, for that program. We've agreed to move that to emergency repair and housing rehabilitation.

But, in our conversation during our conference call, one of the things I asked for, and one of the things you committed to, is assuring us that the TDHCA Board

staff would help direct your down payment closing cost assistance block grant monies to our specific counties.

Historically, in years past, those monies have not been used in Hardin, Jefferson, and Orange counties. They've always gone to the larger counties, and not to our area. And I would hope that you would work with our lenders, other than send us a list of lenders.

I know who the lenders are. I need your support and commitment behind that to help make sure those funds, those down payment closing cost assistance funds, get directed to our communities. And that would be a huge asset for us.

The second thing is this, and something we've been working with your Board staff on as well, and that's to help us with immediate availability of funds to purchase building materials. We have a number of volunteer organizations in our area now, we have a number of faith-based groups.

We just met this week, with a national Lutheran group that's wanting to bring in construction teams on three week rotations for a year. The two things they need from us is land, which is -- you go into the issue of the demolition of homes so we can have developable land to be able to build those homes, the second they need is the

building materials.

They'll provide all the free labor, they provide a place to stay, and all those things, but we need to be able to purchase building materials on a very rapid and expedited process through a mechanism that's already been approved by HUD and already approved by your staff.

We just need the funding to be able to do that so we can get these building materials to these volunteer groups. By using volunteer groups, we're able to cover more homes with less money.

Madam Chairman, I appreciate you, I appreciate what you do.

Mike, thank you very much. Thank you for working with the COGs and elected officials to move this process forward.

And I also want to reiterate and talk about Judge Owens' comments, about the new money. We know more money is coming. We've worked very hard to bring that money to the State of Texas, and we -- hopefully with this process in place, that as the new money comes in, we won't have to go through this. We can flow right to the pipeline and continue moving.

Madam Chairman, thank you very much.

MS. ANDERSON: Thank you, sir.

We have a motion on the floor and it's been seconded. I have one question for Mr. Gerber, which is, what is the staff's thinking about -- to Mr. Jourdan's question about how quickly these funds can be released for building materials? That was a great question.

MR. GERBER: Do you want to --

MR. DALLY: We'll have a contract in draft state that we can get together with them on, and if we can get that signed on, then we can begin to make draws and stuff, so.

And we've been working with them on the procurement and volunteer, and some of the environmental things that needs to be done ahead of this project so the volunteer groups can be engaged. And I would just check with Mr. Hamby.

Are we ready to give the draft of that contract to the -- we've done the vetting that we need to do in order to be able to share that with them, hopefully as early as this morning?

MR. HAMBY: Kevin Hamby, general counsel. Yes, I believe that we are pretty far along on that. They'll obviously want to review it for their own comments and questions. And I know Ann Reynolds, and the Legal Services Office, and myself, and I believe most of the

staff have reviewed it, and I believe it's pretty close to go. It's just a question of, obviously, the other parties will want to review it as well.

MR. GERBER: Madam Chair, I think our hope would be that we be able to finalize a contract by middle or end of next week, at the latest.

MS. ANDERSON: That sounds good.

Charlie?

MR. STONE: May I approach one more time? Madam Chair, what I told you earlier, expecting 30 to 60 or 90 days before we'd probably be able to proceed is based upon what our staff has heard.

Now what we've heard from speakers today is telling me that they're moving further along on their application process than even we knew at this time, which I congratulate them for doing that.

And I think a point's well made, if they are, there should be no reason for us to delay the movement of the signing of contracts. So I would ask, if it's possible, and legal, an amendment to the motion to authorize me, as executive director of the Office of Rural Community Affairs, to sign contracts for non-housing work prior to the next Board meeting, if that's possible.

But I'd be willing to do that, and we'd, of

course, bring those contracts back to you at the next Board meeting, next available --

MS. ANDERSON: I think --

MR. STONE: -- Board meeting.

MS. ANDERSON: I think to sign a contract indicates that the projects have been approved, and the Board has asked for review of the projects. But we ought to be -- we ought to have the contracts ready to sign on the afternoon of August 30 perhaps.

MAYOR SALINAS: But you're saying you want to get them done and then --

MR. STONE: Authorize me to sign and bring them back. I have signature authority under my executive committee.

MAYOR SALINAS: I would think that would be the best thing to do and get the things done as fast as possible because they've been waiting for this.

MR. STONE: It was just a point. It's your all's decision to make.

MS. ANDERSON: Mr. Bogany, you have a question --

MR. BOGANY: You answered it.

JUDGE THOMPSON: Madam Chair, I started this mess. Can I -- may I -- still a point of clarification.

Are we or are we not going to be able to move the non-housing monies forward before the August 30 meeting?

MS. ANDERSON: The Board -- there's a motion on the floor, and the Board is considering the motion.

JUDGE THOMPSON: Thank you, ma'am.

MS. ANDERSON: Okay. Also to Mr. Jourdan's point, and I did make this more than moral commitment to him, and so I'm looking at Ms. Boston. I don't know that Mr. Pike is here today, but I didn't mean just give a list of lenders.

We need to get over there and actively -- I mean, they -- we asked them to take down payment assistance as a line item out of their and one of the other COG's proposals, and so, you know, we don't mean just give them a list of lenders.

I mean, we get involved in working with their potential recipients and our lenders to try -- you know, and everybody still has to qualify for the loan and so forth, but very active help on our part.

They're both nodding. Thank you very much.

MR. BOGANY: I had just one more comment. And I'd like to see staff also get with the realtors down in that area to help because we are so close to the situation, and be able to engage them, to help you guys in

this process in that area.

Because I've had a couple of them come up to Texas Association of Realtors meetings and were wanting to know what was going on. So I think it would be very helpful to let somebody else on the ground helping move this out.

MS. ANDERSON: So there is a motion, and it has been seconded. Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Yes, sir?

MR. FLORES: May I say something to staff?

MS. ANDERSON: Certainly.

MR. FLORES: This is no reflection on you, Mike, or Bill Dally, or any of the staff. I think all of us who live in this hurricane alley, we just get frustrated because we know these funds have been made available, it comes from FEMA, FEMA has a terrible reputation. We have these storms coming on top of us, and

there's this level of frustration.

But, for goodness sake, let's move the ball forward. And I know you will. And all these good people here from East Texas like me, you know, we're just waiting on you, and I'm sure we'll be ready at the end of August.

Thank you.

MS. ANDERSON: Thank you, sir.

Yes, sir?

MR. WAXMAN: Madam Chairman, my name is David Waxman, members of the committee, and I will be brief, I think some of the frustration perhaps, on the part of elected officials who are here today from the areas affected by the hurricane, real simply, they know at least so far as the ORCA funds are concerned, they're going to be signing a contract.

And if they don't adhere to the guidelines in those contracts, they're going to have to pay the money back. So if you're asking who is fiscally responsible, their guidelines have already been promulgated, just like you all's have.

You've already had workshops to tell people what they're going to have to do, and those contracts are going to be very pointed, very straightforward, they're going to explain where the money is to be spent. And, in

fact, both COG areas have gathered the type of data you're discussing. In fact, Chester's here and Southeast Texas --

MR. JOURDAN: We have ours.

MR. WAXMAN: -- I mean, he's just dead correct, he has his.

MS. ANDERSON: Yes.

MR. WAXMAN: In great detail.

MS. ANDERSON: And we look forward to seeing it.

MR. WAXMAN: Well -- and I understand what you're saying, but at the end of the day, even if you approve them, even if he thinks they're great, even if the whole state thinks they're great, if HUD's inspector general comes in at the end of the day and says, gee, you know, this part's not right. Who signed the contract?

It'll be up to the city or the county to deal with that, not you. Okay? So if there seems to be some frustration, it's because they know the end of the road is them. Thank you very much.

MS. ANDERSON: Representative?

REPRESENTATIVE HAMILTON: Thank you, Madam Chair, and thank you all. It's Representative Mike Hamilton from Orange County, Texas. I just want to tell

you thank you very much for everything you all have done so far. You've come down already and have done a great job of starting some housing going on and everything else.

You know, we as a business, I do a lot of catering to a lot of disasters, and this never hits home until it actually happens to you, of what's going on. And so there you can see a little bit of frustration going on from of these folks, and that is because we're passionate about it, we live in it, we're the ones that are in debt, and, you know, the cities are trying to make money, the counties are trying to go month by month, and it's really tough to see, you know, a lot of things going on.

So I applaud your fiscal responsibilities. I think it's great to do this. But I also would encourage you to move along as quickly and as fast as you can. You know, we need to pay some of these people to get them done.

And, you know, the counties up above us were so great at taking in our people, and helping them. We need to make sure that they're going to continue to do that and not close the door on us. And we also need to work on a lot of things, like Ken Pelt said, you know, the flooding issues and things that are going on right now.

I'd like to just tell you real quick, everybody

from Southeast Texas that have come here, would you all mind standing up real quick and -- you know, there's a lot of people that are -- South- and Deep East Texas, I'm sorry.

So I want to just tell everyone -- I just want you all to see that there is a lot of people that are very, very concerned about this issue, and we appreciate it and we would hope that you all would move a little quick. Thank you very much.

MS. ANDERSON: Thank you, sir.

At this point, sir, are you -- would you like to be recognized?

JUDGE THOMPSON: Just for one second. For the last time, I think, a clarification. The motion that did pass did not include any monies that are non-housing moving forward before the August meeting. Is that correct?

MS. ANDERSON: What it did was approve the allocation that the COGs have submitted, without change. Okay? But it does not release funds -- let me see if I -- somebody -- Mr. Dally, I don't even think I've got the right agenda item here. I don't want to mis-speak. It doesn't release the money.

JUDGE THOMPSON: So we're to be back here on

August 30?

MS. ANDERSON: I would argue that if you provide a list of projects, you don't have to come back.

JUDGE THOMPSON: Okay. Yes, ma'am. Thank you.

MS. ANDERSON: Thank you. But the award allocation has been made. The award has been made. It's just subject to the list of projects. Okay?

VOICE: And there's no action on Charlie Stone's --

MS. ANDERSON: No, there was not.

MR. ILES: May I be recognized, Madam Chairwoman?

MS. ANDERSON: For -- on this agenda item, sir?

MR. ILES: Yes, ma'am.

MS. ANDERSON: Thank you. Yes.

MR. ILES: My name's Don Iles. I'm city manager in Hemphill, Texas, and I had prepared some comments, but the Board's already taken action. I want to reiterate what Mr. Waxman has said. I would like to put a face on the delay of any more non-housing funds.

The City of Hemphill owns our own electric utility. We suffered about \$300,000 worth of damage. That doesn't sound like much money to a lot of you, but that's 30 percent of our million-dollar operating reserve

fund, our operating fund total funds.

We applied for FEMA assistance; we received it rather quickly. We're very, very proud to receive 75 percent. We then applied to ORCA for state disaster relief funds. We were the third application in line, they funded two applications, ours was turned down pending the supplemental allocation. This all took place February, March, April of this year.

Mr. Stone, I worked with him very closely, said, apply for the supplemental allocation, you'll get your money to make your city whole. That's all we were asking for, no additional funds.

We went through the process about five months with DETCOG. We're trying to get our money for our citizens, and this delay will adversely affect our citizens. Thank you.

MS. ANDERSON: At this point, we're going to take a break, a lunch break, a major break, et cetera, until, I'm guessing, approximately 12:30, and then we will come back and begin agenda item number 1. Thank you.

(Whereupon, at 11:40 a.m., the hearing was adjourned, to be reconvened later this same day, Friday, July 28, 2006.)



A F T E R N O O N S E S S I O N

Time: 1:45 p.m.

MS. ANDERSON: I'd like to call back to order the July 28 Governing Board meeting of the Texas Department of Housing and Community Affairs. We'll proceed with agenda item number 1, which is the consent agenda.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Now agenda item number 2 is housing tax credit cycle, items for resolution, particularly in appeals.

Mr. Gerber?

MR. GERBER: Madam Chair and members of the Board, item 2A is a presentation, discussion and possible decision for the applicant's appeal of the determination and feasibility of a 2006 housing tax credit application,

number 060032, Mission Palms.

The applicant filed this appeal timely, and contends, among other things, that the underwriting policy for determining long term feasibility is flawed.

Tom Gouris, the director of REA is here to discuss the appeal further.

MR. GOURIS: Tom Gouris, director of real estate analysis -- try that again -- Tom Gouris, director of real estate analysis for the Department.

We had finished this underwriting a little while ago, fortunately, and had the opportunity to have a lot of conversation with the applicant on this and try to resolve the issues that he has addressed, and try to resolve the issues that we found.

The bottom line is that the recommendation was based on the anticipated cash flow, or lack thereof. We -- what happened was, since the time the application was submitted, the utility allowance were republished by the local PHA.

And that increased the utility allowance, which reduced the rents, which had the effect of reducing the net income, which has the effect of reducing the serviceable debt, which results in additional requirement for deferred developer fee.

And that deferred developer fee requirement is not repayable within 15 years. In addition, the long term feasibility of project is in jeopardy because the cash flow for the property looks to go negative well before the 30-year period.

The applicant has suggested a number of solutions to this, or a number of issues that he would like to address, I believe. I'll just itemize them real quick and let him discuss them if he -- the way he would like to.

But the first one has to do with the potential rents. And this is the issue that we have. We believe that the rents actually are now too deep skewed, and that's the problem.

If we could raise the rents, or waive the requirement for the rents being where they are, that would force them to lose some points, but it would allow more cash flow to the project.

Other issues that he addressed has to do with being able to restructure the deal in the year 18. That is an issue that comes up fairly routinely when we have this issue of long term feasibility, and our concern about that is, if we thought through that process, we probably wouldn't have this issue come up at all because every

deal's going to be restructured in the year 18.

It's very difficult for us to effectively manage what that's going to look like, and so for the long term, we use the strategy that we look at the full 30 years as if it's not going to be restructured, using the expense increases and increment increases that are in our rules.

And then the last item really is a multiple of the expense increases and adjustments to those expense increases. And he has contended that there are a number of places, such as property taxes, such as utilities, that down the road will be more beneficial than they are right now, using what we know right now though, and adjusting those upward [indiscernible] feasibility situation.

So if that answers your questions. Think you would like to speak to those issues?

MS. ANDERSON: Any questions of Mr. Gouris?

MR. BOGANY: I do have --

MS. ANDERSON: Mr. Bogany.

MR. BOGANY: So after you talked with the applicant and went over everything with him, you still feel that this is not a project that can work financially?

MR. GOURIS: Based on its current structure, that's correct.

MR. BOGANY: Okay.

MS. ANDERSON: Okay. Board members, we have several people that want to make public comment on this topic.

Mr. Bobby -- Mr. Demetrio Jimenez.

MR. JIMENEZ: Yes. Madam Chair, all those people are going to yield their time to me [indiscernible] about five minutes --

MS. ANDERSON: Okay.

MR. JIMENEZ: (No audible response.)

(Pause.)

MS. ANDERSON: Okay.

MR. JIMENEZ: Madam Chair, members of the Board, good afternoon. My name is Demetrio Jimenez. I'm the president and CEO of Tropicana Properties.

I'm also a principal of that company, and we're contracted to do the property management for the Mission Palms application. I'm here to speak in favor of the appeal and staff determinations on that development.

I'm also here to tell you about San Elizario, Texas, and a little about how strongly I feel about the need for quality housing there. I come from a humble background myself, growing up in the little town in West Texas called Crane.

I have a special place in my heart for the people of San Elizario, and people like them along the border, because I feel I can relate to them and their plight.

I graduated from UT in Austin 1989, took a few different jobs out of college. One of them was at the Texas Historical Commission, and that's when I first became exposed to the little poor town of historic San Elizario.

The town is named for San Elizario Mission. It's a Spanish mission, it's over 450 years old. The mission gives the community its sense of identity. Although the people in this rural community are very poor, they're also very proud of who they are and where they live.

After I worked at the Texas Historical Commission, I found my true calling and went to work within the affordable housing world at the Texas Department of Housing and Community Affairs in 1992.

I worked under Ruth Cedillo, and then eventually Homer Cabello under the Office of Colonia Initiatives. That was the first colonia office in El Paso, and had oversight over the largest concentration of colonias in the country.

For those of you not familiar with the colonias along the border, it's near El Paso County, it's something not easily explained in words. There's families living in shacks without running water, without electricity, on a dirt floor with barely a roof over their heads.

And I couldn't believe what I would see sometimes, and I couldn't believe that this would be allowed to happen in the United States and the great State of Texas.

While I worked at TDHCA, we could never get a developer to do a housing project in San Elizario. The incomes were so low, the infrastructure costs so high, that the numbers just never seemed to work.

I eventually left TDHCA in 1996 and went to work -- I then went to go work for the Greater El Paso Housing and Loan Corporation. I was the ED for non-profit there. Again, we tried to do a project in San Elizario, and it didn't work.

I eventually ended up with the Bowling Family through Tropicana Building Corporation before finally getting started in my current company, Tropicana Properties.

Bobby and I finally found a piece of land right at the -- at the right price along the main thoroughfare

with access to infrastructure in San Elizario. This is where the Mission Palms site's at.

There's never been an LIHTC project in San Elizario, and I truly believe that there's no other area in the state that needs one more. Our State Senator, Eliot Shapleigh, has recently done a study that shows that San Elizario has the poorest tax base per capita in the state. There's still hundreds of families living in substandard colonia conditions there.

I feel, in a sense, that I can finally address some of the unfinished business I left there when I was at TDHCA and the non-profit through the Mission Palms development, if you grant this appeal.

Some of you may remember this project was the last project that did not receive funding in last year's round. We're the number one project left on the waiting list.

After the end of the year came and went without any other funds becoming available for Mission Palms, Bobby and I looked at the project again and made a decision to change our application, set aside more units for lower income levels. That means we're targeting lower incomes in our application.

Now in hindsight we probably shouldn't have

done that, the project's so tight. We thought the incomes and rents would probably rise after -- using 2005 numbers and 2006. They did not.

The only thing that rose after we submitted were the utility allowances for the PHAs, which sent our tight budget and project into a gray area through underwriting, which Bobby will address later in his presentation next.

In closing, I just want to ask the Board to consider the big picture regarding Mission Palms. You have a willing developer, a willing lender, and a willing syndicator to do this project. They're comfortable with the project; underwriting's not.

And as a former staff person of TDHCA I ask, what's the role of TDHCA to stand in the way of private sectors that want to help the poorest of the poor along the border of Texas? Or is it, instead, the role of TDHCA to help facilitate this deal?

What harm is it to allow the deal to go forward with some extra safeguards? If staff's right, and the deal's not feasible, we're going to return the money back.

The banks aren't going to lend us the money and the syndicators aren't going to give it, and you'll have your money back in November.

But if the deal gets done, like I know it will, Mission Palms would be a huge star in TDHCA's portfolio, a feather in your cap like no other. A project that fits more in line with the mission of TDHCA than just about any other, and one I assure you will be all extremely proud of for many, many years to come. Thank you.

MR. BOWLING: Good afternoon, members of the Board, Madam Chair. In your Board book you have my entire formal appeal. Because of the highly -- my name is Bobby Bowling. I'm a representative of the developer for Mission Palms.

Because of the highly technical nature of the staff determination, I'd like to address several of the key points in my appeal here with you today. And I've asked my wife, Joanne, to hand out some packets so you could kind of follow along with some of the technical discussion that I'm going to get into.

(Pause.)

MR. BOWLING: If you could hand those out, because I want to -- yes, I want to start with -- on page 1 of the --

MS. ANDERSON: Go ahead, Mr. Bowling.

MR. BOWLING: Okay. Just to clarify, as she's handing those out, when you look at page 1, I just want to

make it very clear that the issue here is what is going to happen to this project in year 25.

Staff and I both agree that the project is healthy for the first 24 years. But because of the low incomes and the higher expenses, you know, as Tom mentioned, the problem exacerbated by \$50 a unit increases in utility allowance that came out last month in my PHA, that's where we're at.

But anyway, on the first page of the package you'll see the yellow highlighted 30-year pro forma that reflects the current position of staff with regard to the income and expense projections of the developer. I've adjusted the debt service payment to be in line with the latest information I've had from the lender.

If you look on the bottom two lines, in year 25 and 30, you'll see that the staff projects a negative \$4,110 negative net cash flow in year 25, and a \$28,229 negative cash flow in year 30. However, these assumptions are flawed, and they do not take into account several important factors.

First, the projection use automatic default numbers instead of more true and accurate data past year one. In other words, the year-one data is simply taken across the board at 3 percent increases in income, and 4

percent increases in expenses for the entire 30 years.

Now I understand that some estimates must be used to project out for 30 years, but estimates should not be used when better and more accurate information is available.

The real estate analysis rules and guidelines even state this is policy in several different sections that I've cited in my formal appeal in your Board book.

For example, in the case of property taxes, I have provided the Department with well-documented evidence that the El Paso Central Appraisal District uses a strict and definite methodology for evaluating and determining property taxes on apartments in El Paso County.

You can see this policy on page 2 of this packet that I just handed you. This is the letter from our CAD that clearly spells out the methodology of using a cap rate, which is 9.75 percent in the case of low income apartments to discount the value of annual net operating income.

This valuation is independently refigured every year in order to get the most accurate data and not automatically increased every year at a 4 percent clip, as the default TDHCA spreadsheets do.

Hence, I submit to you that the 4 percent

default ratio is an incorrect application of your rules, and would lead to a scenario eventually where property taxes would even exceed NOI.

I've explained that this is an absolute impossibility, as I would appeal this determination in District Court if my CAD ever tried to impose a property tax levy on one of my properties that actually exceeded NOI. And case law shows that I would easily win this case.

More importantly, the Department's own rules on this matter state that a capitalization evaluation will be used. Further, the rules do not state that this method will only be used in the first year. So I feel it is very clear in your rules that this methodology should be used for every year, as it reflects the most clear and accurate data.

On page 3 of the package I have handed you, please see the results of carrying this year-one formula across the board for the life of the project. Again, if you look in years 24 and 30, applying this accurate information, this accurate formula, the project now cash flow's a net profit of \$37,120 in year 25, and \$32,290 in year 30.

In my formal appeal, there is several specific

citations of the rules on this matter, which clarify that this is the proper application of your rules.

I ask that you grant my appeal on item number 1 to allow the proper evaluation in property tax methodology to be applied to Mission Palms. If you grant this appeal, my presentation can stop here, as this determination would make the project -- what a carrot, huh?

So I would ask your direction, Madam Chair, if you would rather discuss this item right now, or would you rather me continue on with my other items.

MS. ANDERSON: I think you better continue.

MR. BOWLING: Okay. I thought you might.

Okay. Also in item number 2 of my formal appeal, I point out that the property tax rate does not reflect the legislatively mandated tax reduction just passed by the legislature.

Now you may say that this information should not apply because it was passed after we submitted applications. However, the PHA utility allowance that's causing the problem here came out on July 1, 2006, so staff has determined to use that information because they've deemed it's more accurate than what was available at the time of application, but they have not chosen to use the property tax law that benefits the project.

This is item number 3 of my formal appeal, and I ask, how can staff apply the new utility allowances more recent, but not the new tax law?

Further, regarding the tenant utility allowance, it is widely recognized that local PHA data is not an accurate model when it comes to measuring utility allowances on the new energy efficient units we build.

NAHB and several other affordable housing groups, have recognized this, and are attempting to get the IRS and HUD to address this problem.

The PHAs do a survey of their entire portfolio of properties, and we get lumped in with units that are as old as 50 years old, many built without even insulation in the walls.

I have asked in my formal appeal to be given the opportunity to address the incorrect utility allowances for another 30 days. We've already contracted with a third party company that has successfully submitted alternative utility allowances for other markets that have been accepted by Patricia Murphy and TDHCA compliance staff. We believe that the entire analysis will be complete by August 31 for Mission Palms.

Item number 4 in my formal appeal has to do with utilities and water, sewer, and trash line items on

the pro forma, which is highlighted from the underwriting report on page 4 of the package I submitted to you.

I have it highlighted, those two items, where you can see the difference between what staff has projected for these items and what we have submitted. On this item, I have provided audited financial data on my existing fully occupied tax credit properties in the area.

The staff has acknowledged that my data is accurate. However, staff claims that because my projected expenses were higher in other areas than TDHCA data shows it should be, then it all sort of works out the same in the end with total expenses.

I disagree with this logic, and so do your own rules. In the real estate analysis rules, there's very specific line by line instructions on how each item will be judged. There is no provision in the rules that states, in the end, if it's close to what the applicant submitted anyway, then we'll just go with it.

Obviously, the Department has data that shows my other expense items to do with management are too high in relation to other projects in the area. My management data comes from a related party, Tropicana Properties. Hence, the projections for management are called into question.

This is understandable. However, the utility providers in El Paso are definitely not related parties to me. And those are all arm's-length transactions. Therefore the audited data presented from projects of exactly the same type of housing should be taken.

The fifth item from my appeal has to do with the management fees. In item number 5 from the package I handed out to you, you'll find the management fee section covered entirely -- directly from the underwriting rules of 2006.

The rule states, and I underlined it, that if a contract is prevented from a third party that shows a fee of 3 percent, then it must be used if it is documented by a contract. I have provided a contract to underwriting, and it is in your Board books with my formal appeal.

The contract states that the fee shall be 3 percent, with another up to 3 percent bonus for every year the project's audited financial statements shows that it's feasible by TDHCA definitions.

Staff has rejected this contract because they say it comes from a related party. Now there are 19 different references to the term "related party" in the QAP and tax credit rules, disqualifying related party transactions from all types of things.

However, as you can see, this paragraph makes no mention whatsoever of contracts with related parties being invalidated from charging a lower fee.

I submit to you that if either the statute or the rules ever intend to disqualify related parties from something, they obviously know how to do this. There are 19 other examples of this.

However, staff cannot read something into the rule that is not there. The only criterion placed on the contracted management company in the rules, is that they are an acceptable management company.

Tropicana Properties is definitely an acceptable management company by any standards, with 25 employees and 756 units currently under its management. This contract and the 3 percent fee must be accepted according to your rules.

The final argument I would make to you is regarding the income and rent levels of the units at Mission Palms. And this is one where, when we submitted the project, we attempted to capitalize on the fact that it is in a QCT in one of the poorest townships of the country, and eligible for 130 percent credit boost.

When laying out our numbers, we realized that we could forgo some profit and do some deep targeting to

reach the families that really need help in San Elizario.

As you can see from our folders that I handed you, my family has been building homes in El Paso -- in the El Paso area, since 1950. However, because of the impoverished market conditions in San Elizario, we have never been able to house a single family there.

You've already heard from my colleague, Demetrio Jimenez, about the plight of the families there today. You also have in your packet, on page 6, a letter from -- I got like one more minute -- a letter from the State Representative for the district, Chenta Quintanilla, that talks about this too.

Representative Quintanilla could not be here today due to a final hearing in El Paso regarding setting up a regional mobility authority for the area, but he asked me to relay his deep concern about rural Region 13 possibly being shut out entirely from the tax credit round this year, if our appeal does not go through. Again, we're the only application in rural Region 13.

Our last exhibit is a request that we be allowed to change the income and rent levels as submitted in our application, in accordance with what Tom presented to you. Please refer to page 7 in the packet I handed out this morning.

Underwriting agrees with this change, and actually encouraged this, until staff from the multifamily department told them that any amendment to an application must go before you, the Board.

I've been coming to TDHCA Board meetings for seven years, and in that time I have seen the Board allow many amendments. Amendments have been granted for a wide variety of things from unit sizes, amenities, number of units, size of the site, even numbers of bathrooms that differ from the application.

In all instances I have witnessed, the number one overriding concern was always, what would this amendment do to the scoring, and how would projects in the region have been affected.

MS. ANDERSON: I need to ask you to wind up, Mr. Bowling.

MR. BOWLING: Okay. If the answer to these questions was that the amendment would affect scoring and someone else in the region would have been awarded the credits, then the answer was usually to deny the request.

However, if the change did not affect scoring and the project would have been awarded anyway, the request almost always goes through.

I want to, again, point out that this is the

only application from Region 13. I've offered some other solutions in my formal appeal, such as escrowing money, such as personally guaranteeing the project.

We feel very strongly that this project is financially feasible. At the time I got the call from Mr. Gouris that the project was going to be deemed infeasible, I was already negotiating my LPA with a syndicator, and negotiating loan terms with a lender.

So like Demetrio said, this is a deal that the private sector feels comfortable with. And I just, you know, encourage you to look at the gray areas and the discretion that you have as the Board to grant some of my appeals and put this deal back into feasibility where it was when we first submitted it.

And I'd love to entertain any questions. I know this is highly technical, and thank you very much for listening to my presentation, and I'll stand here in case there's any questions.

MR. CONINE: I'd like to hear Mr. Gouris's response. This is the kind of stuff that gets my juices flowing, you know.

MR. GOURIS: Mine too.

MR. CONINE: I would hope so, it's your job.

MR. GOURIS: Again, I'm Tom Gouris, director of

real estate analysis.

MR. CONINE: I'll make it easy on you, forget three and six. I don't think I agree with Mr. Bowling on those two, but I am very sympathetic to one, two, four and five, and I'd like to hear your response.

MR. GOURIS: First, I want to lay out that the premise on the operating expenses that are being presented today are a little bit different than the operating expenses that were presented to us.

What the applicant did was they looked at -- they had the benefit of our information, looked at our expenses, and chose the lesser of what their number was, or our number, and then were able to create a number that was lesser than what we had underwritten to.

And then was able to pick on the separate line items then that were -- that our number was higher. And that's what the three items, with regard to the utility allowance -- or utility expense, property tax expense, you know, those items are based on lower than our numbers.

The underlying philosophy gets back to our rule, and our rule -- the rule that Mr. Bowling pointed out -- the rules that Mr. Bowling out are correct for year one.

We do look at line by line issues, but when we

do the pro forma, Section -- Texas Administrative Code Section 132(d)(5), I believe, talks about the long term feasibility of a development, and under (a) it says -- well, under (5) it says, The underwriter will evaluate the long term feasibility of development by creating a 30-year operating pro forma. A 3 percent annual growth factor is utilized for income, and a 4 percent annual growth factor is utilized for expenses.

There's no adjustment down the road for impacts of future property tax reductions, or future utility reductions, et cetera, so our current rule would prohibit us from re-evaluating the property taxes down the road.

Moreover, as far as the property tax issue goes, yes, legislation was passed. I think there's still some uncertainty about what the ultimate impact of that legislation will be on a development by development basis.

I think there's some general opinion that, you know, property taxes will be less, potentially. But there are -- you know, there's still a level of uncertainty with how that -- what that actually is going to look like.

This is property that has not be assessed --

MR. CONINE: Didn't he answer that uncertainty by providing you a letter from the appraisal district on

their valuation methodology?

MR. GOURIS: That has to do with the cap rate that they're going to use.

MR. CONINE: Right.

MR. GOURIS: And that is not a methodology that we pro forma at. We don't pro forma at what the cap rate's going to be down the road. He makes a very valid point, and it may be something we want to deal with in our rules going forward, but what our rules are today, it says we're going to increase expenses at 4 percent. And that's what we did.

So from a policy standpoint, I understand what he's saying. From a did we follow our rules, I think that we did.

MR. BOWLING: You know, Mr. Conine, if I could just say, in my formal appeal is almost like a legal brief. It's very hard to follow, I understand, in a short amount of time. But I did cite specific citations from the rule --

MR. GOURIS: Right.

MR. BOWLING: -- that allows the underwriter to use better information whenever it is available. And it doesn't say to use better information whenever it is available for year one. It says to use better information

whenever it is available, period.

So, you know, it's not in the same section that he's quoting from, but it's in the opening paragraph of the rule, and the closing paragraph of the rule.

MR. CONINE: Which then yields to the PHA argument, I think, because you inserted that in there, I think, post-application knowledge.

MR. GOURIS: But that has to do with year one. All the things that we address --

MR. CONINE: So does the property tax reduction, school property tax reductions.

MR. GOURIS: Not exactly, because --

MR. CONINE: This thing won't be in operation till 2008.

MR. GOURIS: But do we know --

MR. CONINE: That's year one. Right?

MR. GOURIS: -- with any certainty what that property tax amount will be --

MR. CONINE: Yes, I do.

(Pause.)

MR. CONINE: It's pretty specific in the legislation. In fact, it goes over the first two years, it's half the first year and half the second year.

MR. GOURIS: I have been provided by the

applicant, or by anyone else who has contended that there's a reduction likely what that -- how that is going to look, how that's laid out.

I've already -- you know, I agree with you that there's likely to be a reduction from where we are today, but I don't know how to measure that, and I don't know that we all --

MR. CONINE: And that's what I stated in the answer to that, by giving you the valuation. So it'll be real easy for you to take the valuation method for that county, value it in year one based on an NOI assumption, and then overlay the state property tax reduction on top of that.

MR. GOURIS: Yes, I think --

MR. CONINE: I can't believe you're not doing it for all of them --

MR. GOURIS: I think --

MR. CONINE: -- quite honestly.

MR. GOURIS: What we're missing in that conversation though is that it's the rate that's going to be adjusted, not the cap rate. We are using the cap rate for year one. We have been using the cap rate for year one for --

MR. CONINE: It's the --

MR. GOURIS: -- a while now.

MR. CONINE: -- assessed valuation is what the concern is. And everybody thinks -- we know we got the rate reduction, but we don't know what the assessed valuation is.

Here he answered the assessed valuation issue for you, whereas, you know, maybe in Dallas County I couldn't do that for you because there's no standard methodology. But this particular county has chosen the standard methodology for affordable tax projects.

MR. GOURIS: And --

MR. CONINE: I mean, I just --

MR. GOURIS: -- I guess our issue is with the utility allowances. Those are real numbers, those are actually published, those are actually in place today and they're being used.

MR. CONINE: Well, you just switched subjects from the utility --

MR. GOURIS: Well, I'm trying to --

MR. CONINE: -- allowance --

MR. GOURIS: -- give you the reason for the difference, if I can, and the property taxes is something that -- this is what their cap rate is today, and this is how they're assessment is going to go right now. It's

based on the tax rates that they have now, as well. Those things are going to change by the time this takes into account.

So we focused on how -- what the impact is in the long term for that. And I think the base of his argument is that it's -- we should be looking at the 30 years with that cap rate, not year one with that cap rate.

MR. CONINE: Okay. All right. I hear your position. I just don't agree with it. Go to number 4, the property utility expense issue.

MR. GOURIS: And the utility expense issue has to do a little bit with what I started out by saying, where he looked at what our lowest expenses were, took those, and then picked on the ones that he thought he could get lower still.

And that issue, we looked at his historicals and we looked at our database, and determined that, while he has some that are operating at this, we have a lot of other properties in that area, and his as well that are operating at a higher utility expense number.

And so, you know, there's a little bit of judgment in this process. We felt that, overall, his expenses were extremely less -- extremely lower than anything else we'd seen in the area. And we just aren't

comfortable with those -- with that level of expenses.

You know, I --

MR. CONINE: Do you believe that his comparison to existing properties a comparable property to what this is going to be?

MR. GOURIS: That his comparison?

MR. CONINE: Yes. The fact that he's relating back to other properties he owns, and he's saying that because this one's going to be very similar to those, it's going to have the same sort of utility expenses, probably actually less.

MR. GOURIS: Actually, we were able to look at a broader range of his properties than he brought to us, and so --

MR. CONINE: You remember we had this issue before when someone came through and wanted to build a phase two, and they said their construction cost was a whole lot less than what you thought it was going to be?

MR. GOURIS: Yes, sir.

MR. CONINE: And the guy just finished building phase one and I had a lot of sympathy for that. This is the same sort of issue, and what I'm trying to get out of you is, do you think his comparable property is similar to this? Is that a true statement?

MR. GOURIS: I believe he chose a subset of comparables to emphasize his point. And I think if you look at the broader range of comparables, we wouldn't get there. And so, I mean, I think even if you look at the broader range of his properties in the area, we wouldn't get there.

MR. BOWLING: You know, I beg to differ.

MR. CONINE: No, no, no --

MS. ANDERSON: Well, let's not debate our staff. Okay?

MR. CONINE: -- let me finish. Speak to the property management fees structure.

MR. GOURIS: We did actually use a lower property management fee than our standard. And, in fact, this is another good example of we looked at three other of his properties that were using a 6 percent management fee historically.

And so we know that he could adjust his management fee down. We also know that that -- it wouldn't make -- it would make the deal "feasible," but it wouldn't be a good lending practice when we know that he's charging a higher rate on his other properties.

You know, we just didn't think that that was a very -- that while he can provide a contract to say it's

less, the related party nature of it, and the fact that his other properties are going at a higher management fee, weighed more heavily in our minds than his ability to provide us with a rate that works.

MR. CONINE: But, again, if he's willing to take a hit on the property management side so he can get 50 percent or 30 percent of the income people in there to qualify, and the structure meets the "letter of the law," well, why can't you take that into consideration? Or you just haven't in the past?

MR. GOURIS: No, again, it's the weight of the evidence that was provided to us. I mean, we have obviously been under a lot of -- there's been a lot of concern about the Department's underwriting being too tight.

And this is, you know, a great example of how we get to have underwriting that's too tight, you know. There's no question in my mind that, you know, if we approved this deal with the structure that's there, if it's approved, it's going to be one of the tightest deals that I would have seen in a while.

I have great confidence in the developer. You know, I'm sure they will do whatever it takes to make this deal work. But I think, you know, we sort of fall down

then when it comes to allowing deals that are too tight, and it makes it difficult for the next deal, which may not have the strength of this developer, it may not have the other issues that might be going for it.

MR. CONINE: That's all my questions.

MS. ANDERSON: Thank you.

Can I ask you a question, Tom, please? I'm sort of looking around in this section of the Board book for your underwriting report, and I'm not seeing it.

MR. GOURIS: I apologize. Yes, I --

MS. ANDERSON: It was not in the --

VOICE: There is a copy in front of the microphone --

MR. GOURIS: Okay.

MS. ANDERSON: There is?

MR. CONINE: Where?

MR. GOURIS: I thought we had put a copy in with the appeal as well. I apologize.

(Pause.)

MR. BOWLING: There were two things in my --

MS. ANDERSON: Would you -- just let me finish with Mr. Gouris. Okay?

(Pause.)

MR. CONINE: Can I ask another question?

MS. ANDERSON: Uh-huh.

MR. CONINE: Maybe not of Tom, but maybe of Jen. Do any of these appeal items change the score on this particular project?

MR. GOURIS: The income would -- the rents would.

MR. BOWLING: No it doesn't. I'd still have 10 percent 30s and 9 percent 60s --

MR. CONINE: Okay.

MR. GOURIS: Well, let me just say --

MR. CONINE: Let's let Jen answer.

MR. GOURIS: Okay.

MS. JOYCE: Jen Joyce with multifamily, and we haven't done that determination yet. If the points were to drop, then it wouldn't matter necessarily because it's the only one in its region, as long as it meets the threshold requirement of 125 points.

MR. CONINE: Okay. Okay. Thank you.

(Pause.)

MR. CONINE: Anybody else have any?

(No response.)

MR. CONINE: Madam Chairman, I move we grant the appeal on item -- on his items one, two, four and five. Those are the ones I think he makes a lot of sense

on.

And I also think, you know, when we put together the underwriting rules for next year, we take a look at some of his issues because I think they're very pertinent to the whole development community.

MAYOR SALINAS: And I'll second that motion.

MS. ANDERSON: So we have a second on the floor. I just want to make one comment. I think the appeal was very well presented, and I agree with Mr. Conine, we need to take a look at these things in the rules. I have people telling me that the 3 and 4 percent's not -- at least in some markets, is not the right number.

I mean, I don't -- I wouldn't want this Board to be sending a signal that we're going to start exploding, that we're going to do away with our pro forma, you know, projections and start exploding out individual line items into the future, because then I don't see how that then -- I don't see then that you've got a bright light in underwriting.

But I'm not sure that the 3 percent increase in income and the 4 percent increase in expenses are the right numbers anymore either, given what I'm hearing about utility costs, insurance rates, and flat incomes in at

least some markets, because HUD's not raising the income levels.

So I would challenge the development community please to work with us in the REA process. Like I said yesterday, I hope that's one thing that doesn't change so if we decide if it's -- you know, if it's not 3 and 4, should it be 2 and 6, or what -- you know, what should the numbers be, and that might have an effect on debt coverage ratio and all the things that interplay.

But underwriting is a, you know, key function as you all know. And so we appreciate your help as always. Help and guide us through the next year's cycle of those rules.

Thank you for indulging my little speech there.  
Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

MR. GONZALEZ: No.

MR. FLORES: No.

MS. ANDERSON: The motion -- Mr. Gonzalez votes

no, and Mr. Flores votes no. The motion carries.

Now I overlooked -- in the stack of witness affirmation forms I had this morning, I overlooked two people who actually wanted to speak during public comment on San Juan Square II, and I apologize to you both. And we'd be very pleased to hear your comments now, if you're in the room.

Sandra Jean Perez and Sylvia Oyerbides.

(No response.)

MS. ANDERSON: They're not here? Okay. Well, whenever they come back we'll look forward to hearing from them.

So now I guess it's item 2(b) --

MR. CONINE: 2(b).

MS. ANDERSON: -- 2(b).

MR. CONINE: Or not to be.

MR. GERBER: Madam Chair and Board members, item 2(b) is a presentation, discussion and possible approval of a waiver of revision of the rule in the 2006 QAP at 10 T.A.C. Section 50.3(5), to complete the underwriting and recommended credit amount at higher applicable percentages than currently described for the 2006 application round.

Staff's request is to raise the underwriting

applicable percentages for the 2006 application round to 3.69 percent, and 8.46 percent for the 30 percent and the 70 percent credit, respectively.

Tom Gouris, again, our director at analysis will present to discuss this.

MR. CONINE: Again?

MR. GOURIS: Tom Gouris, director of real estate analysis. This is actually more of a pleasant thing to be doing.

And, you know, what we found basically is that we have had a cushion in the applicable percentage for a number of years, and we expected -- we'd hoped to keep a cushion there, because that's good, it provides us -- it provides everyone with a little bit of flexibility.

And we recognized early on that we may have a problem this year. And, in fact, we have a pretty significant problem because the 10 basis point cushion that we normally have built into it, has all evaporated already in this part of the year.

So that's why we're recommending that we re-review all of the applications and re-underwrite them with a higher applicable percentage. The exceptions would be anything that has already been gapped, or anything that's already met the \$1.2 million limit. So the only

adjustment would be on the applicable percentage.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

As I said just a moment ago, in all these witness affirmation forms this morning, I overlooked two for San Juan Square II. So I'd like to invite for public comment now Ms. Sandra Jean Perez and Ms. Sylvia Oyerbides.

MS. OYERBIDES: Hi. My name is Sylvia Oyerbides, and I'm the mother of the president of resident council. I am here to represent San Juan Square II, to let you all know that we are well aware of the meetings that we've been going. Also Patty Radell has gone to some of our meetings.

We have some of the people that have shown us

pictures how they want to rebuild the place, and show us that our children have dreams. And their number one goal is to fulfill it.

We are here to speak for some of the residents, I am one of them, that we would like it to build, and promises have been broken for so many years for so long that they would like to see a dream come true, to be one of the dreams that will come true to San Antonio, to let the people know that we are proud where we come from, that we built a foundation for our children and for the residents.

That one day they're here and they can say, I came from a place where my mother, or grandmother, spoke.

And they can also say, you know what, the goal was filled. It was one dream, one goal to come true for these residents. And we would love them to understand that we are here to back them up 100 percent. And we are here to also let you all know that we are here to ask for your approval and to recognize that we are here to speak out for the rest of the residents there and they are there with us also.

And I think you, and I appreciate for your time.

MS. PEREZ: Hello. My name is Sandra Perez.

I'm the secretary of San Juan Resident Council. And I live there now; we live there. We need these new apartments in region because right where we live at, my children's bedroom is about the size of restroom that we have here in the Capitol. And they're growing and they need more space.

My sons, they get good grades at school, and I don't want to move away from there. I'm sorry; it upsets me so much. They get good grades. I don't want to move them away because they're doing good at their school. And my son's going to go to a better school because he got in the Magnet Program, he gets As and Bs. He wants to be a police officer.

And when they ask him over there when he meets his new friends, where do you live, I want him to be proud, you know, of where he lives. I don't want him to be embarrassed.

Because we live in old ones right now, and, you know, and in the winter it's cold and in the summer it's hot. We need a better place. Can you please help us? Thank you.

MS. ANDERSON: And I see that agenda item 4(a) NOFA [phonetic] of single family housing programmatic items.

Mr. Gerber.

MR. GERBER: Madam Chair, members of the Board, item 4(a) requests approval of a notice of funding availability in the amount of \$4.2 million. This 4.2 million are 2006 CHDO funds that inclusive of the waiver granted by HUD for use in the 22-county Rita disaster area.

As you'll recall, 8.3 million of the approximate 12.5 million was awarded to applicants at the March Board meeting, and this NOFA represents the balance of those waived funds. This item also requests the Board to waive certain sections of the state HOME rules.

At this point, I'm going to ask Eric Pike to come up and give a very brief presentation on this.

MR. PIKE: Good afternoon. Eric Pike, director of single family.

As Mr. Gerber suggested, this is remaining balance of some CHDO funds that we received a waiver on back in October of '05. What we're asking for today is the ability to go out with this NOFA.

It would -- if approved, it would publish in the *Texas Register* on August 11. And we're suggesting that applications be due to the Department by September 11, with award of these funds scheduled for the October

Board meeting.

With the approval, we are seeking also the approval of three waivers to our HOME 10 T.A.C. rules. Most of these waivers would be -- would allow us to maintain the same type of allocation, the same contract term that we had during the first NOFA, and I'll walk you through those real quickly.

The first one, if you'll remember in the first awards that we did, the contract amounts ranged anywhere from 150,000 up to \$2 million, depending upon the tiering of the county, the location of the county.

And so in this particular NOFA, we're asking that the contract award amount be increased from our current 275- up to 500,000. We're also asking that the contract term, which is currently 18 months in our rules, be reduced down to 12 months, which, again, would be the contract term that we used for the first set of monies.

And we're also requesting approval of a waiver to allow us to accept applications on a first come, first served basis. Once again, this would enable this NOFA to be more consistent with the NOFA that we went out with the first time around.

MR. CONINE: So move.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. PIKE: Thank you.

MS. ANDERSON: Agenda item number 5, which is presentation, discussion and possible approval of the 2007 Department final draft operating budget.

MR. GERBER: Madam Chair, I'm very pleased that today we're presenting finally for consideration and approval the final draft of the Department's 2007 operating budget and the housing finance budget.

I want to re-emphasize that the budget represents our operational expenses distributed among the Department's divisions, and includes the 3 percent cost of living increase to all employees as authorized by the legislature effective September 1, 2006.

Since our last reporting to you on June 26, we met with divisional directors to assess their requests and

goals and revisited our 2006 budget. And as a result, we modified our budget accordingly.

The adjustments reduced our budget from 21.5 million to 21.2 million, and is 3.2 percent less than last year's budget. Our goals for the upcoming fiscal year are things that you'll see identified.

Of particular note, there is no increase in the in-state or out-of-state travel budget, there is a 15 percent increase in additional professional staff development, and also, of course, working to ensure that our salaries and wages are competitive to retain a skilled work force.

Also included in this Board packet is our final draft housing finance operating budget. That's item 5(b), which we take these two items together. The housing finance budget is \$10,782,312, and is representative of the housing program fee revenue that supports the Department.

At present, the Department is focused on submission of the LAR which includes a 10 percent reduction to general revenue and GR-related funds that will affect our budget for fiscal years 2008 and 2009. And we hope to present that LAR at the next Board meeting.

Do you have questions for me?

MR. CONINE: Good job on putting it together.

MR. GERBER: Thank you.

MR. CONINE: For your first go round. Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Item number 6 is presentation, discussion and possible approval of an RFP for a market study in the San Antonio market.

Mr. Gerber?

MR. GERBER: Madam Chair, item 6(a) is straightforward. It's a market study to be performed in the San Antonio market area. Our recommendation, however, is to ask that it be tabled until our August Board meeting.

We've heard from many folks in the San Antonio

community who have expressed an interest in this and how the Department evaluates demand. The Department would like, with the Board's concurrence, to host a round table discussion with those stakeholders in San Antonio over the course of the next 21 days, and then bring back a revised RFP to the Board for consideration.

MS. ANDERSON: Thank you. I have public comment on this item.

Mr. Don Jones? No? Thank you. Mr. Jones defers.

MR. CONINE: Move to table till the August meeting.

MR. BOGANY: Second.

MS. ANDERSON: All in favor of the motion?

(A chorus of ayes.)

MS. ANDERSON: All opposed?

(No response.)

MS. ANDERSON: Motion carries.

Item number 7 is a presentation, discussion and possible approval of the housing tax credit program draft policy for addressing construction cost increases.

Mr. Gerber?

MR. GERBER: I defer to Ms. Boston.

MS. BOSTON: Thanks. My name's Brooke Boston.

I'm the deputy for programs. What we're proposing today is a policy that earlier in this year you had asked us to bring forward. It will be going out for comment.

This is just a draft. We will put it in the *Texas Register* and on our website. We'll accept comment through August 31, and then we'd be returning to you with a final policy at the October 2006 Board meeting.

The primary point of this policy is to address cost increases that our 2004 and 2005 9 percent housing tax credit awards had experienced. In our research we have been able to establish that at least the total hard costs have gone up approximately 14 percent.

It may be that during public comment we hear some different figures come around, but that's what we're comfortable with at this point.

Of note, by now the one revision that we are proposing, separate from what is in your book -- right now it written as awards in 2004 and 2005, and the one clarification would be, it would be awards made in 2004 and 2005 on 9 percent deals, even if they're from a future ceiling.

So a 2006 forward that was made last year that already had some everything last year, would also fall in this category. We didn't want to -- we weren't trying to

leave any particular awards out.

And with that -- I mean the policy -- if you'd like, I can summarize it, or if you'd already looked at it, we can do it either way.

MR. CONINE: I've already had a look at it, number one, and thank staff for taking a hard look at this. I know I've got a lot of feedback from people who are building these things all over the state, around the country actually, and the construction costs have dramatically increased.

And this is, I think, a good way to take a look at how to help solve the problem. And, quite frankly, help solve -- will help Tom Gouris sleep a little better at night because they become more economically feasible when something like this happens.

As far as the -- I like the option of splitting it up into '07 and '08, instead of taking it all out in '07. I think that makes a lot of sense, relative to the two years we're talking about.

And since it generally takes a couple of years for these projects to come to fruition and cost certify, I think it makes a lot of sense. So I wholeheartedly support putting it out for comment, and let's see what the development community thinks about it.

MS. BOSTON: Okay. Put it out for comment with that amendment?

MR. CONINE: Uh-huh.

MS. BOSTON: Okay.

MR. CONINE: Yes.

MS. BOSTON: Got it.

MR. CONINE: I'll make that motion.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

The next item -- we're getting closer to the one you want --

Yes, Ms. Bast?

MS. BAST: [indiscernible]

MS. ANDERSON: Oh, you sure do. I apologize to Ms. Cynthia Bast, who's asked to speak on this item. Thank you.

MS. BAST: Thank you.

MS. ANDERSON: Sorry.

MS. BAST: First of all, thank you to the staff for coming up with this policy. Our clients are overwhelmingly appreciative of the work on this.

We do have a couple of questions that we would like to see addressed, so I wanted to throw these out there for both the Board and the staff to consider.

First of all, there is a rule in the QAP that the Department will limit the allocation of tax credits to no more than 1.2 million per development. I believe that that is a rule and not statutory.

Contrary to what was in your Board book on item 2(b), that is was a statutory limit, I don't believe it is a statutory limit. It is a rule limit and therefore it is potentially waiveable by this Board and I would like you all to consider that.

And the second issue is a statutory item that is the Department shall not allocate more than two million of tax credits in any given application round to any applicant. There's our \$2 million per developer rule.

I want to make sure that we all understand exactly how that is going to be applied. Will that be applied -- for instance, these are 2007 forward monies,

will that number then be applied to the 2007 application round? I think that's a question that just needs to be clarified.

MS. ANDERSON: And I'm confident you'll participate in the public comment process on the rule so that we will have your thoughts on how best to implement that.

MS. BAST: I -- you know, I'm never shy about giving my opinion. I do appreciate Brooke's comment that that would include the 2005 forward commitments that were offered. That was another issue that we had.

And then my final item is agreeing with Mr. Conine that it would -- I think it would be preferable for the 2004 deals to come out of the 2007 forwards, and the 2005 deals to come out of the 2008 forwards. Because otherwise your 2005 deals don't place in service till the end of 2007, which means they're not cost certified until 2008 anyway.

If they aren't cost certifying until 2008, and that money came out of 2007, it can't get back in the pool in time. So I think there's good cause for that, and those are my questions and comments, and I appreciate consideration of those as this policy is being implemented. Thank you.

MS. ANDERSON: Thank you.

I also overlooked Mr. George Littlejohn.

MR. LITTLEJOHN: Hard to do that.

Madam Chair, members of the Board, Mr. Gerber, my name is George Littlejohn. I'm with Nova, Graddick and Company [phonetic] a national CPA firm.

We wanted to provide some public comment as it relates to one of the -- we're very much in support of the rescue credits, but we wanted to provide comment concerning the analysis at cost certification in terms of determining whether the project needs the additional credits or not.

We believe that our clients and the industry would benefit from having a very transparent and objective criteria for determining that. And we would propose that the Board and TDHCA consider the use of the final construction draw as the standard by which the determination is made as to whether those credits are justified.

Currently the current final cost certification package requires the final construction draw. Most of the 2004 deals are in the middle or near the end of their construction.

By establishing that, a, the standard for the

cost analysis by the Department, as soon as the announcements go out, the developer would be able to look at the analysis and be able to determine exactly how many credits would be justified.

And also the investment community would be able to count on that standard at cost cert for being able to negotiate the additional credits and additional equity that would be going into the deals. Thank you for your time.

MS. ANDERSON: Thank you, sir.

We took action on that item, so we're now on item 7(b), which is a presentation, discussion and possible issuance of determination notices for housing tax credits with other issuers.

Mr. Gerber?

MR. GERBER: Madam Chair, members of the Board, item 7(b) is a request for your review and the Board's determination on two 4 percent tax credit applications with other issuers for the tax exempt bond transactions.

Staff is recommending that the Board approve these transactions. The first is the Gardens of Tomball.

This is a local bond issuance with Harris County Housing Finance Corporation requesting 4 percent housing tax credits in the amount of \$750,053 annually.

The proposed development will be located in Tomball, Texas and consists of 210 units serving the elderly population. This is priority three reservation with the Bond Review Board. The Department received one letter of support from the Mayor of Tomball on this project.

The second is The Landing in San Antonio, Texas. This is a local bond issuance with the San Antonio Housing Trust Fund requesting 4 percent housing tax credits in the amount of \$446,390 annually.

The proposed acquisition rehabilitation development will be located, again, in San Antonio, and consists of 216 units serving a general population. This is a priority three reservation with the Bond Review Board, and the Department received no public comment on that project.

MR. BOGANY: So move.

MR. CONINE: I'll second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Item 7© is presentation, discussion and possible approval of the final commitments for the allocation of housing tax credits and waiting list for the 2006 housing tax credit program application round.

Mr. Gerber?

MR. GERBER: Madam Chair, before we begin, let me just take a moment to recognize the dedication of our staff as they get to the highlight of the housing tax credit cycle. Our multifamily finance production division and our real estate analysis division, members of our compliance division, and our manufactured housing division does the on site -- does the inspections, have done tremendous work this year.

I truly want to recognize Robbye Meyer, our acting director of multifamily, and Jen Joyce, the acting manager of the multifamily division for their exceptional leadership, and, of course, Tom Gouris, who does so much in REA, for their help.

(Pause.)

MR. GERBER: As you all know, this Board is required each year by statute to issue final commitments

for allocations of housing tax credits in accordance with the qualified allocation plan not later than July 31.

Further, the Board is required to establish a waiting list of additional applications ranked by score in descending order of priority based on set-aside categories and regional allocation goals, concurrently with the initial issuance of commitments for housing tax credits. This agenda item satisfies these two requirements for the 2006 housing tax credit cycle.

Jen Joyce from multifamily finance production will present the award recommendations to the Board.

MS. JOYCE: Hi there. Jen Joyce, interim manager of multifamily finance production division.

Historically, when we presented this item to the Board, we've gone into a great amount of detail similar to the write-up that's before you. But in an effort to get us all out of here as quickly as possible, I'm just going to do a brief overview, and if you have any questions, as per the norm, I'll be happy to answer.

This year we received 229 pre-applications for 9 percent tax credits. Of those pre-applications, we received 135 full 9 percent applications. When you consider the forward commitments and rule rescues that we awarded in 2006 for 2007, that brings it to 140 total

apps.

We had 10 withdrawals, three terminations. Of the 9 percent applications that you had before you, 12 of those did submit also for the Hurricane Rita set-aside. There were seven awards made out of that Hurricane Rita set-aside. And you approved those earlier in the year.

At the end of the day, you have 115 applications that you're considering for an award today. In the write-up that you have, included in there are some reports. If you'd like to turn to the very first report, your tab says Reports 1 through 4, this is the award list that we're recommending today.

However, with one caveat to that, we would recommend the application 060032, the appeal that you just granted from Bobby Bowling, so that would bring our award recommendations up to 66. These award recommendations are in accordance with the 2006 QAP requirements and were made considering those.

Not all applications have been underwritten yet. Those -- if you take a look at that report that I was referring to a moment ago, under -- next to the credit requests, if you see an asterisk, that's what -- that indicates that it has not been underwritten.

There is one application that is pending a

complete PMC review. There may be movement on this list, and we might possibly bring back different award recommendations in August if any commitments -- if any conditions in the commitment notices that we do issue are not met, that includes any zoning and any leveraging or point scoring items where they have to prove up the commitment.

The amount available for the tax credits, for the 9 percent, in 2006, are \$43 million -- \$43,912,557 in tax credits. The award recommendation, including the added application I just spoke to you about, is 43,722,311. That is an amount remaining of 190,246.

Keeping in mind that you just granted that waiver for the increased credit amounts, know -- just -- please note that that 190,246 will be pulled into the credits utilized for the increased credit amounts that we do recommend to the Board.

In addition to that, we'll be using the national pool, and any other credits that may have been reconciled in the underwriting process.

In terms of the waiting list, you're also required to approve that. We are recommending that all non-awarded applications be approved as that waiting list. Any applications that may fall out will be awarded --

would be awarded to the next highest scoring application in their region, based on that set-aside, or region outside of the non-profit.

Do you have any questions for me at this time, or after public comment?

MS. ANDERSON: I have a lot of public comment on this item, and I have one question for the general counsel.

I can tell by who some of this comment is from that it actually is -- may technically -- even though they list item 7(c), it may technically be, you know, probably a request for forwards.

How am I supposed to manage these witness affirmation forms? You know, they -- some -- they're not filled out quite consistently.

MR. HAMBY: In your usual capable manner.

MS. ANDERSON: If I may just -- then if I can just proceed, then I'll just go. But I just --

MR. HAMBY: There is an agenda item 7(d) --

MS. ANDERSON: Right.

MR. HAMBY: -- that is the discussion of what would be a forward commitment question. So to the extent that people are discussing they actually believe they should be receiving the awards in agenda item (c), if

they're requesting in agenda item (d), forward commitment, they could probably make those at the same time.

MS. ANDERSON: So it's okay --

MR. HAMBY: Yes.

MS. ANDERSON: -- for me to let -- just let it rip, kind of.

MR. HAMBY: Because they're -- they'd actually probably like the award right now --

MS. ANDERSON: Yes. Right.

MR. HAMBY: -- is what they're discussing, but --

MS. ANDERSON: Okay. I just want --

MR. HAMBY: -- they'll take as a back-up --

MS. ANDERSON: -- to make sure I was not, you know, unduly --

MR. HAMBY: -- the forward commitment.

MS. ANDERSON: -- making the people that are on the --

MR. BOGANY: Can I ask a question?

MS. ANDERSON: Yes, sir.

MR. BOGANY: Mr. Hamby, if someone is on the waiting list, and say we grant a forward commitment, does that take them off the waiting list if they do get one, or does it come either/or, whatever comes up?

MR. HAMBY: That's actually a Jen Joyce question.

MR. BOGANY: Okay.

MS. JOYCE: If they are awarded a 2007 forward commitment, they would be considered as received an award. So they would not be an N, which would be the remaining applications on the waiting list.

MR. BOGANY: Okay.

MAYOR SALINAS: So how do we go about this? Do we award through recommendation on the people who are going to get awarded today, and then we go into the forward commitments?

MS. JOYCE: Yes, sir. Before you on the agenda, under 7(c), right now we're considering the awards of the 2006 tax credit ceiling. The next agenda item, which is 7(d) is the forward commitment aspect of it.

MAYOR SALINAS: Okay.

MR. BOGANY: Can I ask you one question, Jen? Someone mentioned about San Juan Square Apartments. I have not seen that. I see San Juan, but I don't see San Juan --

MAYOR SALINAS: San Juan is out of San Antonio --

MR. BOGANY: Where, what --

MS. ANDERSON: Region 9.

MR. BOGANY: Yes, I didn't see that in Region  
9 --

MS. ANDERSON: It's on the non-recommended  
portion of Region 9.

MS. JOYCE: If you -- actually -- what you're  
probably looking at is the award only reports. That's  
report number one. If you keep going forward you'll also  
get to the A and the N report, which shows --

MR. BOGANY: Okay.

MS. JOYCE: -- you the awards, and below that  
line are the non-awarded applications.

VOICE: Go to report number three, and it's  
right --

MR. BOGANY: Okay. Okay.

MAYOR SALINAS: What region is that in?

MR. BOGANY: Nine.

MAYOR SALINAS: Nine.

MR. BOGANY: Thank you.

MS. JOYCE: Would you like me to point out that  
application --

MR. BOGANY: No. No, no. It's just been  
pointed to me. Thank you.

MR. HAMBY: And I just want to clarify for the

Mayor.

Mayor, there'd be two separate motions. One of them would be for the award list, and then if you choose to make forward commitments, that's under 7(d). So --

MAYOR SALINAS: Okay.

MR. HAMBY: -- it would not be part of the same motion.

MS. ANDERSON: Okay. We have a number of people that want to make public comment, and so I -- we welcome that, but we have a very strict time limit in place.

Mr. Roy Navarro, and the next witness will be Fernando Lopez, then the next witness will be Paul Fitch.

MR. NAVARRO: Madam Chair, Board members, Mr. Gerber, I'll be brief in my comments. My name is Roy Navarro. I'm the executive director of the Pharr Housing Authority.

I am here in support of Mesquite Terrace, number 060117. We are requesting a forward commitment for this project. This request is well documented with letters of support from our senator, state rep, and mayor, and some of those spoke this morning, or were represented here.

We have a great need for affordable housing for

our elderly in the City of Pharr. We respectfully request a forward commitment for this project, and I appreciate the time to speak to you all. Thank you so much.

MS. ANDERSON: Thank you, sir.

Mr. Lopez? He's gone? Okay. Thank you.

Mr. Paul Fitch, then Mr. Jeff Crozier, then Mr. Larry James.

MR. FITCH: Madam Chairman, Board, and Mr. Gerber, I'm Paul Fitch from Winston-Salem, North Carolina.

I'm here to speak in support of Moore Grocery Lofts, a preservation project in Tyler, Texas, that preserves both a Texas and national-registered landmark. This is part of the downtown revitalization program in Tyler.

And to that end, the mayor would request that his letter be added to the file, which I think he faxed to you. And if this would be passed out to the Board.

(Pause.)

MR. FITCH: We are also requesting a forward commitment on this project because of the city's strong desire to have this project. It was -- the project scored 196 points, and was beaten by only one product in the region.

Thank you for your time, and no further comment.

MS. ANDERSON: Thank you, sir.

MR. CONINE: Tell Bob Coo-Cat [phonetic] I said Hi.

MS. ANDERSON: Mr. Crozier, then Mr. Larry James, then Mr. Jim Walton.

MR. CROZIER: I'm also here to speak on behalf of Moore Grocery Lofts, development number 060201. Mr. Fitch wanted me to discuss some things because I'm kind of a numbers person, being kind of the consultant on this deal.

But many years ago, I wanted to -- if you look at the selection criteria where points come from -- and a lot of my -- these comments are also going to be apropos to what we've heard earlier today on the San Antonio properties as well, because Region 4 and Region 9 kind of fall into the same kind of category in this process.

But if you'll look at the selection criteria, most of those -- the points that are assigned to different criteria relate to housing policy of the Department. The higher the points are up the ladder, the more points they are, the more policies that you meet, and the higher scores that you get mean that you meet more of those housing policies than maybe some other application.

Moore Grocery Lofts scored 196 points in this

year's allocation. That means they maxed out on quantifiable community participation from the neighborhood associations, they maxed out on the local community support via the leveraging of dollars, plus they got all their letters from the politicians, the state senator and the state rep. You can only receive a score that high if you max out on all of those criteria.

There were 38 deals that are on the recommended list in the urban/exurban set-aside, and out of those, Moore Grocery Lofts outscored all but 10 of them, and of those 10 they don't outscore, they only missed that by one point. So they're virtually at the top of the list as are the guys a lot of times in San Antonio are going to be the same thing.

You know, when the extra credits are done -- I know Mr. Fitch asked for a forward commitment. A waiting list falls into the same deal. But when you're adjusting the credits at the end, after all the regions have been done, one of the terms that used to be thrown around was most harmed region.

You know, if you have a region that didn't have enough applications in it, you know, we want to make sure that others get done, and get a mathematical calculation based on how many credits were applied for in that

particular region.

I would contend that -- and first of all, this is no fault of anybody, but staff is allocating credits just like they're supposed to, you guys are looking at deals just like you're supposed to, but I think it's just a glitch in the system that I would also contend that maybe you ought to look at individual projects being most harmed.

Because I can't -- I try to wonder how a deal that can score the highest points meet more of the state's housing policies than any other deal, how those cannot be on the recommended list.

You're only talking about two or three properties to begin with, and I think as you're going through your waiting list, going through your forward commitments, going through any thought out applications, things like that, I would just hope that some of those kind of comments coming through your heads, of looking at what deals are actually meeting more of the housing policy issues than anything else.

Finally, you're going to -- fixing to hear a bunch of people come up here, they're all great people, they all have great deals, and everybody has a great need. But, once again, at the end of the day, they're not going

to catch the guys that are up at the top of the ladder, because they're going to be maxed out on the big three, as I call them.

So I would like to hope you keep that in consideration when you're considering your forward commitments, and things like that. Thank you.

MS. ANDERSON: Thank you, sir.

Mr. James, then Mr. Walton, then Mr. Swartz.

MR. JAMES: Madam Chair and members of the Governing Board, and Mr. Gerber, my name is Larry James and I am the president and CEO with Central Dallas Ministries in Dallas. And I also serve as chairman of the board of the Central Dallas Community Development Corporation.

As you are aware, I'm appearing on behalf of Central Dallas Community Development Corporation and the City Walk at Akard project, number 060086.

I want to begin by saying, on behalf of our organization and our constituents in Dallas, that we really appreciate deeply the time and the effort and consideration that you have given to our request for an award of low income housing tax credits for this project.

I think it's fair to say that a growing number of leaders and citizens in Dallas have been energized and

encouraged by the plan that we have presented for your review today. A number of those citizens and leaders have made their support known in personal correspondence addressed to you, and in appearances here at this podium.

In view of the need of our downtown area for affordable housing units, and in light of the continuing problems associated with homelessness in our community, especially in the downtown area, many people in Dallas believe that the time is right for the kind of project that we have proposed here.

Naturally we agree with that. In fact, we would put the case in even stronger terms. It is now or never for this particular plan, and for this specific project. Without a forward commitment for our tax credit award allocation, the City Walk at Akard project will be impossible.

Therefore, we urge you to decide in favor of our proposal for the long term benefit of the citizens of Dallas. And we really thank you, all of us do, from the bottom of our hearts.

MS. ANDERSON: Thank you.

Dr. Walton? Sorry I called you Mr. Walton. I noticed you're Doctor. Mr. Swartz, and then Mr. Joy.

DR. WALTON: Good afternoon. I'm Dr. Jim Walton. I live in Waxahachie, Texas and work in Dallas. I'm also a board member for Central Dallas Ministries and speaking on behalf of the City Walk at Akard project.

I've been a physician volunteer for Central Dallas Ministries for about nine years. And by and large take care of an under-served population, many of which border on homelessness most of the time.

And part of my employment responsibility for Baylor Healthcare System, and the reason why we've been partnering with Central Dallas for the last nine years, has been because of some social science research that indicates the housing is a very large determinant of health status for people that are poor.

And so I'm speaking in favor of this project, because I really believe that, in order to effectuate increased health status for our population, especially the low income population in Dallas, that affordable housing is a critical element.

Certainly nothing more important than low income folk that have a tendency to be -- lose housing opportunities over the course of their life span for various health reasons.

The other reason why I'm speaking in favor of

this, there is -- in this project, there's also some opportunity for market rate units. And there's eight units, I think, out of the several hundred that Mr. James is going to develop, and my wife and I are intending to move into one of those units when they become available to rent those units so that we can be closer to the action if you will as far as caring for people.

So I want to speak in favor of that, and I appreciate the time to be able to come and visit with you again, especially again.

MS. ANDERSON: Thank you, sir.

Mr. Swartz, Mr. Joy, and then Ms. Jacqueline Martinez.

VOICE: Swartz isn't here now.

MS. ANDERSON: Mr. Swartz?

(No response.)

MS. ANDERSON: Mr. Joy.

MR. JOY: Good afternoon, Madam Chairwoman, members of the Board, Mr. Gerber. I'm here to address the redistribution of credits for the 2006 -- I'm sorry Robert Joy -- I'm here to address the redistribution of credits for the 2006 awards.

The 2006 QAP contains new language that states that the redistribution of credits will be made to fulfill

the need to most closely achieve regional allocation goals.

Of the 13 state service regions, there was sufficient money left in -- after the initial award process to award credits to one additional qualified application in eight of the regions.

Of those eight regions, only Region 11 did not receive an additional allocation. In fact, there was \$780,000 left in Region 11, and it was all swept and put into the state pool, while there was one deal, Alton Apartments, that was \$5,000 underfunded when underwriting did their deal. There was one application in the urban/exurban area that is within about 15,000 of the remaining 785,000.

I ask that the Board recognize this travesty and award credits to one more application in Region 11. Thank you.

MS. ANDERSON: Ms. Martinez, and then Ms. Rosa Rosales.

MS. MARTINEZ: Good afternoon, Madam Chair, Board members, Mr. Gerber. My name is Jacqueline Martinez, and I'm here to read a letter into the record. I believe that this letter was faxed to the Department earlier this week regarding Los Palmas Gardens Apartments,

1014 South San Eduardo Avenue, San Antonio, TDHCA number 060122.

"Dear Ms. Anderson and Board, It is with humble respect that I write to you today as the president of the Las Palmas Gardens Apartment resident council. I would like to make you aware of our current situation.

For the last three years, the owners of our property, Urban Progress corporation, a non-profit organization, has diligently applied to the Texas Department of Housing and Community Affairs.

Last summer, during our second application process, we were informed that our application had earned tax credits. We had a big cook-out with the owners, and all the residents came out to celebrate the renovation of our 40-year-old apartment complex.

Just so you know, it wasn't just that we were getting new paint and doors, but now we would finally have central air and a computer room. However, soon after, we were informed that we didn't get the tax credits after all. We were rejected a second time and were very saddened.

Shortly thereafter, our apartment suffered a massive electrical fire that destroyed one of our eight buildings. Needless to say, we all felt that if we had

received the tax credits, we wouldn't have to worry about old wiring.

In January, our property owners announced that they would once again apply for tax credits. I thought they were crazy. But we felt we had nothing to lose by once again applying, and we admire their persistence on our behalf.

Early in the spring, our complex suffered yet another fire destroying yet another building. Today 26 of our 100 units are destroyed. That's over a quarter of our apartments literally up in smoke.

And now here we are having all the application requirements for approval, yet not considered a priority.

Our resident council has eagerly anticipated the awarding of these tax credits. However, I feel we have been pushed aside and ignored from this tremendous opportunity.

But the truth is, the recent fires to our apartment community have only intensified our hopes in receiving the much needed tax credits to renovate our homes where we have raised our families and called it home.

As a resident of Las Palmas Gardens, I have enjoyed living in this community for over 21 years. I have raised my children who have now started their young

adult lives. My son, a U.S. Marine currently serving in Iraq, is a proud product of this community.

And I have seen other families thriving and working to improve their lives. It is my sincerest hope and desire that the Board consider our application so that we may begin to restore our apartments for future generations.

Please accept my letter of support to award tax credits to Las Palmas Gardens Apartments. Sincerely, Mrs. Rosalia Marty [phonetic], President of the Las Palmas Resident Council."

I have to apologize on her behalf. She's ill and wasn't able to be here. Thank you.

MS. ANDERSON: Thank you.

(Pause.)

MS. ROSALES: -- we want to -- LULAC -- congratulate you and thank you for all your volunteer work you do. I realize that there are some things -- decisions, hard decisions you have to make. So your work is well recognized by LULAC.

I'm here to speak on behalf of Las Palmas Garden Apartments. We ask you to reconsider and fund the tax credit for this apartment. You know, I was born and raised in San Antonio, and I'm very fully aware about the

need of affordable housing.

I was born in what you call a shotgun house, which is three bedroom -- I mean, three rooms, you know, living room, bedroom and a kitchen. And I realized the need, you know, as you grow up. You know, we never had air conditioner or central heating. We didn't have those.

And there is so much need for the well-being and safety of our citizens.

You know, San Antonio's projected, and has been now rated as one of the seven largest cities in the nation. And as we increase this, we know we have opportunities by Toyota and other corporate America coming into San Antonio, but the salaries really haven't gone up.

So one of the things that is very important is that we do have affordable housing for families of low income and moderate income. You know, decisions have to be made whether they're going to pay the rents, or they're going to buy medicine and food.

It's very important that these hard working families sometimes have two or three jobs, that they do come home to a good home, you know, that does have one of the things that the Las Palmas Gardens Apartments do not have, central heating or air.

And, you know, in this -- you know, we've heard

all over the nation, there's already been some deaths because of the heat waves that we're having. So, you know, that, to me, is a safety and a health issue that is needed in these apartments.

This is a 40-year-old apartment complex. And one of the things that stands out in my mind, the urban progress cooperation is a community-based non-profit organization. And that's very important to know. This organization is there not to make a profit, but to make sure that there is affordable housing.

Not only that, they are also the developers. So they're not here to make any kind of money, other than to make sure that they have quality housing for the residents.

This is 100 units, I believe, and what's so important is that the need is there, to make sure that we do have is needed -- the residents' room where they can meet and have workshops, or, you know, they're also going to have a computer class for the kids.

And, you know, in Latino communities, you know, nationwide, we have the highest drop out rate. We have the highest illiteracy rate, we have the highest attrition rate of first-year college students, you know.

So when we talk about education, Latinos are in

dire need to having those resources, and this would also provide computer room and workshop room, space enough to the community gatherings so they can become well educated and send their children to get a good quality education.

One of the things that's very important here also is that the resident council is all volunteers, you know. They have made a commitment to make their lives there and their apartments to be affordable and not to [indiscernible] like everyone else.

This is the American dream, to be able to come home from work and that you have a nice apartment where, you know, you're not worried about your health because it is too hot, or you're not worried because winter comes and it is too cold. You know, it's important for the well-being of the total family unit.

And so we know -- here as we speak today, you know, we have -- the Las Palmas Gardens Apartments have gotten approval from elected officials, have gotten approval from the Edgewood Independent School District, have gotten approval from many community agencies, you know. So it's a win/win situation in reference to what we're talking about.

Another good thing for this Honorable Board to consider is the fact that, you know -- you know, how they

say the third time is charm, well, they came once, they were rejected. And they didn't give up. They came twice and they were rejected. And they're still here, as a volunteer board in a non-profit agency that is there to do this job.

So it's important to realize that those people are fighters, those people will continue. They have a lot of perseverance, you know. They're going to be here, you know. And it's important to know that we're talking about a group of residents that are there, very committed, very dedicated, and all they want is that American dream, to be able to have affordable housing and something that they can come home and be proud of.

It's a 40-year-old unit that is in dire need of renovations. And we really feel that they've earned the respect of the community, and the -- I cannot go into all of the details. I don't have all the details, other than I know that the need is there, you know.

And coming from humble beginnings and knowing what it is, and knowing what it takes to be a volunteer like you are, this is a group of residents, a company also that is non-profit, that is willing and has stayed there, to ensure that there is a quality life for these residents in San Antonio.

And by the way, and the final thing here, is this Region Number 9 was underfunded. Was underfunded. And we'd like for you to reconsider. You know, the wheels of justice are in your hands, and like I said, sometimes you have to make some hard decisions, and also the main issue is, we'd like to have it funded. We'd like to have those tax credits, and we'd like to be part of that American dream.

But, if you do not fund it, which I hope you do, we do ask you to -- and we will accept a forward commitment for our region. Thank you so much.

MS. ANDERSON: Thank you.

Ron Anderson, then Jean Coburn, the Craig Young.

Ron Anderson?

MR. ANDERSON: Good afternoon, Madam Chair and members of the Board. My name is Ron Anderson. I'm the executive director for housing and community services. I speak in support of application 060024, Cunningham Manor Apartments in Brownsville, Cameron County.

The tax credits in this case will be used, not for new construction, but for substantial rehab of a 37-years-old multifamily affordable housing project. My only comment is to say that the award is the equivalent of a

heart transplant.

This -- but this affordable housing will not survive without it. So thank you, and my appreciation to your staff for their diligence and their hard work. Thank you.

MS. ANDERSON: Thank you.

Jean Coburn?

(No response.)

MS. ANDERSON: Is Jean Coburn here?

(No response.)

MS. ANDERSON: Craig Young?

(No response.)

MS. ANDERSON: Craig Young?

(No response.)

MS. ANDERSON: Colby Dennison?

VOICE: [indiscernible]

MS. ANDERSON: Okay. Come on down.

Mr. Dennison, if you'll wait just a minute.

MR. MacDONALD: Thank you for indulging me --

MS. ANDERSON: Sure.

MR. MacDONALD: -- Madam Chair. My name's Justin MacDonald. I know that you all were probably eagerly anticipating Granger coming up here and asking for his forward commitment again today. Unfortunately, he's

taken a little ill with a stomach virus, and as the old saying goes, the bigger they are, the harder they fall.

So as not to completely disappoint you, I'm here to talk to you instead about 060021, Villas at Henderson Place in Cleburne.

This is in Region 3, urban/exurban. We're working on intergenerational project. Of course, one of the first ones out there.

Unfortunately, Region 3 is kind of unique. We have received a lot of demand in Region 3 here lately. It's gotten a lot more difficult to do business, we've got NIMBY issues and all this. As you probably know, we've recently pulled a deal in Region 3 due to opposition.

But the biggest thing that's going on in Region 3 is the fact that demand for apartments is going up there. And there really isn't that much increase in the supply that's going in.

You know, Houston is a great place, and they had a lot of people coming in from the hurricanes. And they're getting Go Zone money and the 130 percent boost and all that.

But Dallas/Fort Worth, Region 3 has received almost -- well, probably about half, but still a good chunk of people from the hurricanes, about 75,000 or so.

And we're not getting anything going up there. You know, we don't have the 130 percent, we don't have any set-asides up there, anything like that.

We've had steady job growth in Region 3, and we've had everything that's come on line is being absorbed pretty quick. Occupancies are high, rents are up, and all I'm asking for is for you to consider that on Villas at Henderson Place, and look at possibly giving us forward commitment to fix this skewing in the system.

And Craig Young's now going to talk to you about a little bit of data that sort of backs up my statement.

MR. YOUNG: Madam Chair, Board, and Mr. Gerber, my name is Craig Young. I'm with O'Connor and Associates.

We are market analysts and appraisers, and a division in our firm also tracks apartment data in the different MSAs throughout Texas.

And fortunately for me, I'm not up here to defend any market study or anything. In fact, we did not have the pleasure of doing that market study on that property. But I'm here rather at the request of Mr. MacDonald, just to give you some generic market information for the Dallas/Fort Worth Region 3 area.

Based on our information that we have available

right now, occupancies are about 90 percent, rents have been steady for the last four years. Thus far, year to date, in 2006, there have been about 1660 units absorbed, which is a fairly high number.

And population growth is up 1.2 percent, unemployment growth is up 3 percent, and based on these numbers and these trends, obviously things are moving in a positive direction in that area.

And I thank you for your time.

MS. ANDERSON: Colby Dennison, and then Rick Simmons.

MR. DENNISON: Colby Dennison. Thank you, Board, for the opportunity to speak to you, and I'll be brief.

Staff, through the mathematical methodology it created to determine regional overfunding and underfunding, created a fair, just, and logical method for objectively determining which regions are underfunded, and which are overfunded. You can see the results of this methodology on page 6 of the agenda item 7(c), and it looks like that.

Unfortunately, the baby was thrown out with the bath water this year when staff prematurely applied this formula to a mixed batch of underwritten and non-

underwritten applications. Because the formula creates the -- calculates the percentage underfunded by evaluating the shortfall created when the next application would overfund the region, problems and inconsistencies arise.

These problems are: Region 2's applications have been underwritten, and tax credit request amounts have been cut, gain an advantage mathematically over regions that have not been underwritten. This is a mathematical fact.

Because all applications haven't been underwritten, the accurate amount of credits allocated under the ceiling, and thus the underfunded percentage, can't be determined.

I ask that the Board authorize staff to fund project that would have been on the approved list had the underwriting been completed.

I understand that this problem has arisen from a staffing problem in the underwriting department. Please don't allow human resources issues to interfere with the fair and equitable process TDHCA has established through its qualified allocation plan.

Authorize staff to make its final allocation determinations after all applications have been underwritten, and not before. Thank you.

MS. ANDERSON: Rick Simmons and then --

MR. SIMMONS: Madam Chairman, members of the Board, thank you for your time today. My name is Rick Simmons. I represent Pinnacle of Pleasant Humble, a seniors community outside of Houston, application number 060136.

We scored 189 points, had the support of state senators, representatives, the mayor, city council. Actually, we would have scored even higher, but the state senator that was selected, that we thought was the state senator, was indeed not the state senator for our region.

We were just -- we were recommended by staff and just become non-competitive as short as just a week ago due to another application, a family at risk development that was nine-tenths of a mile within our community. We were told by the City of Humble that we were the only application they supported, and I think they meant seniors or new development.

I'm requesting a forward commitment, and in addition to the forward commitment, I'm requesting that you reduce my credits by 10 percent, given the strong amount of commitment that I have is soft money from the county, from the agency, and from the non-profit. And thank you for your consideration.

MS. ANDERSON: Thank you, sir.

Mr. Encinas?

MR. ENCINAS: Hi. William Encinas, Madam Chair, members of the Board, Mr. Gerber. I'm speaking on behalf -- William Encinas -- I'm speaking on behalf of application 060046, San Juan Apartments.

Well, here we are again. We had the mayor of San Juan speak earlier today. And as you know, San Juan has never received a new project, ever, in its existence.

Last year we submitted, we were very -- we were in the money, we had 80 percent of our funds there, and we got swept. We were a finalist.

This year we went back, we honed in the app, did everything right, we were the number-three deal, and unfortunately, due to the Board's interpretation of resident councils, we were just below the line, again.

And it's very difficult to come every year and do this, and then get caught by an interpretation issue. And I understand your job is very difficult.

I would passionately implore you to help the City of San Juan, and please apply for a forward for this project as serious consideration is our hope and prayer. Thank you for your time.

MS. ANDERSON: Okay. One last time,

[indiscernible] Swartz?

(No response.)

MS. ANDERSON: And Jean Coburn?

MS. COBURN: Madam Chair, members of the Board, I am Jean Coburn, and I'm here to address the redistribution of credits for 2006 awards. The 2006 QAP states the redistribution of credits will be made to fulfill the need to most closely achieve regional allocation goals.

Closely, in my understanding, as was stated before, I believe, by Mr. Mike Lopez from Hidalgo County, would mean both over- and underallocation.

I give the following information, excluding the sub-regions that receive no awards during the initial process, and then received an award after redistribution.

First, a large variance in the sub-regions was 61 percent after the initial allocation, and increased to 87.4 percent variance after the redistribution.

Awarding additional credits to the next application in Region 5 urban/exurban, will take the variance for that sub-region from 39.8 percent to 81.36 percent. Also awarding additional credits to the next application in Region 8 rural will take the variance for that sub-region from 40.69 percent to 87.43 percent.

These redistributions do not appear to fulfill the need to most closely achieve regional allocation goals. However, awarding credits to the next application in Region 7, urban/exurban, will reduce that region's variance from 34 percent to 5-1/2 percent.

And also, awarding credits to the next application in Region 11, rural, would reduce that region's variance to -- I'm sorry -- from 30.3 percent to 1.2 percent. These redistributions would actually achieve that need to most closely achieve regional allocation goals.

I ask you to consider this information as you award the credits that have been recommended to you, and ultimately make your decision. Thank you for your time.

MS. ANDERSON: That's the end of public comment for this agenda item, number 7(c).

MR. CONINE: Jen, we had several public comments relative to the regional allocation formula, pluses and minuses. Can you kind of just give us the highlights of how staff arrived at their recommendations?

MS. JOYCE: Sure. If you will take a look at page 6 of your Board write-up under this item, and I will do something -- this chart represents our methodology for -- which is the same methodology we've used for the

last three years, and addressing the remaining credits available after you've kind of gone down to the line, so to speak.

So if there's a million dollars available in a region, the top scoring application in that region is \$800,000. We don't award to the next application in line because that will put you over the regional amount.

So we do that in each one of the 26 sub-pots we've always called them, not in the 13. We do it in all 26. We then evaluate the percentage of need in those regions based on the remaining credit amounts.

And so what you're looking at right now, for instance if you go -- if you're looking at the very top of the list in Region 7, because there was only an amount available of \$316,000, and the application in that region was \$524,000, we couldn't award it.

But when you plug it in to this formula chart, it has the highest percentage of need based on unawarded tax credits that were available in that region. We do that all the way down the line. And so basically what we end up awarding, based on each of the 26 regions, we end up awarding applications based on the need of -- as defined in this methodology.

I can certainly speak to any of the points that

anyone else made, if you'd like me to.

MAYOR SALINAS: Is that why you went to Region 11 and got the rest of the credits? You both got 700.

MS. JOYCE: In Region 11, it was actually an interesting anomaly this year. We had two applications that returned credits, and they went directly into Region 11, and they were returned credits from 2006 that went directly into Region 11.

That may be what you're speaking on. The Region 11 applications actually did not fall into this section, so they were not awarded based on need of the region.

MAYOR SALINAS: But Mr. Joy is saying is what?

MS. JOYCE: What Mr. Joy -- Mr. Joy was not awarded an application for the application that he actually submitted. When you plug in his methodology, what he's doing is, rather than looking at the 26 pots, he's looking at them as 13.

And based on what he would desire for that methodology to be, if you plug it in, then he would end up getting an award in that scenario.

MAYOR SALINAS: Thank you.

MR. BOGANY: Jen, I have a couple of questions. I don't know if you -- in detail. It looks like in, I

guess Region 3, there is a whole lot going to Fort Worth, and then you have just very little going into the Dallas area, like --

MS. ANDERSON: Mr. Bogany, I can address that. The Dallas City Council, this was -- they didn't -- they only let one deal through.

MR. BOGANY: Oh, is that what it -- okay.

MS. ANDERSON: That's what it is.

MR. BOGANY: My second question I have is that, in an area like where Mesquite Terrace is, and I don't know how detailed -- I know you got all these to remember -- but in Mesquite Terrace, is it ever possible -- are they in a kind of a no man's land where they're just probably never going to score enough to get an award based on what's in that area and who they're competing against?

MS. JOYCE: If you --

MS. ANDERSON: They didn't get the QCP points.

MS. JOYCE: Right.

MR. BOGANY: Okay.

MS. JOYCE: If you'll remember, that was actually the appeal that you -- you've heard one, they came back again last Board meeting to request to get back on the agenda as well.

MS. ANDERSON: Okay.

MS. JOYCE: Had they gotten those QCP points, they would have tied for a possible award.

MR. BOGANY: They were only one point behind.

MS. JOYCE: Currently, if I'm on page 13 of that A and N list that we had talked about, it's report number 3. Mesquite Terrace is 060117, and they're scoring 183. And the next application in line that actually was awarded based on that score, was 191.

MR. BOGANY: Okay. And the next --

MAYOR SALINAS: But they're eligible for forward commitments?

MS. JOYCE: Mesquite Terrace would be eligible for forward commitments if they're not awarded, yes.

MAYOR SALINAS: Okay.

MR. BOGANY: My last one, on Las Palmas, they've been three times around. What's the deal there?

MS. JOYCE: Las Palmas is in the -- sorry, let me just turn the page.

MR. BOGANY: That's San Antonio I believe.

MS. JOYCE: It is. It's an interesting anomaly that happened there in San Antonio. I'm on page 11 of 16 of that A and N report, if you take a look at the urban/exurban area in Region -- they're in, excuse me,

Region 9, Landa Place was awarded a forward commitment from last year. So this is actually a very good example of what happens when you award forward commitments and the repercussions, you know, as they play out.

So 655,000 in tax credits were already awarded out of that region that we had to do. We also had a requirement for the 15 percent at risk set-aside, so we were forced to award to an at risk development.

Las Palmas tied with San Jose Apartments in being at risk. And they ended up having to go down to the third tier tie breaker, and when it came down to it, their credit request per net rentable area was more than the award recommendation of San Jose Apartments.

So the staff's hands are tied in that the application -- both San Juan that's scoring 203 points, and Las Palmas, which is an at risk, is scoring at 197, neither could we recommend.

MR. BOGANY: Okay. Thank you.

MAYOR SALINAS: How about San Juan Square II?

MS. JOYCE: In Region 11?

MAYOR SALINAS: I don't know.

MS. JOYCE: There's two San Juan. There's San Juan phase II I believe --

MAYOR SALINAS: San Juan Apartments.

MS. JOYCE: -- in nine, and then there's San Juan in Region 11, which I believe you're speaking to.

MAYOR SALINAS: 060046.

MS. JOYCE: Correct. They are scoring right now of a 184, which is not competitive enough. They would have needed to exceed 191 in order to get an award.

MAYOR SALINAS: Now how about San Juan Square II in San Antonio?

MS. JOYCE: San Juan Square II in San Antonio is a high scoring, 203 points, but because we have to award at risk and we awarded a forward commitment last year, there's no more funding available in the region to award.

MAYOR SALINAS: So they can't get a forward commitment either.

MS. JOYCE: But they could -- and let me make sure -- yes, as long as it's not a one-mile/one-year violation, they can get a forward commitment.

MAYOR SALINAS: Okay.

MS. JOYCE: And that's to note for the next agenda item. Unfortunately, for forward commitments for one-mile/one-year violation, it's out of the year that we -- the Board approves it, so.

MR. CONINE: Madam Chairman, I move that we

approve the 2006 staff recommended list, as amended, because I understand we added the one that the appeal was granted on --

MS. JOYCE: Correct.

MR. CONINE: -- Mission Palms in El Paso -- or San --

MS. ANDERSON: 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're going to take a --

MS. JOYCE: May I add one thing?

MS. ANDERSON: If you hurry.

MS. JOYCE: Before everyone leaves for the break. I will hurry. I just wanted to point out that there's a lot of people on staff that you guys -- that you, as a Board, don't see often in our multifamily staff.

And I hope that everyone has noticed that this year it's kind of been unprecedented, the amount of appeals that you've gotten only were 12, the challenges and the repercussions of those.

The scoring appeals were almost non-existent

outside of QCP, and it is because, I think, that our staff did such a phenomenal job of communicating with outside public. There was just no question as to why they weren't being awarded points.

I just want to commend the multifamily staff that you don't often get to see, but the applicant and their consultants and everyone else working with the applications deal with them regularly, and I think everyone, I hope, would agree that they made a huge effort.

MS. ANDERSON: I'm certain I speak for the Board when I say we certainly agree there's a lot of work behind the curtain that we don't, as Board members, get to see. And, you know, please convey to your team, we greatly appreciate your work.

We are going to take about a 10-minute break. Come back we still have important business ahead. So we stand in recess.

(Whereupon, a short recess was taken.)

MS. ANDERSON: We are on agenda item 7(d), which is presentation, discussion and possible approval of the issuance of commitments for allocations of 2007 housing tax credits from the 2007 tax credit ceiling for 2006 applications not awarded in the 2006 cycle.

Ms. Boston?

MS. BOSTON: As permitted under Section 50.10© of the 2006 QAP, the Board has the authority to utilize its discretion and issue commitments of tax credits from the 2007 tax credit ceiling.

This action item provides the Board the opportunity to grant those commitments for any application you believe is necessary in your discretion.

It should be noted that for any application approved by the Board for a forward commitment at this time, the credit amount awarded will be attributed to the proper region and set-aside from the 2007 ceiling to ensure adherence to next year's regional allocation formula.

Any approved application will also receive a threshold review, be approved by real estate analysis, and portfolio management in compliance, and any award is conditioned on approval by real estate analysis, and the conditions and credits may be added at that point.

Also, as the Board is considering these, staff will be double-checking the two million credit cap, and Jennifer Joyce may be hopping up and letting us know if there's a problem.

MS. ANDERSON: I have -- are you through? Is

that --

MS. JOYCE: Yes.

MS. ANDERSON: I have public comment on this item. We can hear that before the motion, or after the motion.

MR. CONINE: Before.

MS. ANDERSON: Okay. Mr. Akbari?

VOICE: [indiscernible]

MS. ANDERSON: Okay.

MR. PALMER: Good afternoon, Board members, my name is Barry Palmer with the law firm of Koch Rose. And I'm here today to speak on behalf of Cypress Wood Crossing Apartments in Orange, Texas.

And as you know, Orange, Texas, was devastated by Hurricane Rita. You heard Mayor Clayborg from Orange come to your meetings in May and in June and talk about the devastation in Orange and the desperate housing shortage that they have in Orange, Texas.

He estimated that at the time of the storm there were approximately 6,000 residential units in Orange, and over 3,000 of those received substantial damage by the hurricane.

The number of units lost in Orange County were the most, on a per capita basis of any county, even though

Jefferson had an overall loss of more units, the devastation in Orange on a percentage basis was even more.

You awarded credits to seven projects in the Rita Go Zone round, four of those from Jefferson County, two from Orange County, and one from Hardin County. One project went to Orange, to the City of Orange itself. It was only 50 units. This project would be 76 additional units for the City of Orange.

There is a tremendous housing shortage in Orange right now. You heard Mayor Clayborg testify that restaurants and stores can't stay open on a full-time basis because they can't find workers, because the workers have no place to live.

This project would provide additional housing in Orange itself, and one other thing I'd like to point out was that in the -- this project applied both in the regular pool and in the Rita Go Zone pool. And in the Rita pool, this was the next project that would have gotten funded.

And by what we believe was an oversight, the Beaumont Lofts project got funded because it was treated as a rehab, even though it was a commercial office building that had not been damaged by the hurricane.

We pointed this out at the May Board meeting,

but by that time it was too late because the credits had already been awarded. But had that not occurred, this project would have been funded.

And due to the tremendous need for housing in Orange, and to rectify what we believe was somewhat of an injustice to this project in the Rita Go Zone pool, we ask that the Board award a forward commitment to this project. Thank you.

MS. ANDERSON: Mr. Akbari, and then Diana McIver on two different developments, and then Appollonia [phonetic] Flores.

MR. AKBARI: Good evening. My name is Ike Akbari, and I'm with ITEX Developer [phonetic]. Of course I don't have anything else to add except to ask you please consider this. It's a little bit different than what all -- actually what all you heard about the applications they want to get forward commitment.

This is actually -- this project will have gotten commitment if there -- that -- the Beaumont Lofts, which was actually -- got credit because it was considered as rehab. But, you know, of course, did not meet this -- the rehab definition.

I really appreciate for you considering this. Thank you very much.

MS. ANDERSON: Thank you, sir.

Ms. McIver?

MS. McIVER: Thank you. Chair, Vice Chair, Board, Mr. Gerber, my name is Diana McIver. I'm with GMA Development Company, and I want to speak to you on two projects, both of which we are co-developers on a rural joint venture with an inexperienced developer.

The first one is Prospect Point in Jasper, and that's 060102. And you heard a couple of weeks ago from the economic development director in Jasper, and I also have a letter with me today from the city manager of Jasper.

He was here on the earlier stuff with the Council of Governments, and then followed your group across the street. So he's not here with us, but he did leave this letter.

Jasper is actually the next in line to be funded from Region 5. And as the economic development official had indicated to you a couple of weeks ago, the issue in Jasper is it was not eligible to come from the Rita pool, because it only lost six multifamily rental units.

But they lost a lot of rental units. They lost a lot of trailers and manufactured housing type rentals,

and they also lost a lot of single family rentals. So they didn't qualify statistically, and so we had to compete in this traditional 9 percent round. But they really do need the housing, and that's why we're here asking for a forward commitment.

Granted, we can come back next year, but it would be nice because of the need in Jasper. It's the only one of all of those communities that did not receive some kind of funding, either in the Rita allocation, or in today's 9 percent credit round.

It also is a phenomenal site. It's one that any of you would be proud to come to a grand opening, or a ground breaking. It's right across, behind the JACOG [phonetic] offices. There's a brand new Lowe's there, there's a brand new Wal-Mart.

It really is a great part of Jasper to locate affordable housing. And so I'm here asking for a forward commitment for that.

Also, in a co-developer role, I'm here requesting a forward commitment on 060104, the Grove at Brushy Creek. And you heard today from City Councilwoman Linda Shelton, this is her second visit here.

The development is located in Bowie. It's 54 units, and the city has committed \$170,000 in grant funds

through site donation and infrastructure work to make this housing happen.

Now what happened in the case of Bowie, is it lost in a tie breaker. It was 176 and a competing property in Vernon, in Region 2, was also 176. The tie breaker that came in to impact this project was actually one that has to do with the two times per capita rule.

And what happened -- and, you know, I have to say that I'm a little at fault because when I worked with staff last year on different tie breakers, I did not realize that when you use that per capita ratio from the one that the staff publishes along with the QAP, I did not realize that that treats a rehab identical to new construction.

So even though marginally, by a very, very small amount, we lost that tie breaker. The community of Bowie has never had new construction tax credits. And, in fact, the tax credits that they had was \$32,000 awarded about 10 years ago, and it was for a Farmer's Home rehab.

So it did not create new units.

And so there's a whole fallacy when you use that as a tie breaker, that I hadn't realized. Vernon, on the other hand, had new construction a few years ago and rehab a little earlier.

So anyway, I'm just saying here we're requesting a forward for that. We think that the tie breaker unfairly impacted this community who's never had new construction, and the city was willing to actually grant funds, whereas the competing property is getting a short term loan.

So those are my comments today. I would like to leave this letter from the city manager of the City of Jasper. Thank you.

MS. ANDERSON: Thank you.

Mr. Flores, then --

MR. FLORES: I yield my time to Tom Willis, the Commissioner for the Victoria Housing Authority.

MS. ANDERSON: Okay.

Come ahead, Mr. Willis.

MR. WILLIS: Good afternoon, I'm Tom Willis. I'm vice chairman of the Victoria Housing Authority, and I'm here to speak on behalf of a forward commitment for the proposed Thomas Ninke Senior Village project. It's number 060073, in Region 10. It will consist of 80 units for senior citizens of Victoria.

You should have what I'm what I'm reading to you, because I got letters to all of you, and we sent letters of support from Senator Armbrister, Representative

Morrison, Mayor Armstrong, and the planning director, John Kaminsky [phonetic]. And you should also have all those.

Thomas Ninke was a dedicated and loyal executive director for the Victoria Housing Authority from 1982 to 2001, and to the Housing Commissions in Michigan from 1971 to 1982.

He served NARO [phonetic] as president of both Texas and Michigan state chapters, and president of the North Central Regional Council. We would like to honor him by building this complex and naming it after him.

The apartments will be built on 8.5 acres on Lofa [phonetic] Drive, which the Housing Authority owns. The units will be for people ages 55 and up, eight units will be for those with special needs. There will be a low income average to be met for acceptance.

Victoria has a large need for qualified affordable housing for its low income seniors. Many seniors in Victoria, like many all over the state, are strapped for income and decent places to live.

This is the third time that a seniors project has been proposed on this site and not received an allocation. Much like what you've heard from San Antonio today.

Applications were submitted to TDHCA in 1999,

2004, and again this year. This is the third year in a row that an elderly housing has not received an allocation. Last year, another application on another site for elderly was proposed.

The problem appears to be that at-risk rehabilitation projects located in Corpus Christi are continuing being allocated a majority of the funding. Since an at-risk rehabilitation project receive a priority under the current QAP, there's usually not enough money to fund an additional project in this urban/exurban region.

In the past three years, three out of four projects funded in this sub-region have been at risk rehabilitation projects.

It's important to point out that our project always receives a very high score under the QAP. So it is not as if we're requesting a forward commitment for a project that does not score high enough to be awarded an allocation in comparison in other regions.

In 2004 our application for this project scored much higher than other projects in this urban/exurban region, but all the funding for the sub-region went to a large at risk project with a lower score due to priority nature of at risk projects.

This year, our project scored 194. We took all

the points we possibly could have under the current scoring system. We can't score any higher than we did this year under the current QAP.

We still lost to an at-risk rehabilitation project because projects rehabilitation are able to score higher than new construction projects, if the maximize their points. But even with a lower score, an at risk rehabilitation project receives priority.

Our score of 194 is the highest score that an elderly project received in the state that was not funded.

This is the third highest score in the state that did not receive an allocation overall.

Victoria's part of a region where a larger allocation -- if we were part of a region with a larger allocation, such as Houston or the Rio Grande Valley, this project would have received an allocation by now.

We are aware of several large at risk rehabilitation projects located in Corpus Christi which will most likely be submitted as applications in coming years. This means there will never be enough funding left in our region to receive an allocation for our projects.

While several low income housing tax credit family projects have been approved in Victoria in recent years, no tax credit senior housing project has been

approved in our community. The demand for affordable housing for seniors is significant in Victoria.

The only HUD-assisted senior project has only 39 units. They have a current waiting list of 30, which equates to 1-1/2 years. The Victoria Housing Authority's waiting list for seniors is 55 people.

Approximately 12 percent of Victoria County's population, or over 10,000 people, are 65 or over. Another 8500, or nearly 10 percent of the county's population, are 55 to 64.

So that means 19,000 people 55 and older, or in the senior bracket, in demand for affordable housing for seniors is high. And it'll continue to increase as we know the population's aging out.

Victoria desperately needs an affordable elderly housing, but under the current version of the QAP, Victoria will not be fortunate enough to earn an allocation without the help of this Board.

Please issue our project a forward commitment.

Thank you.

MS. ANDERSON: Mr. Bob Joy.

MR. JOY: I realize over the last two bunch, you're probably getting a little tired of hearing me, but I'm here to represent -- I'm Robert Joy by the way -- I'm

here to represent 060047, Alton Apartments.

You heard earlier today from Larry Rincones on the rapid growth that is happening in Alton. The city is doubling every five years. Also, we applied for \$656,000 in credits. There were 631,000 left in the region. Underwriting said there would be -- our need was 636,000.

There isn't a developer in the entire room, I imagine, that wouldn't expect to get an allocation if they were within \$5,000 of getting the allocation.

Additionally, the Alton Apartments was the highest scoring project in the entire region, rural, except for recently formed neighborhood organizations at two other developments that were formed in February and were around the other two properties that outscored us.

I humbly request a forward commitment for Alton Apartments, 060047. Thank you.

MS. ANDERSON: Thank you.

That concludes the public comment for this agenda item. And for the rest of the Board meeting, I think.

MR. CONINE: Got through them all, huh?

MS. ANDERSON: That's right.

MR. CONINE: Madam Chairman, I would put forward a motion that would allocate using the Board

discretion provided for in the QAP for 2007 forward tax credit allocations to these projects: 060086, City Walk at Akard; 060201, Moore Grocery Lofts; 060122, Las Palmas Gardens; 060117, Mesquite Terrace; 060105, Cypress Wood Crossing, again, down in that impacted area; 060102, Prospect Point, again in the impacted area; and 060073, Thomas Ninke Seniors Project.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

(Pause.)

MS. ANDERSON: If I can ask you all to leave the room quietly because you all get to leave, some of us have to persevere here.

We are now ready, Board members, for -- whoops, here it is -- 8(a), which is presentation, discussion and possible issuance of multifamily mortgage revenue bonds

with TDHCA as the issuer, and I've asked Mr. Hamby to address the circumstances of this agenda item with the Board.

MR. HAMBY: Kevin Hamby, general counsel. On this particular issue, those of you who have received printed Board books would have received back-up information on all three projects, which would be Grove Village, Dallas; Pleasant Village, Dallas; and Center Ridge Apartments in Duncanville.

Those of you who received electronic Board books would have gotten what was posted on our website, which would not have included information on Pleasant Village and Center Ridge Apartments.

We have a statutory requirement, 2306.032, that any items that were not posted seven days in advance cannot be used by this Board for consideration and approval. Therefore, all the back-up items for Pleasant Village and Center Ridge Apartment cannot be considered by the Board to vote on these particular -- you could not vote on these items based any information that you have there today.

Which would mean you would have no resolutions to vote on, you would have no underwriting back-up, you would have -- Pleasant Village had the same TEFRA hearing

that Grove Village did, so, in essence, you cannot take action on Pleasant Village and Center Ridge Apartments today.

One of the things that we have been concerned about, and we have been looking at and trying to research, we believe that there -- we could request -- and Center Ridge Apartments has a reservation that expires in October, but they have a Bankruptcy Court proceeding.

And so what we are looking at is requesting the Bankruptcy Court to perhaps send them a notification, if that's what the applicant would like for us to do, saying this was a technical error internally that did not allow the posting to go up.

And offering that letter to the applicant in this particular case, and offering to work with the Bankruptcy trustee, asking for an extension so you could hear both of those items at your August 30 meeting.

Any questions?

MS. ANDERSON: And it would be your recommendation that we defer this entire item?

MR. HAMBY: No, you can hear Grove Village. I don't know what the applicant's preference is, since Grove Village and I believe Pleasant Village are somewhat tied together, and they're -- no, they're not.

Okay. I'm getting by both our bond counsel and Ms. Meyer that they're not tied together enough to where they would not want to go forward with Grove Village. So you could do Grove Village because everything was properly posted on it.

MS. ANDERSON: Okay. Can we have the staff presentation on Grove Village then?

MR. GERBER: Sure. Item 8(a) on Grove Village is TDHCA bond issuance requesting \$6,180,000 in bond, and 413,394 in annual housing tax credits. The proposed acquisition and rehabilitation development will be located in Dallas consisting of 232 units serving a general population.

This is a 2004 carry-forward application that will fall under the 2005 QAP, according to the resolution from the City of Dallas. This will be a private placement with U.S. Bank, 30-year amortization with a 6 percent fixed rate. WNC [phonetic] will be the syndicator for the tax credits.

The Department received no written public comment. A public hearing was held with 10 people in attendance, three were in opposition with concerns of the relocation plan for existing tenants, the scope of the rehabilitation, and a request for increased security.

Again, staff's recommending 6,180,000 in bonds, 402,329 in tax credits, and the resolution is 06027.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: I have a couple of questions, probably for the applicant. Is the applicant here -- I see the applicant's consultants. Is the applicant here?

Thank you. Would you just identify yourself?

MR. STEFFEY: Sure. My name is Dan Steffey. I'm the vice president with Guardian Management Company.

MS. ANDERSON: Great. Thank you, Mr. Steffey. I would -- my attention was just called in the public hearing transcript to comments from a gentleman who I've seen comment on affordable housing in the Dallas area before.

And -- Mr. Eugene Johnson, and he, you know, had some concerns and so I just wonder what your plans are for alleviating his concerns.

MR. STEFFEY: Sure. Just to give you the background, because of the time lag involved in finding the equity investor, we were required to have a second TEFRA hearing.

In the first hearing, I came down for the TEFRA hearing and there was -- nobody showed up and we didn't

expect any, and we didn't have any, objections, just questions about what we were doing. So we didn't expect any the second time. And unfortunately, I wasn't there to address Mr. Eugene's concerns.

But their discussion is about security, the results -- I also met with him and other residents in the neighborhood as well as one of the Dallas city councilmen to talk about what we were doing.

But we do have off duty police officers that are patrolling the properties, we have a very extensive rehab plan, we'll pretty much completely rehab the internal -- the interiors of the units and clean up the exteriors.

So we think we've addressed those concerns that were primarily addressed to the condition of the property and the security issues. And we think we'll have that security in place.

MS. ANDERSON: Okay. Is it your company's, or the management company's, with whom you contract, practice to conduct criminal background checks? I mean, there are a lot of concerns in this transcript about drugs and prostitution.

MR. STEFFEY: Sure. Our company is a 35-year-old property management company, that has just in the last

four years gotten into the acquisitions/development business. And we do have, as a matter of fact, a very extensive screening process.

The properties had been ignored for some time, and there was a lot of issues. When we took over the property, we think we've done a good job of cleaning them up.

MS. ANDERSON: Thank you.

Any other questions of -- anybody -- oh, yes, sir, I'm sorry. I do need to ask you to fill out a witness affirmation form, because I asked you to testify. Thank you very much.

Any other questions?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: Do we need a motion to defer the other two to the next --

MS. ANDERSON: And do we need a -- did we have

a resolution number in that motion?

MR. CONINE: I thought it was --

MR. GERBER: 06027.

MR. CONINE: That a boy.

MS. ANDERSON: Thank you.

Next is item 8(b), which is presentation, discussion and possible approval of an inducement resolution for the 2006 waiting list.

MR. GERBER: Madam Chair, members of the Board, item 8(b) -- there's one application for inducement. Lancaster Apartments is located in Harris County, and they're proposing 252 units and are requesting \$15 million in bond issuance.

The proposed development will be located in Katy, Texas -- in the Katy, Texas, Independent School District. The Department has received one letter of opposition from the school district.

MR. CONINE: So moved.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: Madam Chairman?

MS. ANDERSON: Yes, sir.

MR. CONINE: We had some -- in regard to bond inducement, we had some public testimony at the beginning of the meeting --

MS. ANDERSON: Right.

MR. CONINE: -- on the Park West thing that, I guess, that got turned down last meeting, and I, for one, am still puzzled at some of the information that we've gotten, and know that we can't reconsider it at this particular meeting, but I wondered if we could have a consensus of the Board to place that item for possible reconsideration at our next Board meeting, if that would be appropriate.

MS. ANDERSON: Hearing no objection, I would direct the staff to place that item on the August 30 Board agenda and to notify all kinds of parties that were at the last Board meeting, or whatever we --

MR. CONINE: And I would appreciate -- and hopefully staff will then have the time, now the tax

credit round's over, to drill down into some of those particular specifics on those transactions and see what the real answer is. Thank you.

MR. HAMBY: Madam Chair, could I just --

MS. ANDERSON: Yes.

MR. HAMBY: -- put it in the record to make sure that we're clear on this, that this particular motion would be actually -- or that the request is a motion for rescission, I believe, not a motion to reconsider.

So even though Mr. Conine voted against the motion last time, it is a motion for rescission, and he is entitled to ask that question.

MS. ANDERSON: Okay.

MR. HAMBY: And just so there's no confusion --

MR. CONINE: I'm using the wrong R word.

MR. HAMBY: Well, just because the rescission is to look at a prior vote that has not already been completed, where the contract hasn't been signed, or denied, or -- and you'd have to -- since they have spoken, we assume that the applicant would be interested in having this vote again.

And so it's just -- it's a rescission, and that's why you could make the motion even though you voted against it, because there is some confusion on that point.

MR. CONINE: I've been properly corrected.

MS. ANDERSON: Okay. And I just ask that we make sure we notify all the parties that participated last time. Okay.

MR. FLORES: And, Madam Chairman, that's specifically State Representative Hubert Vo.

MS. ANDERSON: Yes.

MR. FLORES: I've had more than one call on that, and I certainly want to extend him that courtesy, whoever's in charge of such things.

MS. ANDERSON: Absolutely.

MR. CONINE: Thank you.

MS. ANDERSON: Certainly. So we voted the inducement -- okay. So agenda item 9(a), which is awards for the 2006 HOME preservation and rental development program.

MR. BOGANY: So move.

MS. ANDERSON: Is there a second?

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume --

VOICE: Whoa, whoa, I have a --

MAYOR SALINAS: He's got -- he probably has

some changes. Yes, he's got some changes.

MS. ANDERSON: You have some changes?

VOICE: Yes.

MS. ANDERSON: All right.

VOICE: Sorry.

MS. ANDERSON: Sorry. I was trying to keep it moving, but Dave's got to get in the middle of it.

MR. DANENFELDER: I don't get many chances to visit with you all, so.

MS. ANDERSON: That's fine.

MR. DANENFELDER: The first item, 9(a), which is the awards for the 2006 HOME preservation rental development program, the write-up you have before you is presenting seven applications for award at this time.

All seven of those applications, excluding one, are layered with 9 percent tax credits. The one excluded actually was awarded tax credits last year, and is having a new HOME award at this time.

However, in a previous item, I believe it was 7(c), you guys gave a forward commitment to one of the applications listed as not recommended for this program.

So what's important to note is that if the Board approves staff's recommendation, staff needs to amend its referred recommendation under this write-up, and

we can do one of two things, I've been instructed.

We can either increase the amount of HOME funds that we're drawing, a new allocation of HOME funds from the general set-aside up to \$623,989, which is the amount of funds that is requested by Prospect Point on the applications which you gave a forward commitment to.

Or we can request that that applicant come back to an '07 allocation of HOME funds and reapply. But staff prefers the first choice.

Other than that, that's the -- other than that, I'll let you go ahead and vote.

MS. ANDERSON: So we might need an adjustment to that motion?

VOICE: Yes, well, just to add on to the --

MR. BOGANY: I'd like to make a motion in regards to 060102, Prospect Point, with staff recommendation.

MAYOR SALINAS: I'll go ahead and --

VOICE: We want a second on it.

MAYOR SALINAS: -- I'll second. I agree with him on this. Okay. I'll second it.

MS. ANDERSON: Any other discussion or questions of staff?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. 9(b) then is the awards for 2006 HOME CHDO rental development program.

MR. DANENFELDER: Oh, okay. I'll try to shorten up my presentation a little bit since we're short on time.

The Department did release a NOFA on November 18, 2005, for the 2006 HOME CHDO application round. It is \$10 million. To date we've received over \$12 million in applications for the round. This is the first time in three years we've been over subscribed for the program.

Today we're presenting to you five applications. In the activity funding that they're requesting, which is funding directly for the developments, is a total of \$5,675,000. There also a few applications requesting CHDO operating grants in the amount of 200,000, for a total award allocation of CHDO funds of \$5.875 million.

One of the applications I do want to note, Skyline Terrace, did receive tax credits previously, and is recommended for HOME funds. The award though is recommended as a deferred forgivable loan.

So the applicant will not be paying any debt service on this property. It is a single room occupancy property. It's supported by both state and local officials.

We've looked at the underwriting and Mr. Gouris actually -- his staff looked at the operating costs of this compared to other equivalent properties that this same applicant is operating right now, which are SROs, and they're operating costs are about 99 percent of their EGI, or effective gross incomes.

So there is no funding to repay any debt, and there is no debt on this property from any of the lenders or --

MR. CONINE: Gouris wouldn't look at comparable properties. You know that.

MR. DANENFELDER: No comment. In that case, staff's recommendation is, again, to provide a waiver to the 2006 HOME rules regarding application reviews. We had difficulty matching the 9 percent requirements with the HOME open cycle requirements.

Also, we wanted to note in our recommendation the Skyline Terrace issue and then also the total amount of \$5.875 million in HOME CHDO awards.

MS. ANDERSON: Thank you. What's the Board's pleasure?

MR. CONINE: Move approval.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. That is the last action item on this agenda. Thanks everyone in the audience and the staff, and at this table, for your patience and perseverance.

Mr. Gerber indicated that --

(Pause.)

MS. ANDERSON: So with that being the case, we stand adjourned.

(Whereupon, at 3:33 p.m., the meeting was concluded.)



C E R T I F I C A T E

IN RE: Board Meeting

LOCATION: Austin, Texas

DATE: July 28, 2006

I do hereby certify that the foregoing pages, numbers 1 through 220, 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 and Community Affairs.

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(Transcriber) 8/04/2006  
(Date)

On the Record Reporting, Inc.  
3307 Northland, Suite 315  
Austin, Texas 78731