

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS  
BOARD MEETING

Thursday, May 10, 2007  
Room 1-111  
Travis Building  
1701 N. Congress Avenue  
Austin, Texas

BOARD MEMBERS:

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C. KENT CONINE, Vice Chair  
SHADRICK BOGANY  
NORBERTO SALINAS (absent)  
SONNY FLORES  
GLORIA RAY

STAFF:

MICHAEL GERBER, Executive Director

*ON THE RECORD REPORTING*  
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P R O C E E D I N G S

MS. ANDERSON: I want to welcome everyone to the May 10 Board meeting for the Texas Department of Housing and Community Affairs. We appreciate you all being here with us this morning. Before we begin our public comment section, which is our custom, before we begin agenda items, I want to recognize a group of people with the Department that Mike Gerber asked to be with us today.

The Department has just recently completed on budget and on schedule, a major upgrade of our PeopleSoft financial systems, which you know, drive a lot of the activity and the accountability in the Department. This was a major upgrade, and as someone who comes from the IT industry, I know how much work it took, both in the IS Division of the Department as well as with functional leaders and power users throughout the Department that use PeopleSoft. And so, I asked Mike to ask some of these folks to be here today, so that we could recognize them for their efforts.

MR. CONINE: Excuse me. Did you say on budget?  
Amazing.

(Simultaneous discussion.)

MR. GERBER: Madam Chair and Board members,

with your indulgence, I would like to ask Curtis Howe, our Director of Information Systems, to come forward and to speak just briefly and to introduce the team.

MR. HOWE: Good morning, Ms. Anderson and Board members. I am Curtis Howe, Director of Information Systems. And first of all, I wanted to thank you all very much for giving us this opportunity to recognize the team members of this project. It was a critical project for the Agency.

And it was overwhelmingly the team members that are here today, both from our Financial Administration and Information Systems Divisions and from the Comptroller of Public Accounts, ISAS team which is the Integrated Stabilized Accounting Systems team. So I will recognize those members in just a minute, after I say a few words about the importance of the project.

PeopleSoft financials specifically integrated a statewide accounting system version of PeopleSoft and has been TDHCA's accounting system for nine years. The system is critical to carrying out the financial business of the Agency.

Financial administration performance, all grant accounting for HOME, community services and energy assistance programs, and for Section 8 through the System.

Every funding, draw, and voucher for every transaction for every contract and contracting activity for these programs is processed through PeopleSoft and interface with the Comptroller's office systems for statewide accounting and for payment purposes.

TDHCA's general ledger and purchasing and accounts payable processes are also processed and managed through PeopleSoft, and required State reports are submitted, using the system. Performing the implementation of the latest ISAS PeopleSoft version, which is 8.8 on schedule and within budget, was a very big deal to the Agency. And as I mentioned, the team members here today are the reason for the project's success, and TDHCA management thanks the Board again for the opportunity to recognize their efforts.

A quick history of the project. The last upgrade we performed was in 2001. And in fiscal years 2004 and 2005 we were considering doing an upgrade and decided not to do the upgrade because of other IT priorities. And by doing that, we reduced our IT costs. But coming up into the FY 2006 and 2007 biennium, it was critical for us to do this upgrade, to continue to receive software support from the vendor, and to stay in step with the Comptrollers Office version.

During the 79th Legislative Session, Mr. Dally made the business case for PeopleSoft's implementation and the Legislature approved it along with the other three IT capital budget projects for that biennium. So our project really started in August 2005. And from that point, through about November 2005, we planned for the project and performed our network infrastructure activities.

And then beginning in August of 2005, we collaborated with ISAS team members who are here today. And I wanted to say a quick word about the ISAS model, and how it assists all Texas agencies. PeopleSoft as delivered vanilla is not -- obviously doesn't have the State of Texas modifications.

So the ISAS team at the Comptrollers Office makes those state baseline modifications at one time and one place, and then passes that out to all the other state agencies that participate, vastly reducing the amount of software development time and expenses that would otherwise occur without those modifications happening. So the major activities that we completed were installation, along with the CPA team, were installation configuration,

Training, the training offered to TDHCA was also at no cost through the Comptrollers Office. Requirements, interfaces, data migrations, TDHCA specific

modifications, reporting and testing. And then we went live on April 6, on schedule. With that, I would like to introduce first the technical team, and then the Comptrollers Office staff that are here today, and then turn it over to David Cervantes, Director of Financial Administration to introduce the business team from the Financial Administration Division.

So if the IS team and the Comptrollers Office team could stand up now, I would like to introduce you all. Anthony Yatica [phonetic] and Larry Mercadel, Robert Flores, were back in support for the project. Anthony is our Unix administrator.

Robert Flores is our database administrator, and Larry is our network manager, so he is over the network and technical support section. They were responsible for bringing up the servers, installing and configuring PeopleSoft, along with the Comptrollers Office and configuring the database for the System. And throughout the project, we had many database refreshes that were required to move around test environments and Robert handled all of those, and did a great job.

And then our two PeopleSoft analysts are Chris Claghorn and Rob Reynolds. Chris and Rob are responsible for all of our data migration work for developing many

reports, and for our interfaces, such as our Section 8 interface, which on a monthly basis transfers over 1,500 vouchers from our Section 8 system into our accounting system. They were also responsible for testing the interfaces --

MS. ANDERSON: The next phone that goes off gets to make a \$100 donation to the Housing Trust Fund. Please turn off your -- please silence your cell phones. Thank you.

MR. HOWE: And then the members of the ISAS team that are here today include J. P. Wartol who is the statewide ISAS project manager of the Comptrollers Office. Ricky McKinley and Debra Shaw-Boutner. So I would very much like to thank them for their support on the project.

(Applause.)

MR. HOWE: And with that, I would like to turn it over to David Cervantes to introduce the business increment project.

MS. ANDERSON: Whose is that? We haven't made that announcement in a while, but several years ago, I actually got to write one of those \$100 checks to the Housing Trust Fund.

MR. FLORES: You have to take him up on it.

MR. CERVANTES: Good morning, Madam Chair,



members of the Board. Mr. Gerber. I am David Cervantes, Director of Financial Administration. And I must say, it is a real treat for me this morning because it is not often that I get an opportunity to shine a light on the key members that provide the support in terms of TDHCA and the things that go on behind the scenes, in terms of providing support from an accounting standpoint, from a budget standpoint, travel, and so on.

And we are delighted to be able to report to the Board today, you know, the successes that we have had related to the PeopleSoft project. But more importantly, I wanted to just take a moment to introduce the key members of the team. And Curtis mentions the IT team, and of course, the assistance that we got from the ISAS group.

But the final question is, who are the end users of the system. And this morning, the primary users, I would like to introduce. There are three areas, three sections of the Department. And I would like to introduce the members.

The first group would be the accounting operations section. And that group is managed by Esther Ku. I would like to ask her to stand up at this time. Okay. And Ms. Ku, and I am going to go down the list here. And if you all can stand as I call names. Edmund

Frank, Joyce Rivers, I think is out today, Lai Truong, Rachael Metting, Elmis Herмосilla, Ann Mack, Angelica Arriola, Melinda Huizar, Analisa Gonzalez, Naomi Acuna, and Maria Leal.

This is the first unit of the section. This is the accounting operations section. These are the members that most of the time, that you see on your agenda, when we speak of the HOME program, the community services block grant, emergency shelter, those types of programs. These are the individuals that use the PeopleSoft system on a day-to-day basis to process the transactions so that we can process draws, be able to report back to the federal government and a variety of activities that we have going on throughout the system.

The second group that I would like to introduce is the procurement group. And that group is managed by Julie Dumbeck. And I would like to ask her to stand. And her staff members include Sue Jaeger, Michael Luna and Suzanne Sandoval. Okay.

And once again, here in the next couple of months, we will approach the Board with a budget. And everything that goes through the Agency in terms of the expenses of the Agency, this is the unit right here that will use our System to be able to process and procure

goods and services for the Agency.

And we are delighted about this particular application, because it is the first time that we will move into a paperless environment in terms of requisitions that will be processed through the Agency that will make it through the order stages and now through payable stages. And so that is one of the advantages of the new system that we have put into place this April.

Okay. The third group, a key group just the same, is a group which is our budget, travel and payroll operations. And this group is managed by David Aldrich. I would like to ask him to stand. And I know many of you will know a couple of these folks and are probably very intimately familiar with them. But I would like to introduce Linda Aguirre and also Laura Palacios.

(Applause.)

MS. ANDERSON: Linda manages the Board's travel. So she is key.

MR. CERVANTES: Laura is here. And of course, probably the most popular member of our organization; our payroll person, Krissy Vavra.

(Applause.)

MR. CERVANTES: So the only thing I would like to say is that it is a real privilege today to have an

opportunity to recognize these members this morning. These are the folks that when we took on the project, on top of doing their normal duties, they were asked to step forward and to work on reviewing the original specifications going through GAP analysis, identifying the gaps, working on modifications, testing modifications, making decisions on conversion of data, historical data that we have had for a number of years, and that we have to verify and solidify, and verify as we move forward.

All of it to try to get comfortable so that we could turn the switch on, when it came time to move forward and implement the system. So again, just a tremendous, I would like just a tremendous thanks to this group for making it happen. They are the key.

(Applause.)

MR. GERBER: I will just echo how proud we are, and thank you all for taking time out of -- I know it is a busy schedule back at the office to come over here and to be recognized. This is really the best of how TDHCA does its business in an integrated collaborative way.

And it is a real model for how we are going to continue to do development. And IT, also, it is a good example of just how we approach our business. So thank you all for taking the time to come over here today. And

Madam Chair.

MS. ANDERSON: I echo your sentiments. And as just no different than when we put housing on the ground for working families of Texas, just as our developments work best when we have a partnership between the Department, the local communities, the neighborhoods, this project is a shining example of what can happen when you have committed people work from different disciplines and areas, working together as a team. So congratulations to everyone. And thank you all so much for your hard work over the many months to make this a reality.

MR. GERBER: Madam Chair, this was just a huge undertaking. I would like to ask them all to stand up one more time to be acknowledged by the Board. And so you just have many people of the Department involved.

(Applause.)

MS. ANDERSON: That is a great way to start the Board meeting. And the General Counsel reminded me that I neglected to call the roll, which I will now do. Vice-Chair Conine?

MR. CONINE: Here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Ms. Ray?

MS. RAY: Here.

MS. ANDERSON: Mr. Flores?

MR. FLORES: Here.

MS. ANDERSON: Mayor Salinas?

(No response.)

MS. ANDERSON: Mayor Salinas is absent. We have five members present. We do have a quorum. As is our custom, we welcome public comment, at the Department. And we take public comment, both at the beginning of the meeting on items that are on the agenda and items that are not on the agenda, or at the witnesses' option, the public comment can come when we take up the agenda item.

So we have several people that want to make public comment during the initial portion of the meeting this morning. The first witness will be Granger McDonald. And we have a lot of business today. So I am going to ask that we try to stick with the three-minute time limit.

MR. MCDONALD: Thank you, Madam Chairman. My name is Granger McDonald, President of TAP. I would like to request that if possible, we set up a task force to work with the staff and the development community to come up with some procedural issues on compliance issue with Fair Housing and 504. We have a lot of folks that have got properties seven, eight, nine years old that have been

through many inspections, that are now being written up for certain items.

They try to ask what should I do, how do I do it. And there is a lot of confusion. And I think it would be very good if the staff and the community would spend some time together to try to work through the proper fix and the proper cures to avoid any more 8823s being issued than necessary, and having any setbacks in the future.

I think it would be good if we -- and we are having jurisdictional problems where something is a problem in one part of the state, is not a problem in another part of the state. And I think it is a matter of educating everybody. Not only the development community, but the staff and the inspectors, so that we are all looking at the same things. I think it would be beneficial to the entire process.

And I realize that there is not a lot we can do over the next 17 days until the building empties. And I realize that it is hitting at a very bad time of year, with the allocation process. But sometime this summer, if possible, I would like to see us get together for something like that. Thank you.

MS. ANDERSON: Thank you. With the Board's

concurrence, I would direct staff to put together a game plan to do that, and as appropriate, bring it back to the Board for any action we would need to take. I can't tell if my General Counsel is dying to speak.

MR. HAMBY: Kevin Hamby, General Counsel. Actually, as you recall, the Board had requested us to adopt a 504 policy --

MS. ANDERSON: Right.

MR. HAMBY: -- and be working on it. And we have had outside attorneys working on this for some time. It hit a lull point, and a lag. And we ended up with some conflict, and some new changes. And it has recently been reinvigorated. And we are expecting by the end of May to have that redrafted.

The staff has looked at it. And so we have had our internal discussion. And so we should actually have a 504 policy that would go to the Executive Director's disability workgroup that he has, and we would also create a similar group with representatives from the industry to review that 504 policy before it came back to you.

It would also, as Mr. Conine and the Board had requested, add the intergenerational component to it, to determine what meets the HUD requirements under generational. So it is well under way and that timeline



can easily be met. Have it during the summer. We expect to have the final draft sometime at the end of May, beginning of June.

MS. ANDERSON: Okay. Let's just be sure that we honor Mr. McDonald's request to, in the whatever stage of this formative policy, develop a process to give them an opportunity to express their points of view. Thank you. Mr. Doug Dowler. And the next witness will be John Garrett.

MR. DOWLER: Chairman Anderson, Board members, my name is Doug Dowler. I am the Executive Director of Pineywoods Home Team.

Thank you for the opportunity to share with you the challenges we have experienced in our attempts to bring developments in Orange and Lufkin, Texas, to construction start. The outline in this discussion are events leading up to where we are today.

We received a credit allocation in the 2006 Hurricane Rita round, which was based upon, among other things, the construction costs derived from Marshall and Swift. For an area considerably smaller than what the area in which we are -- excuse me, considerably larger than the area in which we are trying to do our developments in.

In any event, construction costs were already rising when our application was assembled, and had risen more by the time we actually received notice of the award.

In an effort to overcome the expanding funding gap created by the increasing costs of construction, we began a search for a general contractor whose price would meet the sources and uses of funds statement with which we were working.

We have found a general contractor whose price was the lowest of the bidders, but the price is still 58 percent above the total hard costs exclusive of the construction contingency set forth in the underwriting of the credit. We have sought expert advice in evaluating the cost increases since the hurricane, and have received information from Mark Temple, who is, by the way, a registered market analyst and an approved market analyst for TDHCA, that certainly costs have increased since the hurricane in September of '05. And that costs have increased by what we are submitting to the Department as our cost increase of our projects.

Much discussion has been made with staff over the past couple of months on this particular problem. We have compared costs of similar projects and contractors' bids. TDHCA staff contacted 20 real estate professionals

in the two market areas. Of those, ten responded, seven contractors and three real estate sales people.

The contractors were asked to bid or to quote construction pricing for a modest 1,300-square-foot home turnkey. The response ranged from \$70 per square foot to over \$100 per square foot. One of the contractors contacted was the successful bidder of our two projects in question. He quoted to TDHCA that the pricing would be \$80 to \$85 per square foot on a total square foot basis.

A second contractor contacted by TDHCA was Stout Homebuilders. Mr. Stout quoted \$70 per square foot for a spec house. The problem arose when TDHCA staff interpreted these prices as a per square foot of net rentable and not total square foot of the contractors' intention.

We have provided staff with copies of the letters from both of these bidders, clearly stating that their quoted pricing is based on total square feet, including porches and garage. Two of the additional builders TDHCA contacted were Jim Walter Homes and Tony Housmann Homes, both of which construct shell housing on pier and beam in most cases. And even at that, they quoted \$61 to \$62 per square foot.

With the contractors contacted by TDHCA, the

average price per square foot low was \$72.80 per square foot and a high of \$75.30 per square foot. Pineywoods Home Team project ran at \$62 per square foot, total square foot, considerably below the average that TDHCA found. Contacts were made to syndicators funding the projects in the Gulf Coast area.

Of the three closest projects to the two subject properties, the total hard costs per total square foot ranged from \$69.29 to \$100.95, hard construction costs on total square feet. While it is understood that these projects are in other states, they are within 80 to 150 miles of the subject properties.

These projects are comparable because they have two experienced cost increases that were not anticipated 18 to 24 months ago. These projects are more expensive, if for no other reason than they are in the hurricane-affected area, just as our two projects.

We have contacted 14 builders in the Houston area. We have asked for bids on our two projects. Eleven of the 14 builders in the Houston area were not interested in bidding, and deciding the distance to Orange and Lufkin would make it unfeasible for them to bid the projects.

The three remaining contractors are currently working on their bids, but have indicated that they don't

think they will be competitive with the local markets. They all stated that it would be too expensive to bring their subcontractors into the area, and would have to rely on local labor forces to complete the projects.

In just the past two weeks, materials had increased in prices. Some due to supply and demand, and some due to increased fuel costs. As an example, sheet rock was quoted to us in February at \$4.90 per sheet. Today, it is at --

MS. ANDERSON: Mr. Dowler, I need to ask you to wrap up.

MR. DOWLER: Okay. Today it is at \$9.20. In conclusion, since the award in September, every effort has been made to identify cost savings and eliminate waste. The developer, contractor, supplier, City of Orange, equity investors, construction lenders have exhausted every opportunity to bring these projects to construction.

At present, we are ready to proceed with closing and construction. The purpose of this presentation has been to explain that costs we are seeing are parallel to those same types of constructions in the Gulf Coast, and that our projects in Orange and Lufkin require more funds than we have. We look to TDHCA to help us overcome the obvious challenge to creating affordable

housing in Orange and Lufkin. Thank you.

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

The next witness will be --

MR. FLORES: Ms. Anderson?

MS. ANDERSON: Yes.

MR. FLORES: May I?

MS. ANDERSON: Sure.

MR. FLORES: Mr. Gerber, Chris, Mike. Is the unfortunate Mr. Dowler the same one that is in our book?

MR. GERBER: Yes, sir. It is Item 5 under the Executive Director report.

MR. FLORES: Okay. It sounded very similar.  
Thank you.

MR. GERBER: Yes, sir.

MS. ANDERSON: The next witness will be Representative Richard Raymond.

MR. GARRETT: Madam Chair, members of the Board, my name is John Garrett. I am the President of G&G Enterprises, a general contracting firm located in Orange, Texas. We were the low bidder on this project, Pineywoods affordable homes.

Our bid was competitively bid with all of the area subcontractors both in Orange and Lufkin. And again, we were the low bidder. Our bid is reflective of the

prices that have increased up to that point. And at that point, in Orange, concrete had increased 51 percent, copper had increased 132 percent, steel had doubled, sheetrock had doubled. And the labor pool, both skilled and unskilled has increased 25 percent.

This is almost a direct reflection of the Hurricane Rita and some other options. Most of our labor force, or a great deal of them left after Hurricane Katrina to work in the affected area of Hurricane Katrina. They are slowly trickling back in.

But we are experiencing great increases of powers of construction. And we were asked to support Pineywoods. We want to see these projects built in Orange. Orange needs these homes. And anything you can do would be appreciated. Thank you.

MS. ANDERSON: Thank you, sir. Representative Raymond. And the next witness will be Kirk Kobert.

MR. RAYMOND: Good morning. Thank you all very much for letting me get up here. We are still in session, and I ran over here because I was excited to meet with you all. And members, I am pleased to be here today on behalf of the City of Laredo to request your every consideration on an item that will be before you soon. Laredo Housing Authority has submitted a 9 percent tax credit application

for your consideration.

This proposal would, with your support, create 140 low income housing units in a part of the City of Laredo in dire need; the west side. It is my belief, and I am joined in this by Senator Judith Zaffirini, who could not be here today, because she is on the conference committee for the budget. But I believe she is submitting a letter of support to you. And also, the Mayor of Laredo, Mayor Salinas.

There is just great merit and compelling need, such that we hope you will fund this project in this funding cycle. Although we in the City of Laredo have experienced tremendous growth over the last 15 years, a large segment of the population remains below the poverty level. That said, the need for affordable housing is critical, to meet this increasing demand for decent and sanitary housing for the historically underserved in our community.

The proposed development has the support of the Laredo Housing Authority, Housing Advocates, the local Chamber of Commerce, community-based institutions, local leaders and other interested parties. Indeed, this project would result in greater investment and increased economic development, along with much needed social



services for the families and the children in the area.

Since the inception of this state tax credit program, there have only been seven 9 percent awards in Laredo, with the last one being in 2002, which was the Laredo Vista Two project. We believe that Laredo is long overdue for this type of allocation, and I respectfully urge you to allocate this project in this funding cycle, based on the need that we have in Laredo.

Again, I really appreciate you letting me come before you. I would appreciate your consideration. I know you will have a lot of requests. But I hope that you look closely. You will find that this is one that should be funded.

I would be glad to try to answer any questions that you have, if you have any. And I also want you to know that I totally support everything that we are doing in the Legislature that you all say that we need to do.

MR. CONINE: Good.

MS. ANDERSON: Thank you so much for being here. And I suspect we will see you again between now and the time those awards are made.

MR. RAYMOND: Thank you very much. Thank you all. Good morning.

MS. ANDERSON: Thank you for your interest.

Mr. Kirk Kobert.

MR. KOBERT: Good morning, and thank you for allowing me to speak here. My name is Kirk Kobert, I am representing LISC, a major construction lender for the Pineywoods Home Team, Orange and Lufkin tax credit projects. And also kind of by proxy, the national equity fund, as the equity syndicator for both projects, and affiliate of LISC.

LISC is the Local Initiative Support Corporation. People say that is kind of a strange name. But I think it describes what we do. We support local initiatives; community-driven, community-based non-profits. We are the national non-profit funding intermediary.

Since 1980, LISC had invested \$7.8 billion in non-profit real estate development, which has leveraged an additional \$22.3 billion in total development costs. In 2006 alone, LISC invested over \$1 billion in low income communities. Of that, less than \$20 million out of \$1 billion was direct government funding.

So that means that about \$975 million was from private sources investing in the communities where these companies work, and where their employees live. In 2006, we personally committed over \$4 million to the Pineywoods

Home Team, and their operations. Most of which was in the form of below market loans for these two projects. Let's see. Since 1980, LISC has financed the development of 215,000 affordable homes and apartments. And again, 20,000 of those were in last year, in 2006.

I tell you all this to say, we have a track record, and are fairly confident that we know what we are doing. LISC was originally created as an urban program, revitalizing the decaying urban cities back in the late 70s. In 1995, someone looked around and discovered that there was as much need in rural areas as there are in cities, but there was no philanthropic support in the rural areas, no Fortune 500 companies that we need to work with to make that investment.

And far too often, the rural areas don't get their share of government funding either. So all three sectors were failing. We selected 75 CDCs, Community Development Corporations like Pineywoods around the country, and then belief in them.

Pineywoods is one of six Community Development Corporations across the five Gulf states working to restore and help residents recover from the effects of the three hurricanes Rita, Katrina and Wilma. Pineywoods is one of three I worked with here, in Texas. But it is the

only one addressing Hurricane Rita. Costs unfortunately rose due to supply and demand. We can't control that.

But regardless of those price fluctuations, our goal remains the same; to assist our partner CDC to build safe, quality affordable housing that will be an asset to the community for decades to come. We have faith in Pineywoods and their development team will do just that; create a long term asset, to fill the need for housing created by the Hurricane Rita if given sufficient resources. Thank you very much.

MS. ANDERSON: Thank you. That concludes the public comment for the opening portion of the meeting. With the Board's indulgence, I would like to take Item 6C out of order, and take that item first. Six C is presentation, discussion and possible approval of the City of Houston and Harris County public service and Community Development program plan.

(No response.)

MS. ANDERSON: Seeing no objection, we will proceed to Item 6C. Mr. Gerber.

MR. GERBER: Madam Chair and Board members, Item 6C is the staff's recommendation for the approval of the City of Houston and Harris County's public service and Community Development program plan. Pursuant to the

action plan that was approved by HUD, an amendment to our action plan is required. It details how the \$60 million of funding available to Houston and Harris County is to be used.

As was directed by Governor Perry when these funds were initially allocated, the intent was that the 60 million would be provided to Harris County and the City of Houston to work cooperatively, and to have maximum flexibility in the preparation of a plan for various purposes to serve Hurricane Katrina evacuees in that community. As required, the City of Houston and Harris County have prepared the amendment to the action plan which is attached behind the action item in your book.

The City of Houston and Harris County under this amendment to the action plan are proposing to fund projects that will meet the needs of persons who fled to and continue to reside in the Houston area as a result of Hurricane Katrina. And under this amendment, the City will utilize 40 million towards multi-family housing rehabilitation and housing safety services, and Harris County will utilize 20 million to meet a variety of public service needs of the evacuee community including medical and case management expenses.

We have also received from the staff of the

Mayor of Houston responses that have been provided to, that have been prepared by the City and by Harris County to the public hearing that was held on Thursday, April 19.

And I have that available for the Board. We will distribute that.

(Pause.)

MR. GERBER: And staff, of course, is recommending approval of this plan.

MS. ANDERSON: I do have public comment on this item. Mayor Bill White.

MR. WHITE: Thank you, Madam Chair, and members of this Commission. I want to thank you for your public service, by the way. These are difficult jobs that you have, with weighty responsibility and many of the ultimate beneficiaries will never appear here at this hearing to thank you. And on behalf of the people I serve, I wanted to tell you, we really appreciate having outstanding citizens serving in these positions, and the dedicated members of the staff.

I thought I would share with you some context, and then I have a point to make, as we may need some help, as we move forward. That is a point that I thought was best made clearly in person; that the words on paper do not fully communicate. It has to do with something called

compliance, or what this plan is all about. And I just wanted to share it with you.

But first, just this bit of context. Houston and Harris County, our metropolitan area had a quarter of a million Americans that came within a period of one week.

By the end of the year 2005, there was still 160,000 in the region.

There were 204,000 household structures destroyed in Louisiana. Somewhere around 40 percent perhaps, maybe as much as half of the folks who did not have a home to go back with by early 2006 were living in our metropolitan area. Not just in Texas. I mean, in our metropolitan area. They were living away from where they lived, that did not have a home to go back to.

We had a simple philosophy. We were going to empower people. We wanted people who were able bodied to have a roof over their heads, be near transit, to have kids in school, and to go be looking for jobs, and get job training if they want it, so they could become self-sufficient and be looking to the future, making decisions for themselves, not being dependent on somebody else.

And for those people who were special needs, seniors, who as we all will be, if we are lucky, we will be dependent on others for basic physical needs in some

years. You know, we wanted to have a place where they could live with dignity and with as much independence as they can, but to get on with their lives, and not look back. That was our philosophy.

We thought it was about empowering people and rebuilding lives, not just rebuilding buildings. Because we live in a free country, where Americans are expected to make their choice of where they live, where they work, when they go back, et cetera. That was our philosophy.

We listened to evacuees. And this proposal responds to what we hear from evacuees, who I meet every single day. We met with working groups every Monday, first every morning, for months and months. Then every Monday morning with civic leaders and non-profit leadership, corporation leadership, evacuee leadership. And I meet with folks every day who have come and organized groups.

The 100,000 people now live in our community that came from the area where there were storms, mainly Katrina. Housing and security is what our proposal focuses on. Harris County addresses other needs. We work as a complete partner with Harris County in all of this. They have responsibility for uninsured health care for example, that Mr. Turquell [phonetic] may address but is



clear in their proposal. Those are what we hear.

I did hear one comment one time. Well, you are trying to use some of this money for police and security, rather than all low income housing. That is not fair. That is not fair if you don't talk to the evacuees. If you talk to the evacuees, you happen to know that security is the number one thing on their mind, right, just like most citizens.

Not because we are an unsafe city, but because security is the basis of everything. When you have a place where there is a greatly exploding population, where nobody and the neighbors are new to each other, then you come up with a situation. Particularly when you are dealing with seniors, where vulnerability can be an issue.

Now, our principle had been to do things efficiently, based on market-oriented principles. That is not always the way things appear in the Federal Register for some other programs, I might say. Certainly, dealing with FEMA. And I will give you just an example. I am not going to tell you how we do it.

But I am just going to give you this one fact. That we were housing over 100,000 people for over 12 months on average per family in a program we devised in one week, before there were any federal appropriations or

authority to do it. We moved people out of shelters into two and a half weeks, the big Red Cross shelters.

And by end of the year, we housed about 105,000 people within apartment units. And the typical situation was, we would inspect the apartment in the early morning.

It would be put on the list. We would match the number of rooms needed with the family needs.

We would furnish in the afternoon. Turn the utilities on at 6:00 and then have people move the family in and be greeted with people who could show them to the transit sites. And we are doing that for five-, six-, 700 families a day for two months. How about that. Seven days a week.

Now the costs. About \$360 million reimbursed by FEMA. The same costs for about the same number of families times the number of months for the trailer program that is still going on, where there is entire trailer cities, where people are in dependency and cannot get work, because what is a trailer city? It is \$6-1/2 billion and growing.

350 million, let people be self-sufficient, make their choices of where they want to live within the community, within apartments. Give them vouchers. Get their feedback. Prepare them for that. Encourage them to

work. Versus segregation in trailer cities. Over \$6 billion versus \$350 million.

Now this is going to be my point. Here is going to be our challenge. I appreciate your support from this. And one other thing. \$11 billion appropriated by Congress, CDBG funds in December of 2005. Texas gets \$75 million. Most of the evacuees by that time, that were not living close to their home were living in Texas. Most of those in our metropolitan area.

Numerous visits by a lot of people. I won't go into by me. And I visit DC quite a bit during that period of time. Both the administration and Congress. And then in the summer \$5.4 billion was appropriated in CDBG funds of which there was about \$428 million if you remember, Madam Chair, to Texas.

And of course, most of the people, our brothers and sisters in East Texas, that we sent the fuel trucks, we sent clothing trucks. We sent fire and police. And we didn't feel bad about it. When nobody from any other level of government was there, as people in some of the East Texas communities can tell you in the week after Rita. Our hearts go out. It is not one community versus another.

But I don't know how the formula was.

Secretary Jackson, when he announced this program with Senator Cornyn and Senator Hutchison said that the purpose of the allocation of over 400 million -- he announced it in Houston. He said most of the money, he said, with our Senators present and members of Congress, that most of the money would be dedicated to where there were evacuees in the Houston area. But I am sure there is formulas.

And we made some requests. But of the \$60 million between, out of the \$400 million plus that has been allocated to our area, then if that is approved, then here is my concern, and here is where I need your help and those of staff and other citizens. And I will make the same pitch to HUD. And here it is.

We are not going to have a Soviet style internal passport system that requires everybody who once lived in Louisiana to carry ID saying they are an evacuee. That is wrong. We want them to feel that if they are living and working in the community, that they are just -- that there is no discrimination. They are not special. They are not different.

They are just as much a Houstonian as anybody else, or wherever they are in the region. We are not going to create a backlash by saying that they are first in line for every social service. That will not help the

evacuees, believe me. Can you imagine. You wouldn't want to be in that position if you were an evacuee, I can assure you.

Where people, you have a tension between them and us. You have a job, you work, your kids are in the community, you are as much a person in the community as everybody. We are not going to tell people where to live and have segregated housing in Houston.

So here is how we are going to address the issues of policing and market housing. We are going to use a more powerful law than any bureaucrat ever came up with, which is the laws of supply and demand. We are going to increase the supply on a cost effective way of some of the affordable multi-family units where there was a very high concentration of evacuees and still is a high concentration of people in move.

And in doing so, that will lower the price that would be available to high quality housing for everyone in that community. And I can chart it out for you. But the laws of supply and demand do work. They do work. And the same thing with public safety.

We confronted this within FEMA, and thank goodness for the Secretary, the Deputy Secretary and the Director, because we had to fight many different times

with different people who were prepared for some other disaster. We are not going to have somebody on a dispatch line say, are you an evacuee, before you dispatch an ambulance to somebody, or a police unit for somebody.

We are not going to have people show their passports and try to figure out where the perpetrator or the victim once lived is somewhere that was hurt. We are going to have the units where there has had a big growth in population following the evacuee. And then we are going to deploy our personnel in a way that is cost effective. That is our plan.

And that is what we want to be monitored and that is what we will comply with. But we don't want to have, and I know you wouldn't suggest this. But I just want to make it clear to all the world everywhere that we are not going to do anything that would require people to be discriminated against based upon whether or not they are an evacuee, or to carry special identification or do things which don't use the market system or do things that require public safety personnel responding to an emergency to treat one person one way and another person another way.

And that is different than the way that we administer some of these program. Right. That is

different than the way. But this is a different type of emergency, when you have had the large parts of a major American city destroyed.

Thank you very much, and I am sorry for taking that time. But this is a point that I want to make. Because I can predict that if we go forward on this cost-effective program that some many times in the next 12 months, I am going to have to be explaining this to many different people in many different audiences that we are not going to be segregating evacuees, discriminating against evacuees, requiring internal passport types of totalitarian controls where people are required to carry around with them something saying they were an evacuee.

We are not going to do that. And it is not right, and it is not cost-effective. With that, thank you.

MR. CONINE: Could I ask a question?

MS. ANDERSON: Yes. You bet.

MR. CONINE: Thank you for being here, Mr. Mayor. I appreciate you being here. I too, have spent a little time Washington, D.C., and part of the issues that come along with CDBG money are the rules and regulations that come along with the program. Unfortunately, Congress didn't exempt these funds from those rules and

regulations. So we have to live up to them.

And our responsibility primarily is, in allocating these funds is to make sure that ultimately, as we report back up the line, back to HUD, that the rules and regulations on CDBG did get followed. And I applaud your efforts in trying to modify some of these funds and the use of some of these funds going forward. And understanding, you are a PGA in and of yourself, anyway, are you telling us that what you are proposing here still will fall within the CDBG regs or that you are outside the envelope, and that somebody has got a sales job to do.

MR. WHITE: Well, I would say this. That it falls within what the intent and purpose of the program are. And I think on these type of programs, these innovative programs done under waivers, there is some flexibility that are given on our jurisdiction, because of the emergency. This isn't a preexisting CDBG. These will be CDBG areas that we are dealing with.

MR. CONINE: Right.

MR. WHITE: And in areas with high concentration of evacuee populations. So I am not saying -- I think what we are doing is fully within the spirit of the law, but just to give you, Mr. Commissioner, an analogy, FEMA had tight rules and regulations



concerning reimbursement of, say, public safety expenses.

And we showed, look, we can show you where there is the increase in population, where we can show you where there is an increase in calls for service. And we can show you where there is a corresponding increase in staffing. But it was a long fight that had to be determined at a senior level.

MR. CONINE: Right.

MR. WHITE: That yes, that complied with the idea that we would actually incur the expense and then this was in connection with the security of the emergency housing. So the standardized rules and regulations didn't work, because we weren't in the business of creating trailer parks where we segregated people.

So it was what the intent and the words of the regulations were as opposed, or the rules as opposed to sort of like a standard operating procedure. So we want to comply, but we need to be reasonable in establishing those standards.

MR. CONINE: Let me see if I can frame it a little simpler, maybe. Don't get us in trouble. Because we will get in trouble.

MR. WHITE: I understand.

MR. CONINE: And because we have the

responsibility of the whole \$428 million and the whole \$74 million. And what you do ultimately, we are responsible for. Whether we like it or not, we are. And that is okay, but if there is a hint of question about use of the funds, any of the \$60 million, let's get it pre-approved before we go do it.

MR. WHITE: You and I are on the same wavelength. And I did, on that \$350 million in housing. Really, that has been audited, no questions. And one reason I did it, is we had it. I like your idea. Pre-approved in writing at senior levels.

MR. CONINE: Right.

MR. WHITE: And that is why I came here, really. So that you and us and the senior HUD, I have explained to the HUD Secretary understands it very well. You know, we establish these principles and we have full public articulation of these principles. And I will debate them with anybody anywhere.

MR. CONINE: Right.

MR. WHITE: And then if later, somebody comes and says, you didn't do XY and Z, then we have shown, this is what the plan is. We had public comment. We had some sign off. This is a policy matter. And I think I can defend this anywhere, any time.

MR. CONINE: And you probably can. But it won't surprise you to know that I have sat in meetings with CDBG staff in Washington, D.C., that didn't necessarily understand where the Secretary may or may not be going. So there are the appropriate folks, both at the high level and at the staff level that we need to make sure we work through.

And I know you will do that. And I just wanted to say it up front, just so that there would not be any misunderstanding 12 months from now.

MR. WHITE: And I am going to do that. And what I came here to say is, I will do that, and I will go up there and do the upper. And I would like to ask you all, to communicate with us and be our partners in making sure this is done right.

And there may be some -- because it is innovative. There may be some times where we have to have meetings and explanations and clearing the air, and making sure everybody is communicating in advance. That is why I am here. Thank you very much.

MR. CONINE: Thank you.

MR. WHITE: Thank you, sir.

MS. ANDERSON: Mr. John Henneberger.

MR. HENNEBERGER: Good morning. My name is

John Henneberger. I am the codirector of the Texas Low Income Housing Information Service. I am here to speak against the proposal that the City of Houston has presented before you.

We have registered our objections to the use of the funds as proposed by the Mayor with the Mayor's office and at the public hearing the City of Houston has conducted. We have registered our objections and our belief that the proposed uses of the funds are ineligible under the Community Development Block Grant rules with HUD in writing, and we have received confirmation from them that they understand and will consider that.

I understand that you all are in essentially a role of acting on behalf of the City of Houston passing through these funds, and may not be in a position to directly influence the proposed uses. But I did want to formally come here and inform you that we do object to the use of these funds.

We believe that they are not appropriate under the Community Development Block Grant rules. That the funding that is made available should be going to housing.

It should not be going to courts, police, hospitals and various liaison programs and other things.

I believe the City of Houston and the Mayor

have done just a wonderful job of trying to cope with a very difficult situation. I wish there was adequate funding for them to be able to undertake these type of activities.

But all there is, is \$60 million. And that has got to help -- that is all we have got to help the Katrina evacuees. And we believe it should be spent pursuant to the Community Development Block Grant rules to provide benefits to low to moderate income people and their housing needs. So thank you very much.

MS. ANDERSON: Thank you. Questions.

(No response.)

MS. ANDERSON: Okay. Now we will -- oh, we don't have a motion on the floor. But that is the end of the public comment on that item.

MR. CONINE: Madam Chair, I move approval for Item 6C.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. HAMBY: Madam Chairman, can I interrupt for a second? I need to get something on the record. The items that were distributed to you by Mr. Gerber at the beginning of this discussion actually came into possession of Mr. Gerber about two and a half to three minutes before he passed them out, is my understanding.

Just so we don't dilate the statutory requirement that anything in the possession of the Department. I wanted to make sure that was on the record.

MR. GERBER: Thank you.

MS. ANDERSON: Thank you.

MR. CONINE: Nervous Nellie has spoken again.

MS. ANDERSON: Mr. Gerber, I have a -- not Mr. Gerber. Mr. Hamby, I have a legal question for you.

MR. CONINE: Oh, no.

MS. ANDERSON: This is the first time this has happened to me. And so I always consult my lawyer, except when it is my husband.

MR. HAMBY: And I am certainly not.

MS. ANDERSON: We have a consent agenda with numerous items on it. And I have people that are

requesting to make public comment on items on the consent agenda. Are we required to hear this public comment, which in effect I think, forces us to take these things off the consent agenda?

MR. HAMBY: Yes, ma'am. Under the Open Records Act, there is and the Board policy, you all who wish to speak, it will be pulled off the consent agenda so you can hear it individually if it needs to be taken up.

MR. CONINE: Why don't you walk through it and ask them.

MS. ANDERSON: Okay. So the first witness is concerning agenda item 1i, Los Ebanos in Zapata. Does the witness care to testify.

VOICE: I don't think --

MS. ANDERSON: It is a consent agenda item. So we will see. We will certainly retain all of you all that have signed up to speak, should you want to do that on Agenda Item 1J. Mr. Williams, do you care to testify?

MR. WILLIAMS: I believe I do.

MS. ANDERSON: All right. We will pull 1J off the consent agenda. And Item 1K, which is the single-family HOME award for City of Roma, this is a disaster relief award. Crosanto [phonetic] Salinas, do you need to testify?

MR. SALINAS: No, I don't.

MS. ANDERSON: Okay. Thank you, sir. Okay, so the next item then is the Consent Agenda Item 1 with the exception of Item 1J.

MR. CONINE: And I would like to pull H off, if I might, Madam Chair.

MS. ANDERSON: Okay. So with the exception of Item of 1H and 1J.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. We will now proceed to consideration of agenda item 1H.

MR. GERBER: Madam Chair and Board members, there are amendments proposed for three applications. All are recommended by staff. Robbye Meyer, Director of Multi-family Finance is available to answer any questions



you have about those items.

MR. CONINE: I have a question to short sheet that, if you would like.

MR. GERBER: Yes.

MR. CONINE: Robbye, come on. I was reading the writeup on Anson Park Two.

MS. MEYER: Yes, sir.

MR. CONINE: And I don't have any particular issue with this particular request, and the staff recommendation. But what it brought to my mind was, I guess, the definition that we have for material alteration calling for Board approval.

As I read through this, it didn't seem like what was here in my mind would meet that materiality question. So I wanted to frame it for staff to say, let's take a look at materiality and what comes to the Board for the future, so that we can you know, deal.

To me, dealing with a clubhouse that goes from 4,000 square foot to 3,800 is just not something of materiality. So I would like a chance to go through that later on, when it is appropriate. And let's see if we can re-define that to make the administration of some of these things a little easier on staff and still give the Board the appropriate information they need to get.

MS. MEYER: Staff is -- Robbye Meyer, Director of Multi-family. Staff is working on that amendment process. And the Board should be seeing that here within the next couple of months.

MR. CONINE: Madam Chair, I move for approval of Item 1H.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing -- Mr. Hamby?

MR. HAMBY: I just need to point out to Mr. Conine that actually that 3 percent modification is statutory under 2306.6712, the staff deemed it to be a modification of 3 percent. That is the reason it came forward, is because it is a statutory requirement under the Government Code. Any modifications of 3 percent or more must come to the Board.

MS. ANDERSON: You could go down to the floor this afternoon.

MR. CONINE: Would someone run down the street? Yes. We need a Christmas tree approach here. All right.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we are ready to vote on the motion to approve agenda item 1H. All in favor, say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Agenda Item 1J is presentation, discussion and possible action for 2007 Competitive Housing Tax Credit challenges. Mr. Gerber?

MR. GERBER: Madam Chair and Board members, this item relates to housing tax credit challenges, and it is something that you will see on each Board agenda until the late July meeting where the final tax credits awards are made. Because you will be seeing this frequently, let me provide you just a little bit of background on this. 2007 QAP provides procedures on how a party unrelated to an application may challenge an active application in the Competitive Housing Tax Credit round.

Challenges can cover any aspect of the application that the challenger believes is not consistent with the Department's rules. The challenge must be provided to the Department in writing, and must include the name and contact information of the challenger.

Anonymous challenges are no longer accepted. The challenge is published in its entirety on the Department's website.

Staff will review the challenge and forward the challenge to the applicant for a response. And once a response is received from the applicant, staff evaluates all information submitted as well as any relevant related documentation provided in the original application or deficiencies. Staff then makes a determination of the challenge and publishes a summary of each challenge and the staff determination on the Department's website.

If the staff evaluation determines that the documentation confirms the challenge, this may result in a point reductions or termination. In these cases, the applicant will be given an opportunity to appeal pursuant to the QAP appeals process.

To the extent that the evidence does not confirm or challenge, the challenge log will be updated for the Board and posted to the website, and an amendment will be written to the file for the application relating to the challenge. Only the applicant may appeal a determination made by the Department.

Each Board meeting, at each Board meeting, a log will be provided to the Board reflecting the status at

the time of posting for all challenges received. No action is required. And Robbye Meyer, our Director of Multi-family Finance is here to answer any questions about any specific challenges.

MR. CONINE: Do you have public comment?

MS. ANDERSON: I have public comment. Mr. Williams.

MR. WILLIAMS: Madam Chair, I have decided not to speak at all.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Agenda Item 2 concerns housing tax credit. Item 2A is a possible appeals. But I don't believe we have any. Were any submitted after the Board book was posted? Appeals?

(No response.)

MS. ANDERSON: So we proceed to Item 2B which is presentation, discussion and possible action of the reinstatement of housing tax credit determination notices for The Lakes of Goldshire.

MR. GERBER: Madam Chair, one point of clarification if I can. Or just a point to make about the City of Roma disaster application you approved. That little city was hard hit by flooding last year. And we were very pleased that we were able to provide assistance and back the award for their approval of the \$520,000 of HOME assistance. It will make a real difference in that community.

Lakes of Goldshire. The second item again, 2B is an application requesting reinstatement of the housing tax credit determination notice which was previously approved by the Board at the November 9, 2006, Board meeting. The applicant was unable to close on the bonds prior to the expiration of the 2006 bond reservation.

The 2006 application was withdrawn, and the applicant submitted an application for 2007 allocation. And it should be noted that at the November 9, 2006, Board meeting, the Board waived the deadline for Section 50.12(b) of the 2006 QAP which requires the consistency with the consolidated plan letter to be submitted 14 days

prior to the Board meeting.

The applicant submitted this documentation from the county the day of the Board meeting. The Lakes of Goldshire was brought before the Board at the February 1, 2007, Board meeting to request approval to be allowed to use the Department's 2006 uniform application and approval for the 2007 program year.

The applicant requested a waiver of the requirement of Section 49 of the 2007 QAP that states that in the event the bonds were not closed prior to the reservation expiration date, the new docket number assigned, issued by the Bond Review Board must be issued in the same program year as the original docket number in order to have the determination notice reinstated. The applicant signed a certification stating that the only change to the application is the docket number. In addition, the certification states that the applicant meets the requirements of the 2007 QAP and will comply with the 2007 QAP.

Due to the opposition with the original application, the application is required to be presented to the Board again for reinstatement of the housing tax credit determination notice. The applicant has received a new 2007 docket number and reservation of allocation for

the Bond Review Board which expires on July 27 of '07. The issuer for this transaction is the Fort Bend County Housing Finance Corporation.

The proposed development is new construction and will consist of 160 total units targeting the general population and will be located in Rosenberg, Texas. Significant change since the Department's Board approved the application in November 2006, is that the Fort Bend County Commissioner's Court issued a resolution dated April 3, 2007, that indicates it did not have the authority to provide the original confirmation of consistency with the Consolidated Plan, and that TDHCA should not interpret their letter as such.

The Fort Bend County Housing Finance Corporation approved the issuance of bonds on April 25, 2007, by a six-to-one vote, subject to approval of the housing tax credit by this Board and the City of Rosenberg approved the building permits and final plat. There is a correction to the Board presentation.

At the time the application was originally presented to the Board on November 9 of 2006, the Department had received one letter of support from former State Senator Ken Armbrister, of course, who left office back in January. A letter of opposition from the Lamar



Independent School District and a City Resolution dated October 17, 2006, in opposition to the application.

Subsequent to the November Board meeting, the Department has received letters of opposition from newly elected State Senator Glenn Hegar, State Representative Doro Olivo, County Commissioner Tom Stavinoha, Mayor Joe Gurecky, County Judge Robert Hebert, and Lamar Consolidated Independent School District, and an additional City resolution dated December 19, 2006, in opposition, as well as letters of opposition from five members of the community, and a petition with 167 signatures from local citizens which cited the following concerns: overcrowding at local schools, an additional burden on the school district with more economically disadvantaged children, concentration of affordable housing in the area, and the development is not being consistent with the Consolidated Plan of the City of Rosenberg.

Staff is taking no position based on the Board's prior decision of approval, and the subsequent Commissioners Court resolution. So the Board's options in this case are one, to approve the reinstatement, consistent with the November 2006 approval, or two, approve the reinstatement, subject to the applicant

receiving a letter of consistency from the City of Rosenberg. Robbye Meyer is available to answer questions, and I know there will be many on this complicated issue.

MS. ANDERSON: There is a significant amount of public comment if you all would like to hear that first.

MR. CONINE: Sure.

MS. ANDERSON: Okay. Ms. Toni Jackson. And I ask, we have a lot of comment on this item, so that I ask that everyone be mindful of the three-minute limit. Ms. Minnie is mindful of it.

MS. JACKSON: Thank you, Madam Chair, Board members. I will be brief. I just want to come before the Board indicating that it is, again, our belief that we have met the requirements of the QAP as required, as indicated by the staff writeup. We are required, when asked to come back in to meet the 2007 QAP which we still assert that we are doing at this time.

In terms of the consistency letter, the QAP asks that we provide a consistency letter from the city or county which we have done. It does not indicate that that consistency letter must be a position of approval regarding that development.

Since November, since the approval by this Board in November, we have received a plat approval from

the local jurisdiction. We have also received approval from the Fort Bend Housing Finance Corporation and the developer has continued to spend money towards the closing of this development.

So again, we ask that the Board consider that we have as certified met all of the requirements of the QAP, including the consistency letter and that we are approved for a tax credit today. Thank you.

MS. ANDERSON: Mr. Jerry Wright.

MR. WRIGHT: I actually just signed up to give Toni more time, but she didn't need it.

MS. ANDERSON: I know. That is amazing, isn't it. Ms. Nicki Talasek.

MS. TALASEK: I have lived in the Fort Bend County area for the majority of my life. And I stand before you concerned about the people with disabilities that need affordable housing. And I really believe that an apartment complex in this area, even though the area is saturated as you say, with a good number of apartments for the disabled and for the low income people, the need is still great.

Because in my work with the Fort Bend Center for Independent Living, I get calls every day for someone in need of low income housing or affordable housing

because of their limited incomes on disability and other medical needs and things like that. And the need for accessible housing, affordable housing in the area is great.

So I would like to take this opportunity to voice that on behalf of the disabled people in the Fort Bend County area. We do see the need for the tax credits, not only for the builders, but in the long run, it benefits the community. I hear over and over again how Section 8 housing and all of the low income housing creates problems in the works of the housing in the area, and all of that type thing. But again, the need is great, because these people with disabilities are doing the best that they can to live within their means.

And it is our responsibility as advocates for the disabled to do our part. And that is what I am here to do. Thank you. My name is Nickie Talasek, and I am with the Fort Bend Center for Independent Living.

MS. ANDERSON: Thank you. Ms. Nancy Talasek.

MS. TALASEK: My name is Nancy Talasek. I am a citizen of Rosenberg for over 50 years. I am here to support this issue, primarily because the quality of housing in this defined area is not what I think it ought to be. As my daughter said, disabled people in the City

of Rosenberg and the surrounding area find it difficult to find quality, and I repeat that, quality housing in an affordable range.

The seniors that I represent with AARP are finding that as we get older, we can no longer maintain our housing. We can no longer afford to keep our houses, pay our taxes and live comfortably. In a position that I am in myself, it is very desirable to have a medium range income housing available to us.

I understand the concern of the City of Rosenberg as a whole, for the school and our police. But I believe that better management of the existing apartments would eliminate the majority of that problem, and I am in sole support of this particular project. And I thank you for your consideration.

MS. ANDERSON: Thank you, Mr. Navdip Sobti. I hope I didn't get that too wrong.

MR. SOBTI: Good morning. I don't know even where to start with this whole thing. I am Navdip Sobti.

I am the developer of Lakes of Goldshire, and fighting for this development for the last nine months. We have been through various processes. And got finally the city approval, the City Council and the PNZ approved twice.

And as Dr. Ives [phonetic] said again and

again, between 75 to 80 percent people, children are either on reduced rate or fee lunch program in this Lamar School District should actually tell this Board how much, how big is the need for affordable housing in this area. There is just two apartments which are affordable.

The city keeps on talking about a lot of housing already. They are debilitated trailer homes. Debilitated apartment complexes, which are truly rundown places for these people to live. That is enough of availability. I don't think there is any quality affordable housing available there right now at this point. And the reason we are all fighting for this, is because this is the right thing. This is very much needed there.

One-mile radius from my development, over 50 percent of people qualified for affordable housing. That should tell the need for affordable housing there. I have been through this process. Like I said, I have been spending money and I have been doing the right thing, which needs to be done. And I hope we do the right thing here today. Thank you.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: I have one question for you.

The underwriting report on the development notes that you don't have prior experience in developing affordable housing. So you are partnered with a co-developer. Would you just help me get comfortable that you come from a development perspective that you could make this development a success.

MR. SOBTI: Sure. I may not have any experience with the affordable housing, but we have enough experience. Sally Gaskin is supposed to follow has cooperated with me on this project. Besides that, in the construction development site, I have Jolly Properties who is helping me in this whole project, and we have done numerous commercial and residential and townhomes built up from the last seven years.

We were into the development site of this. As a matter of fact, we are building right now probably ten different projects, we are developing and building up and townhomes, single-family, office condos. You name it, we are doing it. From the grounds up. And I know every detail, starting from the underground utilities, two above ground, two that need to give the details of building up.

Myself, seven years, I am dealing with affordable people. I have over 100 condos and single-

family homes which are bought in auction, fix them up, lease them up. And I have enough experience in all that, too.

MS. ANDERSON: Okay. Thank you. Any questions? Thank you. Any other questions?

(No response.)

MS. ANDERSON: Thank you. Next, Ms. Olga Fonseca.

MS. FONSECA: Hello. I am Olga Fonseca, and I have lived in Rosenberg area for about 20 years. I have a 15-year-old son. And the places that I have rented, I have been burglarized, robbed, when me and my son were in there. And they have never arrested anybody, so they have never done any improvements either. So I feel that this housing project is a good opportunity for me and my family and the future of my grandchildren, too. Thank you.

MS. ANDERSON: Thank you. Ms. Balinda Fuentes. The next witness will be Gloria Hernandez.

MS. FUENTES: Good morning. My name is Balinda Fuentes. I have been a resident of Rosenberg for about 23 years. I am here to give my support for the Lakes of Goldshire, for affordable housing for the residents of Rosenberg. I currently live at Pecan Park Apartments, where I can't even take my grandchildren just to sit down.



Right at the corner, they will always be there selling drugs or just a bunch of people just standing there.

There is also senior citizens in my complex if you partly see out there. They feel unsafe, even during the day. They don't feel that safe at all. I used to live at the Mark [inaudible] Apartments, another facility before this one. It was a little bit better, but it is not quite there yet.

My apartment was actually lopsided. My kitchen area, the foundation was so bad at that apartment complex.

And nothing was ever done. I see now that they are trying to improve that place. But I really don't have much choices to go to.

And I really wish you all would consider the Goldshire apartments in our Rosenberg area. At that other apartment complex also, we would have eight to ten people living in the one apartment. (Pause.) There is no privacy to them. I hope this Board will take a close look at this affordable housing and give it careful consideration as the quality of life would be affected for so many. Please give us a better choice. Thank you.

MS. ANDERSON: Thank you. Ms. Hernandez. The next witness is Dan Ives.

MS. HERNANDEZ: Good morning. my name is

Gloria Hernandez. I am a resident of Rosenberg, Texas for the past 35 years. I have two children. I graduated from Terry High School. They have gone to get a better education. And I am very proud of my children, even though I raised my children by myself.

I live in the so-called bad part of Rosenberg, across the tracks. That is what they have always called it. The bad part of Rosenberg. But thank god, my children graduated, went to better their education and they have done a wonderful thing for themselves.

But I am here to support the Lakes of Goldshire because myself and Ms. Talasek are handicapped. I live alone right now. My children come and see me and help me any way can they can. My son lives in Dallas. My daughter lives in Missouri City. I can't depend on my children. I live in Rosenberg. And sometimes, and I work in Sugar Land.

When I get home, you know, I have to worry about my yard being cut. And I have to find somebody. And it is hard to get out there and find people to help you come cut your yard for a reasonable amount of money. I am low income, and if I had a choice to go live at this Lakes of Goldshire, it would be a miracle for me, because of the surrounding area that I live.

I live among drug addicts. I live among houses that are dilapidated. They are just falling around me. I live around homes that are abandoned cars. And I brought this to the City Council. Give us time, Ms. Hernandez. Give us time. Of course, it was election time.

Here it is, election time again, and I am still living there. And I am not going away. I am staying there. This is my home. This is my roots. I want to be able to take my grandchildren and sit outside with them without having to see all these dirty houses being boarded up. With signs on the trees. For \$50 you can move in, and fix your house yourself. What kind of housing is that.

And I have been paying my taxes all these years. I don't have any children in the school district any more, but I am still paying taxes. Give us a chance. Give us a chance to better ourselves. I am here representing all my community. All we are asking is for a chance for low income and handicapped people. And for the future of my grandchildren and great grandchildren. Thank you so much.

MS. ANDERSON: Thank you, Ma'am. Mr. Ives.  
And then the next witness is Tom Stavinoha.

MR. IVES: I am Dan Ives, and reside at 2500

Pecan Drive, Rosenberg, Texas. I call to your attention my TDHCA submittal dated May 1, 2007, and reiterate that within a mile of the Goldshire project, there are 15 multi-family complexes with 2,360 units.

Eleven of these multi-family complexes are located in Rosenberg with a total of 1,615 units that had 3,287 police calls in 2006, with 237 crime-one calls involving, homicide, rape, assault, burglary, and vehicle theft. Two police calls per unit. Two of these eleven complexes are multi-family low income tax credit housing projects that began operation in 1998 and 2002. Falcon Point and Reading Park.

Last year, there were 728 police calls to these two housing complexes and 70 crime-one calls. Two police calls per unit. It would stand to reason that the Lakes of Goldshire low income tax credit housing project will closely follow suit, as Sally Gaskin, a part owner of the Reading Park complex that had 370 police calls with 33 crime one calls is reported to be involved with the management of the Lakes of Goldshire.

The Rosenberg community of 30,000, with 75 percent of its public elementary school children who are economically disadvantaged, will be negatively impacted by the third low income tax credit housing project with an

additional 160 units concentrated within a one-mile area.

While all the demographic data presented to TDHCA is deemed to have a negative impact on economically disadvantaged children, Lamar CISD and the community of Rosenberg, it appears that the TDHCA staff has narrowed the issue of the Lakes of Goldshire down to two mechanical options.

One, stay with your original decision that waived two significant QAP rules in regard to a timely submittal and to a certification by the appropriate municipality, or two, take action to require the Lakes of Goldshire to obtain the blessing of the City of Rosenberg as per QAP 50.12(b) in regard to meeting all threshold criteria stipulated in QAP 50.9(h) and the mandatory requirements of the time of the application submission as per QAP 50.9(h)(7)(B) which remain unchanged in 2007. In such respect, I would call to your attention the dialogue of the TDHCA Board reflected in the transcript excerpt of the November 2006 meeting as per my March 30, 2007, submittal Attachment A1, in which legal counsel advised the Board on the fifth page as follows: "Mr. Chairman, one of the things that our staff has continuously pointed out is that it is the most local community is what we are looking at, because we were looking for a local control."

It is my understanding, and Ms. Meyer needs to confirm this, they did actually ask the City, and the City did not offer a letter. And it so it is not pick the governmental body that you want to. It is the most local. And I thank you.

MS. ANDERSON: Thank you, sir. Mr. Tom Stavinoha. The next witness is Byron Lee.

MR. STAVINOHA: Madam Chairman, committee members. I am Commissioner Tom Stavinoha, Precinct 14, Fort Bend County. I represent 65 percent of the land mass of Fort Bend County. Lots of growth in Fort Bend County. 20,000 people move into our county every year. 8,000 homes were built in Fort Bend County last year. Just in Rosenberg area alone, over the next couple of years, we are going to build 8,000 homes. This is what we want to encourage; home ownership.

We just had two ladies speak about how bad their apartment complexes are, how bad apartment living is. Why are we building more apartments if apartment living is that bad. Previous to my being elected Commissioner in 2000, I was a school teacher for 20, 30 years. Excuse me. I retired in 1999.

I thought that during my 30 years as an educator that kids who come from apartment complexes had a

tendency to move a whole lot from one unit to the other, and that meant they transferred from one school to another. And one thing I hated was for a student to come in halfway through the school year and come into my class.

Sure, he took a class similar to mine at another school.

But yet, the way I taught was completely different. And he struggled for quite a while before I got to know him and he got to know me.

So the kids are a problem on our education in Lamar school district. I found that when a kid came from a home that his family owned, there was a lot more pride.

How often have you heard of a kid who vandalizes his own home?

Yet if they live in an apartment complex, they are more likely to vandalize that complex. And that is going to carry over to the school. They are going to be vandalizing the bathrooms and anything else that they may be participating in.

Friendships. When kids move again, they lose those friendships. And there is a lot of peer pressure on these kids to have friends. And they struggle as they move to acquire these new friendships. Just things they learn by owning a home. You know, simple things like plumbing, fixing pipe leaks, painting, just mechanical

things. How to mow the grass. Very basic things like that.

The kids who live in these apartment complexes come in. They don't care. You know. They have no -- they have never done a task before. And that creates a problem. We have a hard time now with kids who have no work ethic because they have no responsibility at home. They don't own their home. They live in the apartments.

Well, let's go hire and get the maintenance man. He will fix this. I can break this. The maintenance man will come fix this.

Again, you all have got great programs for home ownership. You all helping with down payments. Let's encourage this home ownership and get away from building all these apartments. We have got too many of them in Rosenberg already. We don't need any more. Appreciate it. Thank you.

MS. ANDERSON: Thank you, sir. Mr. Byron Lee. Then the next witness is Mayor Gurecky.

MR. LEE: Madam Chairman, members of the Board, my name is Byron Lee. I represent Lakes of Goldshire. Ten days ago, I was pleased to be at the council meeting for the City of Rosenberg. At that Council meeting, the City Council unanimously approved the plat for Lakes of



Goldshire.

Also in the last ten days, I have had occasion to look at the Consolidated Plan for Fort Bend County. That plan for 2005 to 2010 plan states that there is -- the availability of affordable housing is a serious problem in Fort Bend County. Now the QAP only requires that a local planning document and a local official provide the consistency letter. Fort Bend County has done that.

City of Rosenberg has a Consolidated Plan that was drafted in 1995. I would suggest that a 12-year-old Consolidated Plan is barely, if at all, relevant, and probably not usable for the decision that you are going to make today. Also, the staff, when contacting apparently, the City of Rosenberg back in November of the '06 meeting, the City indicated that they do not generally refer to their consolidated plan created in 1995.

The second option that you have, trying to get a consistency letter from the City of Rosenberg, I would suggest is no option at all. The City of Rosenberg doesn't refer to its plan. It has no viable updated plan.

There simply is no Consolidated Plan for the City of Rosenberg that is relevant here.

It is the Fort Bend County Consolidated Plan

that is relevant. And a consistency letter has been issued for that. Mention was also made at the resolution by Fort Bend County and that was somehow significant. I would suggest the resolution by Fort Bend County was not significant.

I have the resolution, and it says only that the issuance of a certificate of consistency to the Lakes of Goldshire is not a consent to nor an endorsement of the Lakes of Goldshire. Absolutely appropriate. Fort Bend County was asked to do only one thing. Does the Lakes of Goldshire meet the Consolidated Plan for 2005, 2010? The answer is yes.

The QAP has been met. I would respectfully urge you to approve this project. Allow this affordable housing project to go forward, and fulfill the need that the Fort Bend County Consolidated Plan says exists today and will exist in the future.

MS. ANDERSON: Thank you. Mayor Gurecky.

MR. GURECKY: Madam Chair, Board members, I want to thank you for this opportunity -- I beg your pardon.

MR. HAMBY: Would you identify yourself for the record, please.

MR. GURECKY: For the record, I am Joe Gurecky.

I serve as the Mayor of the City of Rosenberg. And I want to thank you for the opportunity to come before you and present the comments. I just want to say that the City of Rosenberg and the City Council has adopted a resolution to oppose approval of the tax credit finance assistance that are proposed Lakes of Goldshire apartment project.

A copy of that resolution of course, has been presented and submitted to the TDHCA. The City of Rosenberg hereby requests that the TDHCA board of directors reject the application of the Lakes of Goldshire project for tax credit financing assistance. The request for denial is based on the following reasons.

At a November 9, 2006, meeting, the TDHCA Board approved a request by the applicant to waive the October 30 deadline for submitting written comments. The City of Rosenberg complied with the published deadline, and relied upon the information provided. When the applicant was allowed to ignore the official deadline, the City of Rosenberg was denied notice of this submitted information and denied the opportunity to respond.

The applicant submitted his certification from the Fort Bend County that was dated November 8, and was past the official deadline of October 30. As a result of

the waiver, to follow TDHCA procedures, the applicant was allowed to claim that the City of Rosenberg did not have a comprehensive plan, and therefore the Fort Bend County plan would apply. This was incorrect information.

By letter, the County Judge Robert E. Hebert has affirmed the City is right to adopt and administer its own comprehensive plan. Since the City of Rosenberg was denied an opportunity to provide a correct response, the TDHCA Board was asked to make a decision based on inaccurate information.

The Lakes of Goldshire Apartments will be located less than 2,000 feet from another tax credit project, the Reading Park apartments. This violates your one-mile-distant rule for TDHCA for having these so close together. The Reading Park apartment currently has four vacancies which demonstrate that availability of affordable housing in the City of Rosenberg is there. Tax credit finance assistance is not needed to provide affordable housing opportunities in Rosenberg.

Rosenberg is the only city in Fort Bend County which has a local housing authority currently. The Rosenberg Housing Authority has issued 269 vouchers for apartments and duplex units to provide housing opportunities for Rosenberg citizens. Within one mile of

the project, of the proposed Lakes of Goldshire apartment project, there are 1,808 apartment units located in Rosenberg. And you can find this in your attachment.

In closing, for the record, Rosenberg City Council has approved a plat for the Lakes of Goldshire project. This approval was based on a compliance with the City's plat requirements, but it does not rescind the City Council's opposition to the tax credits or the tax-exempt financing assistance.

In closing, I simply hope that the TDHCA board of directors will recognize and support a local government's authority to govern its comprehensive plan in order to guide future development. Rosenberg is proud of being a diverse community and believes that the private sector is successfully providing new housing opportunities for all segments of Rosenberg citizens.

With this, I would like to thank you for the opportunity to present our case, and I would beg for your understanding. Thank you.

MS. ANDERSON: Thank you, sir. Ms. Sally Gaskin.

MS. GASKIN: My name is Sally Gaskin. I am a member of the development team for the Lakes of Goldshire. I am also a member of the general partner for Reading

Park in Rosenberg. And you know, I just would like to address a couple of issues. I know that there has been a lot of talk about the number of apartments in Rosenberg.

From -- you know, I think that they are all different kinds of and levels of maintenance perhaps in those apartments. I can tell you that Reading Park Apartments are effectively 100 percent occupied. We have actual occupancy ranging from 96 percent to 98 percent every month. So that is really an effective 100 percent occupancy with waiting lists for certain bedroom sizes.

One of the things that has come up -- it wasn't such a big issue today. But the impact on the schools. We have looked at our resident list for Reading Park, and we found that 85 to 90 percent of our residents move from within the school district. So it is not that we are bringing people from outside. They are moving from within, and perhaps bettering their choice of living conditions.

There was a report about crime calls. We have two courtesy officers that live on site at Reading Park. And that is something that Lakes of Goldshire will also be encouraging. Management is the key, and to crime. And in addition to our traditional background checks on every adult occupant of the household, but key management

policies and having courtesy officers on site, quick responses to breaking the rules of the lease are all effective measures of safety on the complex, in the complex.

As you know, we all are required to do supportive services. Reading Park has a very active supportive service program where there is a laboratory for computers, where there is supervised activities and help with homework.

That facility is very actively used by the resident children. Again, that is something that Lakes of Goldshire is going to be offering. And I think sets it apart from you know, from other complexes that may be in the community that give residents a better choice for living environment.

As we all know, not everyone is a homeowner today. Home ownership I think is the goal for every family. But everyone is not a homeowner today. And the Lakes of Goldshire will offer a choice within the community for those residents that are still aspiring. Thank you very much.

MS. ANDERSON: Thank you. Questions? That concludes the public comment for this agenda item.

MR. CONINE: Madam Chair, I move approval of

2B.

MS. RAY: I second the motion.

MS. ANDERSON: Discussion?

MR. BOGANY: Madam Chair.

MS. ANDERSON: Yes, sir.

MR. BOGANY: I have got to abstain from voting.

MS. ANDERSON: Thank you, Mr. Bogany. Mr.

Bogany is not voting.

Mr. Hamby, does that mean that the Chairman needs to vote? I mean, I guess it depends on how the vote comes out. But normally, the Chairman does not vote, and so we don't have a quorum, and so we only have four voting, a total of four voting members on this item.

MR. HAMBY: No. The four of you being here is fine. As long as you are here and present, it is a quorum.

MS. ANDERSON: Okay. Thank you. Any discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.



(No response.)

MS. ANDERSON: The motion carries.

MR. HAMBY: And we are assuming by that, that you are reaffirming your vote of November 9 was your motion for 2B.

MR. CONINE: Yes.

MR. HAMBY: Okay. There were two options, so it was clarified.

MR. CONINE: Yes.

MS. ANDERSON: Thank you. At this point, we are going to take about a -- if I say ten, I will probably end up being closer to 15. But ten- to 15-minute break. And then we will reconvene. Thank you.

(Whereupon, a short recess was taken.)

MS. ANDERSON: The next agenda item is Item 2C which is possible issuance of determination notices for housing tax credits associated with other issuers. Mr. Gerber.

MR. GERBER: Madam Chair, Board members, Hasting Green Seniors Development is a Priority One C application. It proposes new construction of 252 units targeting the elderly population to be located in Houston.

Bonds will be issued through the Harris County Housing Finance Corporation. The Department has not received any

letters of support or opposition. The applicant is requesting \$940,796 in housing tax credits. The staff is recommending an approval in that amount.

MR. BOGANY: So moved.

MS. ANDERSON: Discussion?

(No response.)

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

MR. CONINE: I second. You just didn't hear me.

MS. RAY: Okay.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MR. CONINE: It was only you that didn't hear me. But you didn't hear me.

MR. HAMBY: Okay.

MS. ANDERSON: All in favor, say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 3B is a possible action on extension amendment to a Housing

Trust Fund predevelopment loan.

MR. CONINE: What did you do to 3A.

MS. ANDERSON: Sorry. Item 3A, which is an extension of the 2004 capacity-building grant.

MR. GERBER: Madam Chair and Board members, this capacity-building commitments of 2004 allow the awardee to draw 50 percent of the funds initially and the remaining 50 percent at the time the second quarterly report was submitted to the Department. Ability Resources, Incorporated initially drew 15,000. The remaining 15,000 was drawn at submission of the required quarterly report.

The original commitment was to expire in February of 2006. However, because Ability Resources did not incur expenses in a timely manner, they requested an extension until May of 2006. In May of '06 they requested an additional extension of the capacity-building commitment to January 31 of '07, which was never processed. Ability continues to accrue expenses and submitted their reports on a monthly basis. Ability has provided evidence of expenses incurred through January 31 of '07.

And after careful research and discussion, staff agreed to request an extension from the Board until

January 31, of '07. However, Ability had not incurred expenses for the full amount that was funded. If approved, Ability would owe the Department \$7,056.45. And staff is recommending the extension of the commitment to January 31 of '07 and requires Ability to repay \$7,056.45 to the Department within ten business days of this Board meeting or May 10th, of this Board meeting here on May 10th.

MR. CONINE: Move for staff approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 3B is the extension amendment to a Housing Trust Fund predevelopment loan.

MR. GERBER: Madam Chair and Board members, this Item 3B is for extensions to two predevelopment loans. The first, the Ralls Housing Development

Corporation has a predevelopment loan that was executed in August 2003, and was to mature in July of 2005. The Department previously extended the maturity date to January of 2007.

This development also has received USDA funding in the amount of \$240,000. However, Ralls has not yet been able to complete the scope of work for the predevelopment funds, and is requesting an additional extension to January of 2008.

Staff recommends denying the request due to the uncertainty of completion by the requested deadline. Madam Chair, do you want me to continue with the second one, or do them both together?

The second request is from Crossroads Housing Development Corporation which has a predevelopment loan that was executed in March of 2003, and was to mature in February of 2005. The maturity date was previously extended to February of 2007. This development is still pursuing additional funding, and has an application under consideration for a VA Homeless grant.

However, Crossroads has not yet been able to complete the scope of work for the predevelopment funds, and is requesting an additional extension, but did not specify how much longer they would need. Staff is also

recommending denying this request due to the uncertainty of receipt of additional funding needed to complete the development.

MR. CONINE: I have a question. What in the heck is taking so long with both of these deals?

MR. GERBER: Ms. Meyer?

MR. CONINE: I mean, 2003 to 2008 is a long time.

MS. MEYER: Robbye Meyer, Director of Multi-family. I would agree with you, sir. I really can't answer that question. On both of the deals, they tried to move forward, but they haven't gotten there. They requested an extension from 2003 from the original maturity date of 2005. We granted that. But they still have not been able to move forward. And there is not a representative. I didn't see them here, for either one of these applicants.

MR. CONINE: Move staff recommendation to deny.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 4 are private activity bond program items. Item 4A is possible denial of waiver of the 60-day submission requirement for Summit Pointe Apartments. Mr. Gerber.

MR. GERBER: Madam Chair, Ms. Meyer, the Director of Multi-family Finance will walk us through all the items under this.

MS. MEYER: This particular item is a waiver of our 60-day rule. We had their equity commitment was not filed at the 60-day timeline. And the applicant is requesting that 60-day requirement be waived.

MS. ANDERSON: I have public comment on this item. Mr. Hunter MacKenzie.

MR. MACKENZIE: Hunter MacKenzie, Summit Asset Management. Thank you, Ms. Anderson, members of the Board. I would also like to thank Robbye Meyer, Theresa Morales and members of the multi-family housing staff for working not only on this transaction but all their previous efforts on our preservation efforts in Texas.

I do regret that we are here today to discuss this waiver. However, I do hope that you have had the

opportunity to review our waiver request and understand our need to submit a binding equity letter. We did have the document in hand prior to the 60-day deadline. However, we did need principal review of that document prior to submittal of the work.

Few matters concerning the document relate to FHA 221(d)(4) financing that we need to tie down with the equity syndicator prior to submittal. Typically, we would not ask for a waiver for this. However, the importance of being on the agenda today as opposed to the June agenda requires our investment banker opportunity to actually market the bond issue before the bond reservation deadline of June 4. Excuse me, June 7.

The issues surrounding that, based on FHA 221(d)(4) financing program, we have to receive a determination from the Department that we have been approved. At that point in time, the investment banker will get into the marketplace, market the issue once he sells the bonds, then we have to go back to Housing and Urban Development with their attorneys to finalize all the legal documents which would push the transaction beyond the June 7 deadline and forseably allow us to not close.

I do believe that this transaction is a valuable preservation effort.



We have worked diligently since the beginning of this year, making sure the document is on track. And I think you will see that not only an all waiver request, but in the Department's writeup that all financing participants are on board. We are ready to proceed forward with the close. Should you grant this waiver, that is all I have, if you have any questions for me.

MS. ANDERSON: Thank you.

MR. MACKENZIE: Thank you.

MS. ANDERSON: Mr. Thomas Paramore.

MR. PARAMORE: Good morning. I am Thomas Paramore of Merchant Capital. We are the bond underwriter on this transaction. Just briefly, to follow up on what Hunter mentioned as far as the structure of this transaction and the reasoning that the timing is difficult.

As Hunter said, once we have clearance from the Bond Review Board to get into the market and sell these bonds, we then have to go back to FHA. That period can really -- it can take three weeks. It can take longer. Just depending on what their backlog is. So I am just here to ask the Board to please approve this waiver. Thank you.

MS. ANDERSON: Thank you.

MR. CONINE: Is that it?

MS. ANDERSON: That is it.

MR. CONINE: I have a question, if I might.

MS. ANDERSON: All right.

MR. CONINE: It seemed that this one is kind of unusual in that in reading the summary that staff wrote for us, it is a very positive reflection on what everybody is trying to do. And it seems to me that because the Bond Review Board is not meeting in the month of June, the 60-day, when you start backing all that stuff up, it slipped up on them. And they went past the deadline.

When their intent was probably to take it to Bond Review Board and then do it by July 7. So that appears to me to be what is happening here. Is that a correct assumption?

MS. MEYER: Not exactly. But we had planned to go to this meeting. The meeting that we are at, in May. However, they missed the 60-day deadline and when staff identified that, we had to actually mention it. Because it is one of our rules. Department staff is recommending -- you have got to follow the rules.

MR. CONINE: You have got to follow the rules.

MS. MEYER: Right. We are recommending that the Board follow the rules. But we also wanted to give

you the opportunity to see all the concerns that are involved with this particular transaction. And things that Mr. Hunter and Mr. Paramore both brought out are concerns that need to be taken into consideration. However, the staff recommendation is what it is.

MR. CONINE: If that is the case, then I am going to move that we recommend the approval of the applicant's request to waive the 60-day submission in order to not have the Bond Review Board to meet specially to consider this.

MR. BOGANY: Second.

MS. ANDERSON: That is a great way to frame it. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Agenda Item 4B.

MS. MEYER: Since you approved that waiver, we will move on to the actual transaction itself. Summit

Pointe Apartments is a TDHCA bond issuance. There is a FHA 221(d)(4). It is a publicly offered transaction as Mr. Paramore gave to you, and it will be credit enhanced by GMA.

It is being offered through Merchant Capital. They are requesting 12 million in bonds and \$534,389 in Housing Tax Credits. And there were three people in attendance at the hearing. And we have not received any letters of support or opposition for this particular transaction. Staff is recommending the recommendation.

MR. CONINE: Move approval, and I will note for the record it is Resolution 07-013, I believe.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. MEYER: The next transaction is Santora Villas. This is also another TDHCA bond issuance. This

one will be privately placed with MuniMae. It is 192 units. It is located here in Austin.

Subsequent to our posting we received some additional opposition for this particular transaction. One from the County Commissioner which was more of a neutral request and not putting affordable housing all in one area. And then we received an opposition from the local neighborhood.

And actually this was actually, we received it within the last couple of days. I wanted the Board to be aware of that, because in the writeup we actually put in the Board materials, it says we have not received any letters of support or opposition. And I wanted to clear that up for the Board so you will know. The applicant is requesting \$13,072,000 in tax exempt bonds and \$966,702 in Housing Tax Credits.

We have only received the opposition that I just referred to. And we haven't received any other letters of opposition or support. And staff is recommending the transaction.

MS. RAY: Madam Chair, is there any public comment on this?

MS. ANDERSON: No, ma'am. There is not. And it is in Austin, a local deal.

MR. CONINE: Move approval of Resolution 07-014.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 5A is possible action on the 2007 home preservation and rental development competitive application cycle appeals. And I am going to ask Mr. Conine to take this one. And I am going to -- I am sorry. I am on the wrong agenda item. That will come later.

MR. CONINE: You are going to recuse yourself?

MS. ANDERSON: Later.

MR. CONINE: Okay.

MS. ANDERSON: Mr. Gerber.

MR. GERBER: Madam Chair and Board members, this agenda item addresses the appeal of termination for Creek View Apartments in Johnson City and Parkridge

Apartments in Llano from the 2007 Home Preservation and Rental Development Competitive Application Cycle.

Simultaneous with the application for these competitive and oversubscribed HOME funds, the applicants submitted applications for 4 percent tax credits associated with tax exempt bonds.

Competitive HOME Applications like 9 percent competitive tax credit applications face two critical submission dates. The March 1, '07 application submission and the April 2, 2007, third-party report submission deadline.

In this case, the third-party reports required were a market study and an environmental site assessment.

The applicant did not meet the third-party report submission deadline, and did not submit the required third-party reports until April 26 of '07, 24 days after the deadline and nine days after their initial appeal of the termination. Because they also submitted their 4 percent tax credit application at the same time as the HOME application, they were sent a standard letter confirming their choice of Board date for consideration of the 4 percent credits.

This standard letter includes language reflecting the 60-day requirement that pertains to third-

party reports for that non-competitive program.

Unfortunately, the 60-day requirement based upon the applicant's preference for Board consideration for the 4 percent credits went beyond the deadline for the HOME application, and this confusion formed the basis of the applicant's appeal.

It should be noted that these two applications are both located in Region Seven, which is the most oversubscribed region for HOME funds this year with 48 times more dollars being requested than the \$127,837 that are available. Moreover, the smaller of the two applications being heard in this appeal today, Creek View Apartments, is one requesting eight times more funds than are available in this region.

The two applications combined represent 2.3 million or 78 percent of the total 3 million in statewide allocation for this activity, that is budgeted for 2007. And Jeanie Arrellano, our Director of the HOME Division, is here. And I will let her walk through any of it, if you have questions now.

MS. ANDERSON: And I do have public comment on this item. Mr. Jim Shaw.

MR. SHAW: I would like to yield my time to Mark Mayfield.



MS. ANDERSON: Mr. Mayfield?

MR. MAYFIELD: Thank you. Madam Chair and Board members, I appreciate the opportunity to come before you and actually to plead for your mercy concerning this issue. I know I have worked diligently on this property and this project for about two years now.

And the whole emphasis has been rural housing, and trying to do some development with private activity bonds out in rural Texas. It is a challenge, as you very well know. And we have been doing it as a public housing authority. We have created a new housing authority called the Texas Housing Foundation by Commissioners' Courts in Blanco and Burnet counties that have commissioned this. I believe it is a new way for housing authorities to do business. That is the purpose of our creation.

And we have set out to develop 64 units in Llano, Texas, and also 64 units out in Blanco County and Johnson City, Texas. Much needed. In fact, just this past week, there was an announcement, the new Scott and White Hospital that is coming in, to 81, 71 intersection between Marble Falls and Johnson City is going to create 600 new jobs.

These communities are looking to the spinoff for that is going to be even greater. There is a

tremendous need for it, and I feel like it is our challenge, and our obligation to present the housing as needed in these communities.

One of the other twists to this is community resource centers that we have put on these grounds. We opened our initial one in the City of Marble Falls. Both of these properties will have community resource centers, serving Llano and Blanco counties within them. I understand and I don't know of a better way for public services to be provided out in rural communities than what we have proposed here.

As far as we did receive an allocation for the bonds or an inducement resolution and an issuer in line for that. Made up primarily of rural counties. We do have a letter of intent from the bond buyers and also from the tax credit investors. Everything is in line. The clock is running. The clock is obviously ticking, as you want to know how the program works. We did, I have just made a mistake. Just pure, plain and simple.

The first letter that we received talked about the 4 percent dates. And coming before the Board, I had that 60-day time period in my mind. And as you know, this is a lot of moving parts to make this happen. And this just slipped up. And so I mean, I am not here to argue

that. I mean, it just slipped up.

We have got agreements right now, in line to restore or reinstate, and to provide social services in these communities that had to leave because of budget restraints. We have got agreements already in place with the area Agency on Aging. We have got them with the Department of Assistive and Rehabilitative Services. With the Department of the State Health Services, and the Health and Human Services Commission.

We have over 26 participating agencies that are working out of the community resource center, the City of Marble Falls, our initial year, we served over 9,000 people. Our second year, over 12,000 people, made up of volunteers. This is the only way that these services can continue to exist in these rural communities.

And I don't know -- I know that the amount of money that is being asked for is a tremendous amount of money. This entire project is about \$12 million. And of course, it is not going to happen without the HOME funds.

That is just pure, plain and simple. I know it is above that.

But this Board has always found a way to do things that are for the public good. And I don't know of anything better than that, than what is happening in these

rural communities. Senator Frazier is very aware of this.

He was unable to be here. He is in a committee meeting right now with the committee he chairs. He did send a letter. You have that letter, I believe, in your files.

I believe if you ask any of the people out in the Marble Falls area, out in the Hill Country, they will tell you and vouch for the work that is being done out in that community. And frankly, without the support of this Board and this Agency, we will not be able to do it in Blanco and Llano counties.

And so I just urge -- like I said, everything is, people are on board. People are on line for this to happen. And if we were able to use the HOME monies to help make it happen. So any questions, I would be happy to answer them.

MS. ANDERSON: Thank you.

MR. MAYFIELD: You bet.

MR. CONINE: I have a question of staff, if I might.

MS. ANDERSON: If you would be seated, Mr. Mayfield. You can sit by the front, but please be seated.

MS. ARRELLANO: Good afternoon, Madam Chair and Board members. I am Jeannie Arrellano, Director of the HOME Division.

MR. CONINE: Hi, Jeannie. What he is doing is, he has got a local issuer on the bonds. He was going in for 4 percent credits. And then he is layering HOME funds on top of that. Is that correct?

MS. ARRELLANO: Correct.

MR. CONINE: And to give me an idea of the timing of all of that happening, we have had circumstances similar to this before where he is able, where the applicant would be able to come in and go back and just redo the bonds, you know, push them forward to get more time to meet the 60-day deadlines. But because he is layering HOME funds in there, are we on a cycle of HOME funds distribution that he can't go do that in this case?

MS. ARRELLANO: Correct. The HOME application and NOFA was a competitive cycle that was run with the competitive tax credit cycle. And the application deadline was March 1, concurrently with the tax credit cycle.

MR. CONINE: So if he were go to back and redo this again one more time, say two months from now, the HOME funds would be gone at that point. There is not another cycle until when?

MS. ARRELLANO: We are still working on when the next cycle will be coming out. We have a NOFA also to

come to the Board today for deobligated funds.

MR. CONINE: Right.

MS. ARRELLANO: So, we have not -- staff has not planned out yet when the next NOFA would be available and/or if that would be an open cycle or a competitive cycle.

MR. CONINE: And as I understand it, the amount of money he is asking for is astronomical relative to the amount of funds that are allocated toward multi-family. Is that correct?

MS. ARRELLANO: To that region. Correct.

MR. CONINE: To that region.

MS. ARRELLANO: There is a total of \$127,000 that is available in that region, Region Seven.

MR. CONINE: Okay.

MS. ARRELLANO: And that is still to be split between urban/exurban and rural.

MR. CONINE: Okay.

MS. ARRELLANO: So in the set-aside that he has applied for, there is actually \$68,000 available in the rural set-aside.

MR. CONINE: Okay.

MS. ANDERSON: How much -- can you tell me in the aggregate, the HOME applications that were received

under this cycle, what the aggregate amount of money applied for was?

MS. ARRELLANO: Unfortunately, I don't have that information with me.

MR. CONINE: Do you have it available for just this region? I think that that region -- was it in the writeup or not?

MS. ANDERSON: Uh-huh.

MR. CONINE: We are not there yet.

MS. ARRELLANO: For that region, there was a total of 5 million in requests. And the urban/exurban set-aside, there is 2.7 million requested. And in the rural set-aside 2.3 million.

MS. ANDERSON: And then is there a statewide number on there? So it is just the statewide HOME request in this competitive cycle?

MS. ARRELLANO: Rural rental is 3 million.

MS. ANDERSON: That is the amount available. How many apps did we have? Not how many apps, but what was the aggregate amount of the funding requests? Funds requested?

MS. ARRELLANO: It is \$7 million.

MS. ANDERSON: Seven. Okay.

MR. CONINE: I am done with the questions of

staff. I have one more question of the applicant. If he is still around.

MS. ANDERSON: Yes.

MR. CONINE: Sir, why -- it sounds to me like the request is going to far exceed the available funds. And my hunch is, these projects won't underwrite without those requests. So why are we going through a waiver request, when it appears that HOME funding would be minimal at best?

MR. MAYFIELD: My name is Mark Mayfield, Texas Housing Foundation. Mr. Conine, it is just plain and simple. I believe that this is what happens when people work together. And the State would play a major role in this happening to create this housing and these services out in these communities. Create a lot of jobs.

I estimate there is going to be at least 100 jobs created in both of these rural counties, just from what we are doing here. And with the services and all. And you know, it is just -- base that belief system on the fact that this Board would find a way to do something creative in rural housing in rural Texas.

MR. CONINE: Well, as you know, I spent a lot of time, as did you, talking about the private activity bond system in this state, and trying to get rural Texas



more involved in that. And I am all for creativity when it becomes to that particular adventure.

But I can't bring myself, I guess, to bend the rules to make that creativity happen, when I know the existing funds under the current structure don't exist. But I am interested in these two projects, and I am interested in what you are doing in each of those counties with the community help centers. And I think we ought to take a hard look at some of our future HOME funding to see if we can pile it or experiment or whatever the case might be with this process. And I think, it seems to me like we could figure something out before too long.

MR. MAYFIELD: Well, I appreciate you saying it. The only thing is --

MR. CONINE: And I would hope staff would do that. But as far as bending the rules on this particular deal, and under the current restraints on HOME funds as I understand them under the NOFA that we have got out, just don't see too much hope out there, and I don't want to create too much hope when there wouldn't be any necessarily.

MR. MAYFIELD: You know when you do these deals, you pretty much wager the farm on them.

MR. CONINE: I understand.

MR. MAYFIELD: And we have done that.

MR. CONINE: I am going to move approval of staff recommendation, but I sure would like to see staff kind of research our HOME fund allocation in the future and see what we can do to maybe resurrect it.

MR. BOGANY: I second.

MS. ANDERSON: There are a couple of distinctive things about this. I would like to comment on them. One, Mr. Mayfield, you build. You have a great track record out there, and you build good housing, and you are very creative and inventive.

The other thing that I think is very distinctive about your testimony this morning is that this is so rare, that you admit it that you fouled up. That you made a booboo. That you didn't follow the rules. And we have people come in here all the time and give us all the reasons. Oh, I didn't know, blah blah. And you came in and were honest. And I want to credit you with that.

And I second Mr. Conine's encouragement of staff to try to think this through both in a deobligated fund sense, future NOFAs, Consolidated Plan and so forth to make sure that we properly give HOME funds, allocate HOME funds to rural development. But that said, you did not submit materials on schedule. And so I would support

the motion and second. Other discussion from the Board on this item?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. FLORES: Before you proceed to the next item?

MS. ANDERSON: Yes, sir.

MR. FLORES: A question for Conine. Conine, you are asking the staff to come back to us on the HOME funds and come up with some creative ways of doing business. You are not suggesting any way of unbalancing or rebalancing the are you, or are you?

MR. CONINE: No. I think the word "pilot program" might suffice in what I am asking staff to take a look at. Because this is a unique situation.

MS. ANDERSON: We are about to be in an annual Consolidated Planning process which is where we normally do our funding plan for the following program year. So it

wouldn't be an extraordinary -- and to do it in that vehicle would be a normal course of business kind of thing. Not taking an extraordinary step.

MR. FLORES: It seem like to me that if you are going to allow the sort of thing that he was asking for, Mr. McGuire [phonetic], you would have to almost have a set-aside fund that would not be allocated to any region to allow that to work. But what you are doing is, essentially you are stealing from other regions.

MR. CONINE: I wouldn't want to steal from anybody.

MR. FLORES: Well, when and if that happens, I certainly want my two cents in before that happens before you go stealing from us, taking from Peter and paying Paul and so on. Thank you.

MR. CONINE: I am sure the Chair will allow you to get your two cents in.

MR. FLORES: I am sure she would. Not that I would prevail --

(Emergency alarm sounds.)

(Whereupon, a short recess was taken.)

MS. ANDERSON: We will reconvene. And the first item is agenda item 5B, which is presentation, discussion and possible approval of the 2007 Housing Trust

Fund funding plan. Mr. Gerber.

MR. GERBER: Madam Chair and Board members. The Department anticipates having approximately \$3.4 million in local revenue available for Housing Trust Fund activities. This total includes program income from the repayment of existing Housing Trust Fund loans, interest payments, funds from deobligated contracts, and funds from activities that are not committed.

Staff is recommending several options for the Board to consider. The first is the Texas Rural Homes Demonstration Program which staff is recommending \$250,000. This is a unique disaster-related demonstration program to demonstrate a comprehensive approach to unprecedented housing needs, such as those brought on by Hurricanes Rita and Katrina.

The program hopes to provide a sustainable prototype for the Department to build well-built affordable single-family housing to Texas residents in need most. Financing for the construction of these houses will be provided by the Department through zero percent mortgage loans made available to the individual families that are served. We are very excited also to be proposing a Texas Veterans Housing Support Program, which we are recommending \$1 million for.

The funds would be utilized for rental subsidies and home ownership assistance for veterans at 80 percent or less of AMFI and rental assistance would be allowable for veterans transitioning from VA hospitals, other care facilities, or low income veterans leaving the Service and transitioning to civilian life for up to three years, and would be calculated based on income.

Home ownership assistance would be available on a one time deferred forgivable loan of up to \$35,000 for down payment assistance, closing costs, and accessibility modifications, such as ramps, accessible bathrooms, accessible kitchens and other needs for the disabled. \$100,000 is recommended for foreclosure prevention training. And finally, the balance of the 3.4 million for an amount of at least 2 million would be put back into the Texas Bootstrap Loan Program.

MS. ANDERSON: I have public comment.

Mr. Henneberger.

MR. HENNEBERGER: I am just going to answer any questions.

MR. CONINE: Well, we won't ask him anything. Is he the only one that wanted to talk?

MS. ANDERSON: He is.

MR. CONINE: Mr. Gerber, I do have a question

of you. The foreclosure prevention training is a little bit deja vu for this Board member in that we had talked some years ago about taking Housing Trust Fund money and actually using it specifically for training and prevention and maybe a little sustenance for some of our mortgage revenue bond participants.

And that is specifically in that program, rather than generally all across Texas. As I understand this, this is just an all across Texas foreclosure prevention idea?

MR. GERBER: It is. It is intended to provide \$100,000 for the management and operation of the activities and would work in conjunction with the Texas Statewide Homebuyer Education Program, which is already occurring with the goal of also working with other non-profits and single-family developers and non-profit finance agencies that are also doing work.

MR. CONINE: And again, back to the older days. We had talked about an allocation of two or \$3,000 on a per house basis that would be a maximum, let's say. And so many times, especially in low and moderate income families, you know, a job loss or a change in jobs creates a financial hardship that these families can't ever make up two or three months' worth of mortgage payments. So

the idea was, was to have it sitting there.

Use the money to help get them back on their feet. Put it into a soft second scenario. And then naturally, later on, they find a new job or whatever, and get back on their feet. Years later, when the house pays off, we get the money back and go on down the road.

So I don't know that that is what this particular fund is for. It is probably not targeted that way. But I, for one, favor taking a look at that sort of idea, especially as it relates to our own portfolio.

MR. GERBER: We would be glad to. We would like to look at maybe how this might -- it is untended for that purpose, but I think we would welcome a chance to come back to the Board.

MS. ANDERSON: Would it be in order for the Vice-Chair to make an amendment that would take a small amount of funds, we sort of put what was left into Bootstrap. And to take a little bit out of there and put it in -- to hold it back pending staff's thinking through how to structure a program like that?

MR. GERBER: Yes, ma'am.

MR. CONINE: Well, I certainly would be willing to make that motion to go ahead and approve what we have got down here. How much are we putting into Bootstrap



again? Is that 3-1/2 on the back?

MR. GERBER: The balance.

MR. CONINE: But it is just a balance.

MR. GERBER: Yes.

MR. CONINE: Why don't we allocate another \$100,000 then, if you don't mind.

MR. GERBER: Sure.

MR. CONINE: To this sort of foreclosure prevention on our own portfolio, and let staff think through the logistics of that and come back. And you know, if we were to go do that and it won't take you long to go through \$100,000 in light of what is going on today. And have some demonstrative case studies where it actually worked.

And instead of a family getting foreclosed on, you keep them in there and they are able to work through their problems. I think that is something that we ought to take a hard look at.

MR. GERBER: We will come back with a program design.

MR. CONINE: I will make that motion.

MS. RAY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Next item is 5C which is a possible approval of HOME program NOFA for approximately 5 million for rental housing developments supporting new job creation, economic development in rural Texas.

MR. GERBER: Madam Chair and Board members, this NOFA was developed in an effort to provide affordable rental housing, to promote new job creation and economic development in rural Texas. Funds will be made available to develop affordable rental housing for low income Texans in conjunction with rural economic development projects that have been recently developed or are currently under development. Since these funds are made available through deobligated HOME funds, they are not subject to the Regional Allocation Formula. The NOFA outlines the application deadline of procedures and scoring guidelines, with \$5 million being provided for this purpose.

MS. ANDERSON: I am sorry. Go ahead.

MR. BOGANY: I was going to say, move it.

MR. CONINE: Second.

MS. ANDERSON: Thank you. I have one question for Mr. Gerber. And I think the NOFA is pretty clear. But I would just ask that we be sure that it is clear that when we talk about job creation it is for commitments to go into a community and create jobs, that those are in place. I think the NOFA does a good job that those commitments to create those jobs in that community are already in place and not just out on our radar screen somewhere, and that it is not for creation of construction jobs for construction of the development.

MR. GERBER: Okay. We will make sure that is clear. Funding is tied to the creation of new or expanding job opportunities in non-participating jurisdictions within the past 18 months for rural Texas. So we will.

MS. ANDERSON: Great. Thanks.

MR. CONINE: I don't hear Sonny hollering and screaming about a reallocation. Where is he?

MR. FLORES: That is fine.

MR. CONINE: Oh, this one is okay.

MR. FLORES: This one is okay.

MR. CONINE: Oh.

MR. FLORES: It is okay because it was proposed by someone else. I call the vote.

MR. CONINE: I would point out to the fellow Board member that this was exactly what we were talking about earlier.

MR. FLORES: Just be careful.

MS. RAY: Exactly.

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. Item 6A is an update on CDBG activity related to disaster recovery. Mr. Gerber?

MR. GERBER: Kelly Crawford, our Deputy Executive Director for disaster recovery, will walk us through all the items in six.

MS. CRAWFORD: Good afternoon. Kelly Crawford, Deputy Executive Director for Disaster Recovery. I want to give you an update from the last month's update that we provided on the disaster recovery efforts out in Southeast Texas.

Some of the significant activities that the

Department has been involved in since the last Board meeting include working with the COGs on the time line that we discussed for construction and getting those homes prepared, out in the field. We have also met with HUD OIG staff, to discuss strategies related to preventing fraud, waste and abuse. We provided project setup, loan and construction draw, technical assistance to all three COGs and COG sub-recipients in Houston to get them prepared for what is up ahead for them when they do start construction activities.

We conducted a law enforcement presentation in Houston at the FBI offices for several law enforcement agencies that were interested in how we are going to prevent fraud, waste and abuse and how we are going to address those items. And we participated in a Hurricane Rita recovery summit in Beaumont.

And we are -- we have developed an MOU that is pending with Texas Historical Commission which will expedite the historical site designation process in Southeast Texas areas impacted by Hurricane Rita. And in the last month, significant progress has occurred with the COGs. That is not going to be reflected in an expenditure report at this time.

But I am going to tell you what has happened

with each COG. Nineteen applicants in Southeast Texas Regional Planning Commission's purview have been determined eligible and they are processing over 600 more.

Twenty-seven projects have been environmentally cleared, and work write ups have been completed for preparation to accept bids from construction companies.

The Planning Commission is working with the construction management oversight firm to execute a contract and to develop a qualified bidders' list to assist with procuring construction contractors. And the firm is working within the time frame that was discussed in the last Board meeting. And I think construction activity could conceivably begin within the next 60 days out there.

And overall, approximately 500 households are projected to be assisted by the Regional Planning Commission with the assumption that 80 percent of the identified homes to be replaced -- I mean, will be replaced. They are too damaged for repair or rehab. The replacement will include stick built and manufactured homes and any of the households that they determine eligible, or that are even on their waiting list that can't be assisted with the first round of funds will be transferred to TDHCA's program management firm to be

placed on the waiting list for the second round of funding.

And the Deep East Texas Council of Governments, the COG is currently reviewing three responses to an RFP for a manufactured-housing provider. Their selection will occur by May 18. Twenty-four applicants have been determined eligible for CDBG funding. And a total of 85 more will be in the eligibility review process by May 25. And many of those are already in the process.

To date, they have completed 535 work write ups assessing damage on homes in their area. And they are in the process of completing almost 400 site-specific environmental reviews, most of which will be submitted to TDHCA this month. And their projected households to be served will be about 130.

Assuming that 90 percent of those identified will be replaced with manufactured housing units. And the case files -- information on these folks that don't get served with the first round of funding will also be sent to the Department project management firm for consideration in the second round. And then in the Houston-Galveston area Council, 79 applicants have been determined eligible and they are in the process of working on 142 more. Sixty-four damage assessments have been

completed, and they will begin work write ups the week of May 21st.

Fifty environmental reviews are in process. And the majority of their cases common theme here, are also going to be demolition and reconstruction. The damage is just too great in most area, at this time frame for there to be any kind of rehabilitation or repair that they are finding.

They have RFPs for demolition, surveying and construction that will close tomorrow. And the contractors will be selected by the end of May. They anticipate releasing their first bid package during late May or early June. And they should begin their demolition and construction activities in early June.

And their served numbers are estimated to be 145 households with 80 percent of the affected houses being replaced either with stick built or manufactured housing units. And as this program continues to progress, I just want to reaffirm that the Department's goal is to work closely with the COGs to provide reasonable assurance that program requirements and associated risks are being managed and minimized.

We have so many people asking us how we are going to prevent fraud, waste and abuse and I think



everyone needs to understand that some of those processes are going to seem complex and complicated and feel somewhat burdensome. But it is our commitment to everyone that we take care of those risks, and mitigate them appropriately.

So we are continuing to provide clearly outlined and transparent requirements to the COGs. And we are aware that these requirements are challenging. And we are calling on our COG partners to be diligent in their efforts to help us meet all these requirements. Does anybody have any questions or it might be time --

MR. FLORES: Kelly, as you move along with this, it would be of some interest to me and I am sure to the rest of the Board members about the construction costs and what happens. And also, then they tell you how much things costs, see if you can get an idea of what it is -- net rentable space or the total area of the building.

But as you know, we were here 30 days ago and we had some folks from East Texas telling us that costs were up to \$120 to \$140 per square foot and so on, which we knew was way out of line. Now we get the memorandum that talks about somewhere in the \$70 to 80 a square foot.

I don't expect to do any research, but you will get all this anecdotal information from all the people you

deal with here. I would be curious as to what happens. But I think because now you are spreading these things out, and it is a time period. And it is not pushed on a schedule. It ought to be just normal construction cost, to my estimation with maybe a 5 percent or so increase on that.

MS. CRAWFORD: Well, we will be sure to keep an eye on that, and we will report back to you when we have some significant accumulation of data. Anything else?

MR. CONINE: Can we get a written copy of your testimony?

MS. CRAWFORD: Oh, absolutely.

MR. CONINE: Thank you.

MS. CRAWFORD: I think at this time, ORCA would like to provide the Board with an update on their activities.

MR. STONE: Madam Chair and Board members, I am Charlie Stone, Executive Director of the Office of Rural and Community Affairs. And I do have an update that I would like to share with you. First of all, we had indicated in past meetings with you that we had four additional staff that we had intended to hire to assist with these disaster contracts. I am happy to report that we have filled two of those positions.

One in Nacogdoches, and one in Kountze in the field offices. So they will be onsite and ready to go to assist those. Plus, we have backup staff that are already there in the field offices that we are doing background checks on an admin person that will be stationed here in Austin and interviews will happen tomorrow for the fourth position. So we are moving rapidly to fill all four of those particular positions.

And I would like to just visit with you briefly about disaster recovery money one and two. So I will call it DR 1 and 2.

So first with DR 1, with the Rita funds, all of our contracts have been executed with the grantees. And each of the communities have received at least one site visit, technical assistance visit from staff. So we have been on site with them to assist them with their questions and problems. To date, we have awarded \$4,090,214 and we have currently in our agency right now, being reviewed by staff, \$500,000 in draws for contracts currently.

Now we have had some roadblocks as other staff have talked to you about. And it has been an ordeal to get it going. But I think we have overcome some of those.

We have a lot of issues with environmental reviews, and there was a lot of discussion on whether those were exempt

or not exempt from the beginning. But HUD said, we have to do environmentals. We have to do procurement and so those time phases have gone through and so we think that the doors will open where we are going to start seeing a lot of draws coming into our agency and you will see a lot of money start going out the door.

Hazard mitigation grant program has had some roadblocks. That is a HUD project. And so we think we have worked through some of the issues on that, and I think that will be fine.

And we also had questions about labor, so we invited the Department of Labor and HUD members and TDHCA staff were there also. We had representatives from Louisiana, because they also have problems with that particular issue. Had a good meeting with those representatives, and we think we have worked out some of those rough spots also. So that is moving along very well.

If there are no questions on the Rita funds, I will move along to the next spot, the 428 million, which we have 42 million of that DR 2. The NOFA has been approved. The application guide. The NOFA and the application has been posted on our website. We have three application workshops that we will hold in three of the

COG regions; Southeast Texas, Houston-Galveston and Deep East Texas.

So we will be out there encouraging the local officials and those who are eligible to apply for this second round of money to attend those application workshops so that we can clarify any of the questions that they have and try to avoid problems later. The applications will be due to the Agency on August 10. So there is a lot of work going on within the Agency.

So we hope by August 10, we will have all those applications in. We will be taking a look at those and hopefully get those approved and awarded as soon as possible and get back with you again. And that is my update. If you have any other questions, I would be happy to try to answer those.

MS. ANDERSON: Thank you. Also I have public comment from Commissioner John Dubose.

MR. DUBOSE: Madam Chair and Board members, I appreciate the opportunity. I am John Dubose from Southeast Texas Regional Planning and County Commissioner in Orange, Texas. And I promise, if you say no, I won't pull the fire alarm.

I want to thank you folks for creating this deputy disaster position. Kelly has been a godsend to us.

And the system is still slow, way too slow, but it is moving. And in the past, it hasn't been moving. So I feel much better about it. I am very happy to see that. And I think we will have nails being driven in the next 30 to 60 days. I really believe that. And I really appreciate the work she has done in working with our staff.

I would like to bring up one issue. It is not on your agenda, but for your consideration in the future.

In regard to Sabine Pass, ground zero for Hurricane Rita, much devastation as you all know. And we had a set-aside of 12 million in the second pot of money, as Charlie calls it.

And one of the issues that the Board has done, one of the things the Board has done with good reason is to not pay for reimbursements. If you fixed your home by other means, then the Board has not seen fit that they qualify. I have got a problem with that in general, but particularly in Sabine Pass. Because of the income regulations there being different than other areas, folks had the money or could borrow the money, or took money from retirement and fixed their homes.

I am going to propose that this Board consider in the future that if the \$12 million set-aside that

Sabine Pass has received is not spent entirely in rebuilding homes for those that did not already rebuild them, that for example, suppose 10 million is spent, and there is 2 million left. Rather than putting that back into the housing funds, consider reimbursing some of those folks in Sabine Pass with that money that was set aside for them to start with.

I would appreciate the Board's considering that in the future. I know that it is not on your agenda today. Secondly, I want to thank Mr. Gerber and the Board for allowing us to have local input into the RFP. And I know we are not on that agenda item quite yet. But we did have some input. And I really appreciate that.

And encourage you folks to approve the RFP as presented. And last, we would like to invite you to come to Beaumont in the next 60 to 90 days. We would be glad to host your Board meeting, and perhaps at that time, we would be able show you some of the work that has been done in Southeast Texas. Thank you.

MS. ANDERSON: Thank you, Commissioner. Pete De La Cruz.

MR. DE LA CRUZ: Madam Chair, Board members, I just wanted to reiterate those comments that Commissioner Dubose has made. Our presence here today is just an

indication of that we are serious with this charge. To let you know that we are trying to stay engaged on this issue at our level. That we are prepared to support our local staff.

We do welcome Kelly in our region. She has been helpful in getting things rolling. And we do accept her charge that we be very mindful of how these dollars are spent to ensure that, you know, there are no findings after the fact that we will all have to address. I would also like to remind everyone that we haven't forgotten that these dollars are really intended to help those citizens that were damaged by the storm.

And in regards to everything we do, that we be mindful in keeping those guys, those families at the forefront of our thoughts. And we continue to do that in Southeast Texas. And I just wanted to let you know that we are keeping this issue in the forefront of our Board and keeping our local elected officials abreast of what is going on. Thank you for your time.

MS. ANDERSON: Thank you, sir. There is no action on that item, but we appreciate you. Kelly. So that concludes 6A. We appreciate the update from everyone. The next item is item 6B which is a possible amendment to the State of Texas Partial Action Plan .



MS. CRAWFORD: Thank you. Kelly Crawford.

Item 6B is staff's recommendation for an amendment to the Partial Action Plan for disaster recovery to use CDBG funding related to the restoration of critical infrastructure program. And a corresponding amendment to the restoration of critical infrastructure program NOFA.

The Partial Action Plan for disaster recovery to use 428 million in CDBG funds was approved by the Governing Board February 1 of this year, and was approved by HUD on April 13. Under the general use of funds and funding allocation as a 42 million line item. Activity for the restoration of critical infrastructure program of which 22.2 million was unreserved, which the Office of Rural and Community Affairs would administer as approved by TDHCA's Governing Board.

On April 12, the Board approved a final NOFA for the unreserved funds for the restoration of critical infrastructure program. As approved, these funds will be in the form of grants in an amount of up to \$5 million to help communities address unmet critical infrastructure needs directly related to damage from Rita.

Eligible applicants for these funds are local and county governments and request for utility reconstruction are limited only to municipally owned

entities. ORCA requests approval to amend the action plan to allow cities and counties to apply on behalf of membership-owned non-profit utilities such as water supply corporations, municipal utility districts, electrical cooperatives and drainage districts that provide the majority of some service to the city or county.

These membership-owned non-profits would be eligible for an award if the set-aside for unreserved funds is undersubscribed. If this amendment is approved, ORCA also requests to amend the NOFA so that it is consistent with the action plan.

The specific language is outlined on page 2 in the action item in your Board book. And also blacklined on page 18 and 19 of the full action plan which is also included in the book. Staff recommends approval of the action plan amendment and unreserved funds for restoration of critical infrastructure program NOFA as proposed.

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

MR. HENNEBERGER: I am John Henneberger, co-director of the Texas Low Income Housing Information Service. I am here to appeal to the Board to not expand the eligible entities for reimbursement of these utility costs, but instead to redirect any unspent funds to the

housing program which is going to be hugely oversubscribed.

The Board, I think wisely chose to limit the type of utility entities which could apply for money to publicly owned entities. And if these funds are not fully subscribed by those entities, in my opinion the priorities should be that the funds should go to the individuals whose homes were damaged.

We know from the initial assessments that only a very small fraction of the people whose homes were damaged will be able to receive any assistance, because of the limited amount of money that is available. And that just represents the priorities that I believe the Board should adhere to. And thank you very much for your consideration.

MS. ANDERSON: Thank you.

Mr. Stone.

MR. STONE: Charlie Stone, Executive Director of ORCA. Madam Chair, as reluctant as we are to come before this Board to ask for an amendment, we know that we have people that we normally deal with in the field in rural Texas that have asked for the ability to do this. That is why we are coming before you today.

We have had considerable feedback of -- there

was a roundtable meeting on March 27 when TDHCA established and one of my staff was there with your Executive Director. And we got feedback at that particular time. This is a type of project that is normally allowed under the CDBG program.

And so cities and counties can apply for these on behalf of municipally owned utilities. And if we don't do it, we know that there will be people out there that will have their rates impacted negatively by having to have rates increased to pay for the construction on these utilities. So we respectfully request that you do this.

There is a high standard that has been set. And we worked with TDHCA staff on that. So if it is undersubscribed, we don't get to do it. So the threshold is the 22.2 million. So if you have any other questions.

MS. ANDERSON: I have a question. If there was a round table on the 27th and it didn't come to the Board until April 12, why is if it was such a compelling need, why was it not in the NOFA we approved on April 12?

MR. STONE: That NOFA was not drafted by ORCA at that time. And we relied on the public feedback. And thank goodness we had an opportunity to get some more feedback from the region. And that was done at TDHCA's leadership. So we took that information at that time, and

that is why we are bringing it back to you.

MS. ANDERSON: That doesn't really -- let me frame my question a different way. This NOFA, I guess it came to us in draft form, and we approved the final NOFA on April 12. Were you making a calculated decision, if you had this feedback on March 27, you could have brought it to the Board to amend and send back out for public comment on April 12, a NOFA with non-profit utilities in it.

And you did not bring this issue to us on April 12. Unless I am forgetting something. So I am very reluctant to amend a NOFA that has been on the street for less than two weeks. So I am trying to understand what really happened here. If you had this feedback on March 12, why was it not in front of the Board. March 27, why was it not in front of the Board on April 12?

MR. STONE: Well, actually we had requested from our staff level that this be included in the action plan and that did not get approved by TDHCA staff. We wanted it in there from the beginning.

MS. ANDERSON: Does the TDHCA staff want to make a comment about that comment?

MR. GERBER: Kelly, I am just trying to remember what the discussion was at that point. We have

had discussion since. I am sorry, Madam Chair.

I know there were a number of different things that have been expressed by the community leadership and we try to assign greatest priority. This issue has always been a difficult one because there was a very determined effort to not provide funding to recover utility costs.

MR. STONE: That is correct.

MR. GERBER: And so in the perhaps overarching sense of caution on staff's part, perhaps my part, there might have been a very narrow group of folks who were -- whose views obviously -- and have been expressed at numerous settings including the one round table that I was at, that there may be this one narrow group that feels that they may be qualified, and should be qualified. So I think this agenda item is an effort to try to give that the lowest level of priority which is consistent with the priority frankly, that the Department and this Board has given it.

And only with these funds being available should there be only leftover funds. So it is given the least priority and only if there is leftover funds and tries to thread the needle. And I would turn to Kevin Hamby to see if he has a problem on it as well.

MR. HAMBY: Madam Chair and members of the

Board, whatever the original NOFA request came in that had the request that this be included for the April 12 Board meeting, it was inconsistent with the action plan and therefore, it could not be included in the NOFA. That is why this is posed to you as an amendment to the action plan. Because the original request would have been inconsistent with the action plan that you had originally approved.

This was actually considered as part of the original action plan and this Board rejected it initially.

And so this is again another attempt to modify the action plan to include this because of the community input that they have had.

But this is, I think, the third time it has been considered, if I am not mistaken. So that is why it is before you today under those terms. But that is why it was not included in the April 12 NOFA.

MR. GERBER: It is fair to say that the community input has grown. Not tremendously but it has grown.

MS. ANDERSON: In numbers or in volume?

MR. GERBER: Numbers. We have heard from different communities. But Charlie, would you agree with that?

MR. STONE: That is correct. That was our take on it. And like I said, we were very reluctant to come back. We do not want to amend the action plan. We understand your view on that.

But we feel like we have to represent the communities that are out there asking that this be allowed. And we don't think there will be that many. It won't have a major impact on the overall expenditure of funds.

MR. CONINE: Well, if that is the case, then I think I would lean towards delaying any modification to the NOFA and we will see what kind of response we get from the municipal utilities, number one -- or the other municipalities, number one. And see if we get oversubscribed or under subscribed.

And secondly, I would want it demonstrated to me that these non-profit membership-owned utilities have either damage that hasn't been repaired yet, or they have taken on debt to repair the damage, specifically to do the repairs, and that it cost X back to the rate payers.

I don't see enough here in front of me to justify opening up the floodgates if you will without more information. And I suspect that, again, my leaning is let's see. Let's take care of the cities and counties



first and then we can move to the non-profit membership utilities second.

MR. STONE: I understand your concern Mr. Conine. If we don't amend the action plan, it will -- basically the applicants are not encouraged to turn an application in if we don't have it in the action plan. So we will be literally throwing cold water on anyone even attempting to throw an application in.

So we won't really know what is out there. And as far as your other point about what they have done, those applications will be severely scrutinized. CDBG funds have to be the fund of last resort. And so they have had to use insurance if they had it, and most of them don't have it on lines. If you are talking just about electric, utilities.

MR. CONINE: Right.

MR. STONE: Very few of those. But they are really limited on funds and they are eligible under normal CDBG and that is why we brought it back to you.

MR. CONINE: I understand that. But my home happens to be with an electrical co-op. And I got my dividend check this year. And I would like to know if those people down in Southeast Texas got their dividend checks this year. A little more information from me is

what I am going to need to get over that hump.

MR. STONE: With the approaching deadline on August 10, we will have another Board meeting between then.

MR. CONINE: Several.

MR. STONE: Several between then.

MS. ANDERSON: Or more.

MR. STONE: It will be, if you wish, we can bring it back to you next time.

MR. CONINE: I move to table this particular request. I don't want to move to deny. Because I think some of the proof of the pudding still needs to -- I need more information. So I would like to move to table to a date specific. And I would say, we are in May now. We are having two Board meeting in June. The second Board meeting in June.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: No discussion. For the amended, all in favor say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion is tabled. The item is tabled.

MR. FLORES: Madam Chair are the actual cities and counties eligible to fix utility systems the actually cities and counties --

MR. CONINE: Under the original NOFA?

MR. FLORES: No.

MR. GERBER: If --

MR. FLORES: Yes. That is what the question is. Municipally-owned or county-owned systems, are they eligible under the --

MR. HAMBY: Yes, sir. If they are wholly owned by the city or counties --

MR. FLORES: Okay. This only has to do with the private utilities.

MR. HAMBY: The coops. The private utilities where there are members.

MR. FLORES: That is the way I understood it. I just wanted to get it clarified. Thank you.

MS. ANDERSON: And Mr. Hamby, I have one other question for you. The reference was made by Mr. Stone to the fact that these are normally eligible activities, membership-owned co-ops are normally eligible entities to receive CDBG funding.

So is there anything to stop these local communities from giving current -- their current allocations of a regular CDBG funding to these people for this purpose?

MR. HAMBY: I obviously am not familiar or well versed in that program, as we don't do infrastructure for CDBG. So I would probably defer that to ORCA to answer. But I will get an answer for you by the second meeting in June.

MS. ANDERSON: Perfect. I would like to have the answer to that in the writeup.

MR. HAMBY: Thank you.

MS. ANDERSON: Thank you. Okay. Item 6D is possible approval of RFPs for a project management firm to administer the CDBG housing assistance program in Sabine Pass restoration program. Mr. Gerber.

MR. GERBER: I will let Ms. Crawford continue, please.

MS. CRAWFORD: Item 6D will let

MR. GERBER: Item 6D is staff's recommendation for the request for proposals for a project management firm to administer the CDBG housing assistance program and Sabine Pass restoration program. The Texas Partial Action Plan approved by the Board and subsequently approved by

HUD in April anticipated that the Department would advertise a request for proposal to secure a contractor to provide management and delivery of services for the HAP in Sabine Pass, elements of the action plan.

The Department engaged the law firm of Vinson and Elkins to write the draft RFP to cover standard requirements for federal contracting. These funds are federal funds and we'll have federal reporting requirements. Prior to this RFP being finalized for your consideration, the Department met and had conversations with elected officials, leaders in the faith-based community, leaders in Councils of Governments and other interested local officials in an effort to ensure that the Department is honoring our commitments made to recovery in the hurricane impacted regions of the state. The document is comprehensive and designed to solicit detailed bids that utilize the creativity of the industry.

The plan is to publish this RFP in the Texas Register, the State of Texas E-grants system, and to make it available on our website. When the applications have been received, we will assemble a review team to score and rank proposals that meet the threshold requirements. The final award of the contract will be made at the first Board meeting after the recommendation is made.

It should also be noted that the finalized draft RFP provided in your Board books was also submitted to the State's contract advisory team for review in accordance with Texas Government Code. The Department received their response at 4:30 yesterday afternoon. Therefore, their recommendations are not currently included in the RFP provided in your books for approval.

Their comments don't appear to be substantive, were more administrative in nature. We don't believe that it will significantly change anything in here that would be of interest to you. And we recommend Board approval of the RFP as proposed with the caveat that staff may incorporate those recommendations into the final RFP prior to publishing it.

MS. ANDERSON: I have a couple of questions, Kelly. In the RFP, and I want to commend staff and their contract expert on putting the RFP together. I have been all along very concerned that we have a scope of requirement or in other words, scope of work that is very clear. And an item on page 7, Item 1.4.14. The language talks about a mechanism to pre-screen and approve potential contractors.

It is still not clear to me in this scope of work whether it is in the scope for the project management

firm to actually contract for rehab and reconstruction, monitor rehab and reconstruction, do the inspections, certify the housing standards, the applicable housing standards have been followed. In other words, is this project management firm actually responsible for monitoring the progress of repairs and that kind of thing.

MS. CRAWFORD: Yes. Whoever they designate to do that. I mean, they will have the opportunity to --

MS. ANDERSON: To have local partners or whatever.

MS. CRAWFORD: Absolutely.

MS. ANDERSON: When you say prescreen and approve potential contractors that will expedite the process, to me that language fails the test of clarity. And so you know, I would -- we go around to doing a motion, I think that section needs some work.

MS. CRAWFORD: Okay.

MS. ANDERSON: My next comment is on page 8, Section 1.5.2. And I don't know 1.5.2 is the correct place to put it, or if it would be in where we talk about the program budget which I guess would be 4.4 on page 28.

But I would like language added here soliciting from the bidders their ideas for structuring their cost reimbursements with penalties for underperforming against

their proposed timetables and incentives for overperforming against the proposed timetables.

Otherwise, I just think we are saying, here is a block of money. You get it no matter how good or bad or bad a job you do.

MS. CRAWFORD: Okay.

MS. ANDERSON: And I think commercial bidders are used to seeing that kind of language. Then on page 15, 2.8.7, which is addressing the responsibility of the project management firm, they are totally responsible for the performance of their subcontractors.

The last line of that, rendered so as to comply with all requirements proposed in the RFP of like, I think we ought to say, and contract. Can we all at least side with -- we need better.

MS. CRAWFORD: Okay.

MS. ANDERSON: In 2.8.10, I have a question. We are talking about classes against whom we shall not discriminate. And my question is, why is not age not in this list?

MS. CRAWFORD: I am assuming that this is part of what Vinson and Elkins put in for the requirements --

MS. ANDERSON: Let's just check, because I would think we would want to add age to race, color,



religion, sex.

MS. CRAWFORD: Okay.

MR. CONINE: We wouldn't want my teenagers doing it.

MS. ANDERSON: On page 21 of 29, Section 3.4, one of my favorite sections, page limitations. I think 300 pages for Volume 1 makes a lot of sense to me. I think 300 pages for Volume 2 which is the cost proposal, I think that just sort of got by us. And I would say you know, 50 pages tops in that section. I am open to staff's suggestion, but it is clearly not 300 pages of cost proposal information.

And on page 22, 3.7, oral presentation section.

In the first sentence, offers have included in the competitive range described in 4.5, which is on page 28, will be invited to participate in an oral presentation to TDHCA. "Will" commits the Department to include everyone that is in some competitive range, whether they are at the top of the range, or the bottom of the range to an oral presentation.

I would prefer the word "may" to "will," to give the Department appropriate discretion. We don't know how many bidders we are going to have. We don't know if we will have a cluster at the top. So "may," I would

think would be -- if they all think they are in the competitive range, then they have less incentive to have a proposal, a written proposal to us that really stands out in this course.

Page 26, 4.3.1, criteria number one, project work plan and technical approach, second paragraph, we are talking about the offerer's ability to mobilize. And have we placed a premium on the expeditious start and completion of the programs. And we will consider the schedule proposed by the offerer including the readiness to proceed and the start date. We say, The schedule proposed by the offerer.

I think we need to be explicit that we are looking not only a schedule but milestones. In 4.3.2 the last paragraph on that page about professional services that they use. Offer should identify whether they will be internal or external.

And I think we ought to add there, and how they will be sourced. I want to know if it is not more than just is it an internal resource or an external resource. But how they go about sourcing their partners. Do they have prior -- that gives them an opportunity to explain whether they have prior experience with these potential partners or whether they are all meeting each other for

the first time.

In Section 4.5 which is talking about oral and written negotiations with all offerers in the competitive range, you need to adjust that language. Because we may not negotiate with all offerers in the competitive range, just as we may not have orals for all of them. That really should be at the Agency's sole discretion to determine who gets orals and with whom we negotiate.

And then the last paragraph on that page, again to be consistent with my earlier comments, the offerers now selected in the competitive range may have the opportunity to make an oral presentation. And then my last change, you will be glad to know, is on page 29.

The basis for awards, Section 4.7. We have a sentence in the middle of that paragraph that says the administrative fee is less important than the selection criteria scores. I am concerned about that sentence, because it says absolutely it is less important.

And so what you are creating in the minds of the bidders is an incentive to just propose the maximum admin fee, which they may all do. But I have a concern about making that blanket a statement. And maybe the penalties and incentives language if repeated here will let us add some nuance to that statement, and I would be

comfortable with that.

MS. CRAWFORD: Great. Thanks.

MS. ANDERSON: Those would be my proposed changes for the Board's consideration.

MR. FLORES: Madam Chair, now that you have rewritten the -- let me help you rewrite it.

MR. CONINE: So much for Vinson and Elkins.

MR. FLORES: Way back here, Kelly. No telling how much we paid Vinson and Elkins if I might add. 1.55, it says that environmental and the Texas Historical Commission clearances must be obtained prior to proceeding. Is that our requirement or is that a federal requirement.

MS. CRAWFORD: That is a federal requirement.

MR. FLORES: Did you say federal? Ouch. I am always worried about speed in doing these things. Obviously they just gummed up the words real good with that one.

MS. CRAWFORD: Well, environmental perhaps. But again, as I reported on earlier, we are working on a memorandum of understanding with Texas Historical Commission that should help us expedite those types of clearances. Not the environmental as necessary but the Historical Commissions.

MR. FLORES: Sometimes they would allow you to do things by having a professional act on their behalf and sealed documents or whatever. Anything to expedite it. Because I know it is just going to slow the process. It is already slow as it is.

MR. GERBER: We certainly are looking for ways to expedite the environmental clearance process, and we are certainly partnering with ORCA and others to -- anything we can do to try to make it as easy as we can. We want to -- we have had a great discussion with the Chair on the historical commission. John Now and he and his Executive Director, Larry Oaks [phonetic] are working with us. We are going to enter into an MOU that will have a Texas Historical Commission employee dedicated to the clearance of the historic preservation requirements.

So if something is not within a designated historic district, or is not otherwise deemed historically notable, we believe that we are going to get a very fast turnaround, like on the order of days. If something does fall within one of those districts, it will be subject to a slightly higher level of scrutiny. But they are very much working with us to expedite it.

On the environmental clearance side, it is fair to say, it has been a problem all around. And there has

not been an easy way to crack the code on that.

MR. FLORES: Kelly, the documents that I have seen now on environmental always talk about lead paint, and they talk about -- what is the other one. There is two things. Lead paint is one of them. The other one is --

MS. CRAWFORD: Asbestos?

MR. FLORES: Asbestos. Do they worry about the ground?

MS. CRAWFORD: They worry about a lot of things. They worry about proximity to railroads.

MR. FLORES: So there is more to it than those two.

MS. CRAWFORD: Yes. It is a quite complicated process.

MR. FLORES: Thank you for the good news.

MS. CRAWFORD: Sorry.

MR. FLORES: Thank you. Obviously there is nothing we can do about it but it has been one year and nine months since the event, and here we are still.

MS. CRAWFORD: Yes, sir.

MR. FLORES: Thank you.

MR. CONINE: Move approval of 6D as amended.

MR. FLORES: Second, I think.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Agenda item 7A is a possible approval of Webb County Colonia Self-Help Center extension request.

MR. GERBER: Madam Chair and Board members, this is a combined contract extension, performance statement and budget amendment for the Webb County Self-Help Center. Webb County has completed all the activities contracted, with the exception of the housing activities for rehabilitation and reconstruction.

The primary cause of delay relates to the program rules that do not allow the Self-Help Center to conduct housing activities in areas that do not have the availability of water and wastewater services. The housing activities that Webb County had targeted were weighting the water and wastewater mainline infrastructure, which were being undertaken by the Texas

Water Development Board and the North American Development Bank.

That infrastructure is now being installed into the Webb County Self-Help Center service area and water system hookups are imminent in the colonias of Tanquistos 1 and 2. The amendment would allow the Colonia Self-Help Center to complete the housing activities and make revisions to its budget to execute, to make revisions to its budget and to execute activities that are not longer necessary.

Staff has redirected surplus funds resulting from the removal of now unnecessary legal services and unutilized housing relocation funds from the contract which totals \$79,772 to the housing rehabilitation and reconstruction line items. These funds will be utilized to add three additional units to be rehabilitated and or reconstructed in areas that will be fully serviced by water and wastewater by the end of the proposed contract period.

So staff is recommending approval of the amendment for Webb County and the new end date would be October 31, 2008. And that will bring the contract to the four year period as specified by legislation for Colonia Self-Help Center contracts.



MR. FLORES: So moved.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 8 is request for amendments to HOME contracts.

MR. GERBER: Madam Chair and Board members, the first one is the Marble Falls Housing Development Corporation contract number 534339. This first request, again for the Marble Falls Housing Development Corporation where the administrator is requesting a modification to the special needs requirement in the LURA for Southwest Village Apartments in Marble Falls.

The current LURA requires that 100 percent or all 24 units be leased by special needs individuals. The LURA defines a special needs individual or special needs family as an individual or family of low income or very low income who is considered disabled, handicapped or

elderly. A special needs family also includes a large family consisting of at least five members.

The administrator states that it has been difficult for them to lease their 24 three-bedroom units to special needs households. The property cannot sustain having vacancies for long periods of time, waiting for families that will meet the special needs requirement as currently defined in the LURA. The vacancy rate has been detrimental to the cash flow that is needed to pay bills and salaries on the property.

Consistent with the Department's integrated housing rule and in compliance with the Fair Housing Act, staff is recommending that the property provide no more than 36 percent or eight of the units for people with disabilities. The special needs definition would be amended to include persons with disabilities, large families. The property is in compliance with Department requirements.

MR. BOGANY: Staff recommendation.

MR. GERBER: Yes. Staff recommendation is to let the property provide no more than 36 percent or eight of the units for people with disabilities.

MR. CONINE: Quick question. Normally, and set aside circumstances. If the units remain vacant for a

specified period of time and no one shows up to take them, then they revert to the public if you will in a lot of cases. Is that not true with this specific LURA?

MS. MURPHY: Patricia Murphy, Manager of Compliance Monitoring. The language that you are referring to is specific in the tax credit QAP. So that language is not found in this HOME LURA.

MR. CONINE: So staff is recommending reducing 24 to eight instead of inserting language that would keep it at 24, but open it up if the units have been vacant for a specified period of time. I am trying to decide which one is better for the low income population of the State of Texas specifically, Marble Falls.

MS. MURPHY: The administrators' original request was to reduce the special needs set-aside to 75 percent of the units. And in reviewing what the administrator requested the staff looked at the Integrated Housing Rule and said, let's go ahead and along the lines of their request, just reduce the special needs set-aside to eight units.

MS. ANDERSON: So we would never do a LURA like this anymore with 100 percent special needs units because it would violate our Integrated Housing Rule?

MS. MURPHY: That is correct. This LURA was

executed prior to the Integrated Housing Rule.

MR. CONINE: Okay. Move approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

I am going to ask the Vice chair to take this next item.

MR. CONINE: Family crisis center. Mr. Gerber.

MR. GERBER: Mr. Chairman and Board members.

The second request is for the Family Crisis Center. The administrator is requesting that the long term occupancy requirement in the LURA for Bastrop County Women's Shelter be reduced by one unit from 21 to 20 restricted units.

The property provides shelter to women and children escaping family violence or sexual assault. The administrator is allowed one unit to be occupied by an onsite security officer who is not income qualified under

the current set-asides. The officer donates his time by assisting with security and community policing during his off hours.

Without the reduction of one unit, the administrator will be required to reoccupy the unit with an income eligible household or face being cited with a compliance finding for allowing an income ineligible household to occupy a unit. Staff is recommending the approval of the reduction of one unit.

The residents of the property would benefit from the services by the security officer. If approved, the LURA would be amended so that only 20 of the 21 units are restricted by the home occupancy requirements. LURA would require that nine units be available for households at 50 AMFI and eleven units be available for households of 30 AMFI. The property is in compliance with Department requirements.

MR. FLORES: So moved.

MR. BOGANY: Second.

MR. CONINE: Motion and a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Next.

MR. GERBER: Mr. Chairman and Board members, the third request is from Tanglewood LLC. The administrator is requesting to reduce the number of restricted home units in the LURA for Riverview Apartments in San Marcos from 54 units to 53 units. The current LURA requires that 100 percent of the rental units be occupied by households at or below 50 percent AMFI.

The administrator has been cited a compliance finding for using one of the units as a rental office for the community. The administrator states that in order to properly manage the property, it is essential to use one the units as a rental office. Staff is recommending the approval of the reduction of one unit.

The development would require an office to manage -- the development does require an office to manage the property and if approved, the LURA would be amended so that only 53 of the 54 units are restricted by the home occupancy requirements.

MR. FLORES: So moved.

MR. BOGANY: Second.

MR. CONINE: Motion. Second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Next.

MR. GERBER: Board members, two requests have been submitted by the affordable housing of Parker County.

The first request is a restructure of CHDO project funds and CHDO operating funds remaining under contract numbers 54-2004 and 54-2010. The administrator is requesting the opportunity to complete the original obligation to create home ownership opportunities for low income families in Parker and Wise counties.

Specifically, the administrator requests the remaining project and operating funds in contract number 54-2010 be transferred to contract number 54-2004. This would increase the total contract budget to \$207,087.46 of which \$195,837 is available for down payment assistance. Contract 54-2010 would be closed, and the remaining four households that were pledged but not served would be added

to the two unserved households in the remaining contract.

The administrator is also requesting that the contract end date be extended until May 31, 2008. The required number of assisted households for the remaining contract would increase from a total of nine to ten. The administrator requests that they be allowed to assist each low income home buyer with a maximum of \$20,000 in home buyer assistance structured as ten years, zero percent interest, deferred or forgivable loans held by the Department.

The tenth assisted household would receive the balance of the funds up to \$20,000, if less than \$20,000 is available. Is there anything else you want to add to this. Staff does not recommend the administrator's proposal because it violates the original award terms, because it is inconsistent with the down payment assistance program as most recently approved by the Board.

The current Board policy with regard to the down payment assistance allows up to 10,000 per household and 15,000 per household with a member that has a disability. Staff recommends that the expired contract be deobligated, and if the unexpired contract cannot be fulfilled as agreed and is not voluntarily returned, that



it be terminated and the funds for it be deobligated as well.

MR. CONINE: Move staff's recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: The next is Affordable Housing of Parker County, Contract 1000-453. And they are requesting additional funds of \$118,339 in TBRA funds in order to assist three or four households with rental assistance past the 24 months originally allocated. The administrator sent 30 day notices to assisted households to notify them that their 24 months of assistance were ending.

The households were distressed that their rental assistance was being terminated, because Section 8 vouchers are not available in Wise County. The families

do not have access to another form of rental subsidy. Although the intent of the CBRA program is to provide rental assistance for 24 months, HOME program rules do allow for the assistance to be extended if funds are available.

The administrator has requested that they be allowed to provide rental assistance to their existing tenants until May 31, 2008, to allow Wise County officials time to procure Section 8 vouchers to assist the households. The administrator also requests a two month extension in order to assist the families until May 31 of 2008.

Staff does not recommend approval. In order to approve the use of deobligated funds, the Board must determine that the request is unique or extenuating, and this does not meet that test, in our opinion. If the Board choose to approve the amount of the contract amount, would be increased by \$344,910, not including a 4 percent administrative funds.

Approval of this amendment would require the administrator to provide the Department with a monthly contract progress report in the form prescribed by the Department. Sufficient HOME deobligated funds are available to fund this request if the Board so chose.

MR. CONINE: Move staff's recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: Val Verde County. The next request is Val Verde County Contract 1000156. The County has previously been permitted two amendments to extend the contract end date, as a result of delays with the procure process and slow construction progress. The Board approved a second amendment at the October 2006 meeting, extending the end date to March 31, 2007.

The County is requesting an additional -- the County is requesting a third amendment to further extend the end date of their contract for nine additional months until December 31, 2007. The county is also requesting that the maximum amount of assistance for three households be increased from \$50,000 per household to \$60,000 per

household. The number of assisted households will remain at six. Additional funds of 30,000 would be required to fund this request.

The County has previously deobligated 208,000 in contract funds. Due to a lack of performance, the County terminated the services of their consultant, SMI Consulting. Since then, the County has proceeded with the procurement of a building contractor. The building contractor has indicated that the three remaining homes can be completed for \$60,000 per home.

There is no change of construction status since the October 2006 Board meeting. Three homes have been completed, and the County states that a nine month extension is necessary to complete reconstruction on the remaining three homes.

In your Board book you will see a status on the remaining three homes. Staff does not recommend approval of this request. At the time of the second extension for nine months, the County assured the Department and the Board that the contract would be completed by the amended contract end date. And today, 44 months since the contract start date, the County has only expended 31 percent of the funds.

MR. CONINE: Move staff's recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Thank you. I have several people who would like to comment on this. Mr. Martinez. And the next witness is Ramiro Ramone.

MR. MARTINEZ: Good afternoon, Madam Chair, ladies and gentlemen of the Board. Thank you for this opportunity to address this honorable Board in the request from Val Verde County for an additional extension. Looking at it on its face, certainly this Board would be within its purview to deny the request and follow the staff recommendation.

But we are here to plead with this Court not to do that. And for these main bases. It appears from what Mr. Gerber just read that the county has really done nothing. And to a certain extent, as far as the construction is concerned, that is true. I wish I were here to tell you differently.

And I can tell you on behalf of Val Verde County Judge Mike Hernandez and the County Commissioners of Val Verde County that they are embarrassed that we are here making this request today. Nonetheless, we are here for three -- to try to salvage the intent and the spirit of this program for three families.

Since the last extension in October of 2006,

Val Verde County has taken several steps that I would like to share with you. First and foremost, we were faced with difficult task of having to terminate our contractual agreement with SMI consulting, who we had relied on tremendously in this program from inception.

Immediately, the County Commissioners took it upon themselves to try to find some one else to assist us in managing this program. Commission Alfredo Delgado who is the head of our local housing authority there in Del Rio. And initially indicated that he would be willing to assist us in getting these homes built.

And it wasn't until about three months ago he advised us that he would not be able to undertake that task. So once gain, Commission be placed in a very difficult situation. We continue to look for builders ourselves and we have now found a very reputable builder, JP Sanchez Construction Incorporated.

And Mr. Sanchez is here with us today, along with Juan Lopez who is a subcontractor who is also present here today, who are here to advise this Board that we -- that Val Verde County, JP Sanchez Construction and Mr. Lopez are committed to seeing at least these three homes salvaged.

The status of the homeowners has not changed

since October of 2006. For all intent and purposes, we have three families that are displaced. And as I indicated earlier, we are embarrassed that we are in this predicament, but we are trying to make it right.

We know the issues are very obvious. But we are coming here today with what we think is a very doable solution, and we would respectfully ask this Board not to follow the recommendation of staff, with all due respect to staff; they have been very helpful to us.

But we would like this Board to grant an extension. Mr. Sanchez has indicated to me that he would need no more than three or four months to build the homes.

I know the request is for nine months.

But he has also indicated that he will not be able -- he cannot build the homes at the rate that was allotted for \$50,000 per home. And that is why we were asking for the increase to \$60,000. Thank you for your consideration. Oh, I am sorry. My name is David Martinez and I am a special assistant to the County attorney in Val Verde town.

MS. ANDERSON: Mr. Martinez. I have a question.

MR. MARTINEZ: Yes, ma'am.

MS. ANDERSON: The first unit was demolished in

December of 2005. The second unit is partially demolished, construction not started, home no longer habitable. The second unit that is partially demolished, when did that partial demolition occur.

MR. MARTINEZ: That partial demolition occurred, if am not mistaken, either late last spring or during the summer of 2006.

MS. ANDERSON: Why do you suppose a home was partially demolished when a home that been demolished in December of 2005, there was no progress on that home.

MR. MARTINEZ: I wish I could answer that question for you, ma'am.

MS. ANDERSON: Do you understand what that does to this Board? It puts this Board in the position of --

MR. MARTINEZ: I understand, ma'am. Unfortunately for Val Verde County -- I wish I had an answer that would be acceptable to this Board, but I don't. We relied greatly on our --

MS. ANDERSON: And the Housing Authority was in charge in mid-2006, when you believe this home as partially demolished.

MR. MARTINEZ: No. The Housing Authority had indicated that they would be able to assist us after we terminated SMI Consulting. SMI Consulting was still on



board until the latter part of October to November of '06.

MS. ANDERSON: Okay. Ms. Ray.

MS. RAY: My concern is, I remember this particular situation. This was my very first Board meeting. And unfortunately it was -- the county, Val Verde County came in at that time and assured us that we had these three families that were displaced, and we didn't want to see these families out there. If you give us so much time, and well be done.

And here we are in May, and we still have three same houses in almost the same state that they were. I guess my question, not so much for you, but I would like to ask the staff; maybe the executive director can answer me.

It has been 44 months and this work has not been completed. What would be the next opportunity for them to start all over again?

MR. GERBER: Uh-huh.

MS. RAY: These families have been displaced a long time; I mean -- and have another application process.

MS. ANDERSON: Thank you, Mr. Martinez.

MR. MARTINEZ: Thank you.

MR. GERBER: Jeanie, why don't you touch on that real quick?

MR. FLORES: Just stay close by.

MS. ARRELLANO: Jeanie Arrellano, Director of the HOME program. Our next funding cycle for this activity -- would be for unoccupied rehab -- would not happen again until next year, after --

MS. ANDERSON: Would this kind of delay and extension cause them to fall into this category where they would get some negative points and it would make them harder to score in the money?

MS. ARRELLANO: Yes.

MR. FLORES: Madam Chair, of course -- Mr. Martinez, would you go back to the mike, please. These three families are displaced. You haven't said much more than displaced. Where are they living and who is taking care of their expenses?

MR. MARTINEZ: Right now, they are living with family members, with other family members; two of them are. Two of the families are. The Renteria family, the Rodriguez family and the Trevino family are the families that we are concerned with.

One of the families has another small abode on their lot, so they were able to move into that. So they were displaced from their primary home, but they have another home on their property.

MS. ANDERSON: I have some more public comment.

MR. FLORES: Okay.

MR. MARTINEZ: That is it. Thank you.

MS. ANDERSON: Mr. Ramone.

MR. RAMONE: Madam Chair and Board members, my name is Ramiro Ramone. I am a County Commissioner, Precinct 1, for the County of Val Verde. And two of the displaced families are already in my precinct. I know there has been a lot of failures in this program.

And the bottom line is, Val Verde County is the one that received the grant, and we were responsible. Whether for lack of oversight, lack of experience, this is the first time that we have received such a grant, and to be honest with you, I personally would not like another experience like this.

But again, I have got two families that are my constituents, and they are displaced and have been displaced for awhile. The Renteria family had their house torn down and the slab poured, and that was all that was done.

The Rodriguez family is an elderly lady. She is a widow. Her windows and her doors were removed. She has been living with a daughter. In fact, we have helped her, during the winter, secure some heating for their

home, because they were lacking heating. But again, it hasn't been in her home, and this is my concern.

We, as mentioned by Mr. Martinez, have secured the help of a contractor, a local contractor, one of the best in Del Rio, Mr. Sanchez. And again, he is here with us today to reiterate that he is willing to help us through this situation and finish the three homes that were started and not completed.

There were four other homes that we were allowed to go in there and either repair or replace. But we are concerned right now, let's finish what we have got and then move on. Again, I humbly request that you consider going against staff recommendation and allow us to complete the three homes for the benefit of the people that have been displaced.

And again, bottom line, we accept responsibility for what has happened. Despite all the failures that went on, we are the ones that received the grant. And we accept responsibility for that.

MR. BOGANY: Madam Chair, I have a question. Is the \$10,000 more that they are requesting -- is that per unit?

MR. RAMONE: That is per unit, sir. And again, it has been mentioned I think several times today, the

increase in costs of materials and that is the main reason why the increase.

MR. BOGANY: But thinking that you had the foundation complete on two of them, which is a great deal of cost when you build it, you know, it looked like why couldn't the county contribute some money for the extra cost? Why can't the county take a stake in this now? We made our stake.

MR. RAMONE: I understand, sir. And again, we are a property-poor county. We run a shoestring budget. If I had the money in my budget, I would have done it a long time ago, but we do not have the money.

MR. BOGANY: Okay.

MS. ANDERSON: I have a question, sir. Was SMI paid anything, to date, for -- in fees for their involvement in this contract?

MR. RAMONE: Mr. Martinez, would you like to address that, sir? They did receive some administrative costs. Yes.

MR. MARTINEZ: I believe that answer to that is yes. I don't have the specifics, but I believe the answer is yes.

MS. ANDERSON: Other questions for Mr. Ramone?

(No response.)

MS. ANDERSON: Thank you, Mr. Ramone.

MR. BOGANY: I would like to ask the contractor why, if you got slabs down, you need still \$10,000 --

MS. ANDERSON: Mr. Sanchez, are you here? If you would, one of the Board members would like to ask you a question. And then if you would -- and then we will need to ask you to fill out a witness affirmation form.

MR. SANCHEZ: Yes, ma'am. There is three different houses. And this particular house is large. My name is JP Sanchez. I am the owner of JP Sanchez Construction Company. There are three different floor plans, and this particular floor plan is larger, and that's is why there is a difference.

MR. BOGANY: Okay. Thank you.

MR. FLORES: Madam Chair.

Sanchez, before you leave, could you go back to the mic. Did you pour the slabs for these?

MR. SANCHEZ: No, sir. I --

MR. FLORES: Someone else did.

MR. SANCHEZ: Yes, sir.

MR. FLORES: And someone else got paid for it.

MR. SANCHEZ: Yes, sir. I do believe so.

MR. FLORES: Can somebody answer the question?

Mr. Martinez, somebody back here? Who paid for the slabs that are on the ground. Somebody -- or did they?

MR. MARTINEZ: I believe that there's only one slab actually on the ground, and the other foundation was cracked, but --

MR. FLORES: Would you please come to the microphone, sir.

Mr. Sanchez, why don't you stay up, too.

MR. MARTINEZ: There is someone here today that is probably better prepared to answer that question than myself, and that is Mr. Chavira, who was so graciously present here today. And Mr. Chavira, who is the owner of SMI consulting, would probably be able to better answer the questions as to what happened up until October --

MR. FLORES: I don't want to know what happened. I just want to know who paid for the slab. That is all that I am looking for.

MR. MARTINEZ: And I guess, with all due respect, Mr. Flores, I don't know the answer to that, but I believe that Mr. Chavira does.

MR. FLORES: Okay. Could we ask Chavira to come forward.

MS. ANDERSON: Mr. Chavira has signed up to be

a witness.

MR. FLORES: Okay. Just one question. One question only.

MR. CHAVIRA: Yes. My name --

MR. FLORES: Was the slab paid for?

MR. CHAVIRA: That was paid for by the HOME program.

MR. FLORES: Thank you. Go ahead and give your name now. I think they need it.

MR. CHAVIRA: Robert Chavira, SMI Consulting. Thank you for the opportunity to speak. And I do mean that wholeheartedly, because in the past, I have not ever had opportunities to speak and defend myself relating to issues such as this thing with Val Verde County.

I would like to start by answering your question. You mentioned why the houses started as far as -- when they started. The answer is that the houses in question did not start in December. These houses started in March or April of 2006. Now, the intent was to start six houses all together, and we started three -- the first three in November and December of 2005.

When we got to January of 2006, I was instructed by another county commissioner, who is not here, by the name of Jesus Ortiz, not to start those three



houses that are in question until the first three houses that we began in December were completed.

Now, from my standpoint as a project manager, that immediately puts me in the spot, because we have a short time frame to complete all houses.

To start three and finish before we can start the remaining three, that just ruined the program. Now, that information can be confirmed by one of your staff persons by the name of Lucy Trevino, because Commissioner Ortiz spoke with Lucy and mentioned that. So she can confirm that.

Your other question -- well, actually, I think I did answer your question. But -- oh, actually, there was one other thing relating to -- not performance.

Now, when the Board had approved the extension back in October of 2006, I was not notified at all that the county had intentions of terminating my contract, and actually did in November of 2006. It wasn't until afterwards when I actually found out. I had to find out from somebody else.

I actually made an open records request to get a copy of the agenda and the minutes. This was done in December of 2006; I didn't get it until February of this year. So I am extremely upset that there is an impression

painted on my services relating to this HOME program.

At the time that I was implementing Val Verde County, I was also implementing eight other contracts, including the City of Cotulla, which was mentioned, several months before, as far as -- at one of your Board meetings. But there were other issues relating to that, if you want to discuss, I would be willing to at this point, but the other eight contracts were completed. There were 73 houses that were completed.

And so as far as a record, I do have a track record. My houses, I believe that I designed myself are the prettiest houses under this HOME program. They have better quality than others, and it is just a matter of -- up to you as a Board. I would invite you to visit any of the work that I oversee, and you will see for yourself. I would be glad to answer any questions.

MR. CONINE: I still don't understand why the three houses weren't finished.

MR. CHAVIRA: The contract expired in May of 2006. We started the first three houses in December 2005. When we got to January 2006, I was instructed by the County Commissioner not to start those three houses until the first three houses that we had begun in December 2005, were completely completed 100 percent.

MR. CONINE: Right. And were they completed?

MR. CHAVIRA: Yes.

MR. CONINE: They were?

MR. CHAVIRA: Yes, they were.

MR. CONINE: So this is the second three houses, not the first three houses.

MR. CHAVIRA: Yes. Right. And it wasn't until after I started pushing this County Commissioner to overturn his decision, which he did, in March or April of 2006 where we actually started. And that is the reason why we poured that slab. And the intent was to work as fast as we could to get these houses done.

MR. FLORES: Fellow Commissioners, I am in a quandary. Thank you very much. I don't have questions for you. How come there is three families out there without a house that somebody else caused the problem? It wasn't us.

However, there is injury to three Texas families I think we have some obligation to. I would like to propose that we go ahead and appropriate the additional \$30,000. Go against staff approval and --

MR. HAMBY: That's already --

MR. FLORES: -- request a monthly report. I am still making a motion.

MR. HAMBY: But there's a motion on the floor at this point. Mr. Conine had already made a motion.

MR. FLORES: Did you make a motion, Kent?

MR. HAMBY: And his second, Mr. Bogany.

MR. FLORES: Would you withdraw that motion?

MR. CONINE: After I get another question answered.

MR. FLORES: Well, you can get lucky. You can defeat my question. You can do whatever you want. But it is real easy to defeat my question. It just needs to get three votes. But you need to withdraw it, or else obviously, I can't put another motion on the floor.

MR. CONINE: Right.

MR. FLORES: Oh.

MR. CONINE: I understand that.

Staff, I need one more question answered, if I might. I am showing amount drawn, \$160,245. And I am showing an administration amount of \$12,000. And my question is, if we approve the staff recommendation, which means we don't finish the houses, is the County obligated to return any of that money?

MS. TREVINO: Lucy Trevino, manager in PMC. The only amount that would be in question would be if funds were drawn down for the foundation of the fourth

house, then that would be disallowed, and we would ask for that money back.

MR. CONINE: Well, it seems like to me there is two foundations already sitting there.

MR. FLORES: There is only one, Kent.

MS. RAY: Two.

MR. CONINE: Foundation complete on two houses.

MS. TREVINO: Any funds that were reimbursed for any of these three houses, if we don't finish them, would be disallowed, and we would ask for that money back.

MR. CONINE: And let me ask about the administration amount of \$12,000.

MS. TREVINO: We allow 4 percent pro rata, so if we are allowing 150,000, then we would allow 4 percent for admin. And if we reimburse more than that, we would ask for that money back as well.

MR. CONINE: And that admin money would be going to the county in this case, since the consultant -- well, since they were the applicant. Correct.

MS. TREVINO: Yes. That is correct.

MR. CONINE: And then now there is no consultant because the consultant has been terminated.

MS. TREVINO: That is correct.

MR. CONINE: As far as we know.

MS. TREVINO: So it would be the county that would be entitled to the 4 percent admin.

MR. CONINE: Okay. Thank you. I think I understand where we are.

I will withdraw my motion.

MR. FLORES: Thank you. Now, I don't quite understand now how much money is required to build these three houses. Would somebody explain that to me so I can frame my motion?

Lucy would you come back, and give me answers to the questions.

MR. HAMBY: And I will let Lucy in just a second. But you remember that we had the \$10,000 or the 5 percent increases, which worked out to be about \$10,000 on a 2005, 2006. This would not have gotten that original that \$10,000 increase -- I'm sorry -- \$5,000 increase, because it predated, and these homes should have been completed in time. So they would not have gotten the increase that the Board approved at the meeting two meetings ago.

MS. ANDERSON: But we just approved from 50- to 55-, not 50- to 60-.

MR. HAMBY: We actually approved from 55- to 60-.

MS. ANDERSON: Okay.

MR. CONINE: I will make a motion if you won't.

MR. FLORES: That is fine. I just want to make sure we have the adequate funds, because obviously, it has gotten more confused than ever. Go ahead.

MR. CONINE: I will make a motion that we approve another \$180,000 to finish these three houses; no administration to go to the county, and the extension of time until December 31, 2007.

MR. FLORES: Kent, would you add to it a monthly reporting required for the staff and --

MR. CONINE: I would be glad to do that.

MR. FLORES: -- hopefully the appearance of Mr. Martinez back here by that time telling us it is complete.

MR. CONINE: I would be glad to do that. Accept that amendment. That is my motion.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

Unfortunately, this is not the first thing like this we have seen. We need this started now, not on November 1, not on October 1. We need this work to start now. These people -- these poor three families. You know, we all share in the shame over having these people out of their house all of this time. So let's get this moving.

MR. CONINE: And not only that, we saved the county from getting dinged for future allocations. So let's get going.

MR. GERBER: The next request is from United Cerebral Palsy. The administrator is requesting additional funds of \$132,500 -- \$125,000 for project funds and \$7,500 for administrative funds -- in order to be able to assist five additional disabled households with down payment and housing rehabilitation assistance.

The administrator is also requesting to extend the end date of their contract for six months from May 31, 2007, to November 30, 2007, in order to have sufficient time to assist the additional households.

The administrator states that the Home of Your Own program has an extensive waiting list of disabled households. The administrator states that they have committed all their existing funds, and that a request for



additional funds is necessary to compensate for delays in the issuance of the 2007 Department NOFA to address the housing needs of individuals with disabilities. The administrator was awarded \$625,000 in 2006 HOME funds.

To date, nine months after the start date, the administrator has committed \$257,000, or 41 percent, of the project funds as expended; \$207,000, or 31 percent, of the contract funds.

Staff does not recommend approval. In order to approve the use of deobligated funds, the Board must again determine that the request is unique or extenuating in accordance with the Department's deobligation policy.

Approval also requires a waiver of the maximum allowable funding in the State HOME rules, and would require confirmation of continued compliance with the 95-5 statutory funding requirement.

A new NOFA has been issued that makes similar funds available on a competitive basis. If the Board chooses to approve the amendment, the contract amount would be increased to \$662,500, including 6 percent administrative funds.

Approval of this amendment would require the administrator to provide the Department with a monthly contract progress report in the form prescribed by the

Department.

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

Mr. Schwartz.

MR. SCHWARTZ: Good afternoon, Chair Anderson and Board members. It has been a long time since I have come to talk to you, and it is nice to be back. This feels sort of like old home week. I am Jonas Schwartz, and I am currently serving as the President of the Board for United Cerebral Palsy of Texas.

This organization operates the Texas Home of Your Own program, and as stated by Mr. Gerber, we are requesting an amendment to our current HOME contract, number 1371, in the amount of \$132,500.

We have expended all of the funds from our current contract. We find ourselves requesting this extension and amendment, because typically this would be the time of year when the Department would make its new HOME awards, but because of the delay in the NOFA, that is not going to be happening.

And we have several individuals with disabilities that we are working with that are in the pipeline and we have people along a continuum. And since we have people on the continuum, we simply are requesting

the additional funds in this contract amendment in order to build a bridge between now and the time we are able to apply for the new NOFA and those awards are made.

We simply want to continue to be able to serve the prospective homeowners that we are working with until such time decisions are made about the new NOFA, which we fully intend to apply for in the regions where we have community partners that are assisting us. So I will be more than happy to answer any questions.

In closing, I do want to say that we have exceeded our contract goals. We said that we would serve 20 families, and we have served 24. Recently TDHCA staff came to our organization and did an audit and found no issues with our audit, and we are very pleased with the way we have administered this program. Thank you.

MS. ANDERSON: Any questions for Mr. Schwartz?  
(No response.)

MS. ANDERSON: Thank you so much.

Just for the Board's information, Mr. Schwartz is correct when he notes that we approved two HOME NOFAs targeted to persons with disabilities on February 1. And those NOFAs -- it was a surprise -- I mean, I wasn't aware these NOFAs had not been released because we were waiting on approval with the Consolidated Plan from HUD.

And so this sort of delay in publishing these NOFAs creates concerns, not just for this applicant, or part recipient but for others as well. And so the delay in the Consolidated Action Plan is creating delays.

And so at this time, I would like to direct the staff to proceed immediately with the publication of these two NOFAs and release an application deadline. That will allow staff to do a timely -- you know, proceed then with a timely review of the applications. And we expect HUD approval to be received shortly, and so HUD approval would be received prior to award of -- prior to the awards being made.

But the applicants that are already poised and ready to make application can certainly do so, and that will speed up the funding pipeline. I think I am within my rights with the Board's agreement to go ahead and say we can release the NOFA; we just can't make the final awards until we have approval of the Consolidated Action Plan from HUD, which as I understand normally takes a while to get approved, but normally such approval is granted about this time of year.

MR. HAMBY: Yes, ma'am. These are new -- these two NOFAs are new structures. And so they have not previously had approval from HUD on those, and so we are

awaiting that approval. But this Board, assuming there is no objection from your fellow members, can direct the staff to take that reasonable risk and move forward, subject to receiving that approval prior to award going out.

MR. BOGANY: Do we need to make a motion?

MS. ANDERSON: We still have this item before us. Yes.

MR. BOGANY: Then I would like to make the motion that we take the Chair's recommendation in moving this forward.

MS. RAY: Madam Chair.

MS. ANDERSON: Yes, ma'am.

MR. BOGANY: Move the NOFAs forward.

MR. HAMBY: Actually, you can't make that recommendation.

MS. ANDERSON: It is not on the agenda.

MR. HAMBY: It is more of a directive to your staff member, your employees, that you would like to see those going out.

MS. ANDERSON: So the motion needs to be about whether or not to grant additional funds under the current contract.

MS. RAY: And these will be, as I understand

it, from deobligated funds.

MS. ANDERSON: Yes.

MR. HAMBY: Correct. Under the new deobligation policy.

MR. FLORES: But, Kevin, the appropriate motion is do you either approve or deny the appeal.

MS. ANDERSON: Right. The staff recommendation.

MR. FLORES: Staff recommendation.

MR. HAMBY: And you probably have to give it something in the form as the staff had written, under the new deobligation policy, why this is unique and requires -- and I don't know --

MR. FLORES: Please frame it.

MR. GERBER: Funding to existing previously-awarded eligible contracts that need additional resources for circumstances considered unique or extenuating by the Department's Board.

MR. HAMBY: You probably have to give us some direction as to what would be unique and extenuating.

MR. BOGANY: I have a question, Chair. Why can't we vote the staff recommendation and then give -- to deny and get them to get this NOFA out so he can get this money.

MS. ANDERSON: That is possible. But the only motion we have to act on is the first part of that, because I have just directed him, with you all hearing to go ahead and do the second part which is get the NOFAs on the street.

MR. BOGANY: I move that we accept staff's recommendation.

MR. HAMBY: That would be to deny the appeal.

MR. BOGANY: Right.

MR. FLORES: Why would you not approve the -- I'm trying to figure out what to say. Why would you do the opposite?

MR. BOGANY: Well, my quandary is that the NOFA is coming out. And that is what has been holding them up in their process to getting funds. So if we go with staff's recommendation to deny the appeal and then when the NOFA comes out based on HUD, they are going to get their funds at that point.

MS. ANDERSON: And I have a question maybe for staff about the level of commitment in the current contract, because they say they have used all the funds, but the writeup says they have committed 41 percent and expended 31 percent. As of what date is that?

MS. TREVINO: That is as of two weeks ago, when

this was written. That is what was committed in the contract system.

MS. ANDERSON: Is 41 percent of the total funds.

MS. TREVINO: Right. Now, they could have made other commitments that they just have not submitted to us through the contact system. And then in their letter, that was what was stated --

MS. ANDERSON: Right.

MS. TREVINO: -- that they have already committed all of their funds and that they have a waiting list.

MR. CONINE: I will second Shad's motion.

MS. ANDERSON: Discussion?

MR. BOGANY: I have one question, and I guess it is for United Cerebral Palsy. How many of these deals are these houses being built? Are these resales? What is the time frame in that?

MS. LANGENDORF: I am Jean Langendorf with United Cerebral Palsy of Texas, Executive Director. And I did submit -- in case there were some questions. The process we have, and we have a pipeline that -- you all and the staff knows this from coming out and auditing us. We have a process where we make a commitment to an



individual who has gone through our process, home ownership counseling, and everything.

And they go to a lender with their commitment.

Those will never show up on you all's system until we are getting ready to close, because we don't ask -- it is a reimbursement thing. So we have to front the money. So we don't ask for the money.

So the money that they are talking about showing up there, being committed, is not for our purposes. We send out the letter of commitment, and we have made -- we have applications in for those letters of commitment that take that -- are past the money we currently have.

So because of the delay in the NOFA, we are in a situation that we will have to stop the pipeline and say there is nothing available for those of you that are in home ownership counseling classes and ready to come out, that we in past years would have had -- be able to say, Here is a letter of commitment; go to the lender, and then go look for your home.

We don't build houses. It is strictly we work with realtors in the community; they find a home that meets their needs. If they need modifications, fortunately -- and that is one of the unique things of the

program -- is that we are able to help them with the modifications in that home.

So you know, for our purposes, we are at a stuck point, because there is no NOFA out on the street -- well, there was a NOFA out on the street, but it was draft. And so the deadline was tomorrow, but we were just notified yesterday there is no deadline.

So we don't know, and I guess you all don't know exactly when the deadline is going to be. Then you have to do those applications. So consequently, we will just be in that position which we don't want to be in, obviously if we have people, some of whom we have been working with for years.

I mean, our program has been in existence ten years. We work with people a long time to clean up their credit and work towards home ownership. We do a lot of one on one.

MS. ANDERSON: Thank you.

MR. BOGANY: Madam Chair. I have used this program with some clients, so I am familiar with it. But I guess I don't see any difference than when we run out of bond money and we have got people sitting in the pipeline waiting for bond money to come out so they can purchase their homes. And I guess I see it as the same equal plane

there.

MS. ANDERSON: Well, we had a lot of calls on our deobligated HOME funds. We just did 500,000 of them today for the City of Roma. And we have other flooding issues, very recently around Texas. So I mean -- and we just put 5 million in deobligated funds on the street earlier today for a rural rental, so -- and the staff helps us manage, you know, the pipeline of deobligated HOME funds, but there are a lot of calls on that money.

MS. RAY: Madam Chair, the only concern that I have, if the Board would overturn the staff recommendation, I'm having a hard time trying to figure out what would be unique or extenuating in this particular circumstance.

This is merely a pipeline for an ongoing demand, and you will have this demand this year and you will have that demand next year. I agree with Mr. Bogany's motion.

MS. ANDERSON: And you seconded.

MR. CONINE: Yes.

MS. ANDERSON: Is there further discussion on the motion, which, the motion is to follow the staff recommendation.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: Madam Chair and Board members, the last request is for the Travis County Housing Finance Corporation. The administrator is requesting a modification to the income requirements in their contract, as noted on the table in your Board book.

The administrator states that they have not been able to identify households to qualify for the program at the 60 percent income level, and they would therefore request that six of the families be assisted with home buyer assistance and be shifted from 60 percent of AMFI to 80 percent of AMFI.

It is difficult to assist homeowners whose income fall into that lower income level -- they are contending with home buyer assistance -- because of difficulties involved in qualifying the household for mortgage loans.

The administrator also indicates that they

would be able to quickly commit and expend their remaining contract funds at the 80 percent level. The application has been rescored, and the administrator would have been funded under the American Dream down payment initiative program with the increased income limit requirements. Staff recommends the approval of the income requirements of the contract to increase again as noted in the board book.

MS. RAY: So moved.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Agenda item 9, which is a possible approval of Real Estate Analysis items for an appeal for Floresville Senior Housing.

MR. GERBER: Tom.

MR. GOURIS: Tom Gouris, Director of Real

Estate Analysis. You may recall back in March during the appeal discussion the Board had, the Board asked staff to look at a couple of options for this appeal and consider them.

This item -- I should have said this item is with regard to Floresville Senior Housing, a 2006 HOME CHDO application, number 06-0247.

The original analysis considered six low-home and 18 high-home units, and it was determined at that time that the applicant that the project was not feasible because of -- it was not recommended because of the 10 percent leveraging requirement was not met. Again, the Board asked that we go back and check and do a couple of options.

The staff has done that. We have discussed with the applicant several options. We looked at two specifically: one where eleven units would be limited to 40 percent rents and 40 percent income and 13 units would be 50 percent and 50 percent income.

The results of that would require a million dollar, 1.999 million in repayable debt for 40 years at zero percent, plus a 30,416 cash flow loan, plus a \$900,357 forgivable loan or grant. That still does not account for the 10 percent -- the complete 10 percent

leveraging which would have to come out if that was the Board's decision.

We also looked at 100 percent/50 percent income to rent transaction. Under that scenario, 1.440 million of the requested amount would be reflected as repayable over 40 years; 491,129 would be a deferred forgivable grant.

The leverage issue is still an issue. We still haven't gotten that resolved, as the applicant still believes that they are unable -- would be unable to provide that additional leverage, from what we understand.

And we continue not to recommend the transaction for that reason.

MS. ANDERSON: Questions. I have public comment on this item.

Mr. Mike Harms.

MR. HARMS: Mike Harms. I am the Executive Director for the Center for Housing and Economic Opportunities. And I would like to thank and I appreciate the Board giving us the opportunity in the February meeting to get back with staff and work on the rents and a workable loan term. We are happy with either A or B. Of course, we would prefer A; it gives us a little more flexibility down the line, but it will work either way.

We have come up with additional -- in our original application we came up with the 69,000 land donation. We have since secured the commitment for \$47,261 and waiver of TAP fees, building permits; there are some minor water and sewer line extensions.

And also there is a commitment for a street that we agreed with staff probably can't be directly related to our property, but I would like let Colonel Perez talk about that street. That puts us over the 10 percent, but we agree that we can't directly related it just to this complex. But this complex has generated the need for that street. I would like to ask your approval of the project.

MS. ANDERSON: I have a question, Mr. Harms. The Board writeup includes a table that shows the changes between application, the appeal in February, and then the current proposal on April 23. And it basically shows us going from 18 units at 80 plus six at 50 down to 13 units at 50 and 11 at 40, and yet the average rent collected goes up.

And I don't understand how the average rent collected can go up when you are at lower income levels.

MR. HARMS: Well, the staff asked us to -- if we could restrict the rents permanently for the long term,



then we couldn't -- if we restricted those rents, then we couldn't automatically just go with the home rents, which are the San Antonio area rents, because we fall in Williamson County, which is farther there, which could go up 6-, \$700.

MS. ANDERSON: Forty and 50 percent

MR. HARMS: That is right. And so then we worked with the staff to come to a median of what the demographics in that community would support. So we went up a little; they came down a little bit, and this is where we arrived at those rents.

MS. ANDERSON: Okay. And then my next question is, you are proposing to defer no developers' fees.

You know, it seems to me we're bending over backwards here in this deal. I mean, we are basically doing a workout on a deal before we even start anything. And so -- but parts of it look -- the inconsistencies in the application call into question its long-term feasibility.

And you know, we have private-sector developers all the time that defer part of their fees in order to inject up-front equity into a transactions to get this Board more comfortable.

My question to you is, are you willing to do --

is the applicant willing to defer a portion of their fees?

MR. HARMS: Yes, we are. But my understanding of the NOFA, it said outside that we can't as a developer put -- make up part of that 10 percent with our developer fees, that it said outside financing or --

MS. ANDERSON: Well, I am not asking about deferring them for purposes of the 10 percent. I am asking sort of more broadly.

MR. HARMS: Certainly, we can defer some fees if it makes the loan work a little better, but there's not a lot of developer fees in these CHDO deals, and we are well below the 15 percent allowable in our developer fee. There's -- in a --

MS. ANDERSON: That is not what the underwriting report says, but I will ask Tom about that.

MR. HARMS: In a typical tax credit deal, you maybe be talking about a million dollar, a million and a half dollar developer fee.

We're talking \$250,000, which we then stretch over three or four years as we're building in, renting up and so forth, this complex. And we are also sharing that with our co-developer, the Floresville Economic Loan Corporation.

MS. ANDERSON: I am just asking if you are

willing to defer some of that.

MR. HARMS: Yes. Yes, we are.

MS. ANDERSON: Okay. Thanks. Other questions for Mr. Harms?

(No response.)

MS. ANDERSON: Mr. Michael Gilbert.

MR. GILBERT: Mike Gilbert, vice president of general partner that owns the Highland Oaks Apartments -- or general partner to the limited partnership that owns the Highland Oaks Apartments.

The purpose of my being here is to convey to you what our experience has been in the Floresville housing market, and to express our concern that if this project is developed, because of what we have seen in the market there, that it will hurt our ability to be viable in the future.

Highland Oaks is a 76-unit mixed-income affordable development, tax credit, rents at 50 and 60 percent of median. The tax credit units are 58, and the market rate units total of 18. We have a mix in the tax credits of 50 or 60 as I have said, and there's approximately percent of our tax credit units that are at 50 percent of median.

We conceived this project to serve both family

and seniors: one-story construction, fourplex design. It has ten handicapped units, and eight of those are mobility and two are for the deaf. We currently have 20 units, which is 26 percent of the property, occupied by senior citizens.

There are both senior citizens at 55 and 62; those 20 households provide for 31 residents. Some of the seniors are seniors in households with children, where they are raising grandchildren. We have approximately three of those on site.

Now, we have found this market to be very unstable and difficult. The market study that was done was not -- it portrayed a picture that we have a good strong market.

And we have seen 90 percent occupancy on two occasions. But when we have 90 percent occupancy, the longest term that we had it was for five months. We built the property with a Fannie Mae commitment, which Fannie Mae cancelled in the spring of '04, because they did not feel that we would ever stabilize.

We had achieved 90 percent occupancy before that date, but we did not have the one-fifteen debt coverage ratio. So when they canceled that commitment, we were without a permanent loan commitment, but in the year

of '05, we maintained the five months of occupancy at 90 percent, and we were able to close a Department of Agriculture rural housing Section 538 Guaranteed Loan, which is the first one closed in that program in Texas in affordable housing.

Since we closed that loan, the occupancy proceeded to drop again; and it went from 89 percent in the month that we closed, which was 1 percent below what we had had five months preceding that, at 90 or above. We got to a point where the overall average occupancy in 2006 was 73.67 percent.

I am providing you a handout. I know you can't digest all that information. We have infused a great amount of capital in the period of time subsequent to the closing, to the tune of about \$138,000 for the property to meet its obligations.

MS. ANDERSON: I need to ask you to wind up.

MR. GILBERT: Pardon me?

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

MR. GILBERT: So anyway, we have -- I have found what I believe to be discrepancies in the market study that was done for the property; there were misstatements about the character of our property when

they said that we just had two-bedroom one-and-a-half baths. We have both two-bedroom one-and-a-half baths in our tax credits units and our market rates have 2/2s.

We also have found -- I commissioned Darryl Jack of Apartment Market Data Services in San Antonio to do a market review of the property, and he has determined that there is a disconnect between the rents that are proposed and the targeted income levels that are being served.

You've got rents that are at the 40 percent level, but the income bands that are targeted are -- heretofore have been 50 and 60 percent of median. I don't know if they have been changed, but that is what it was.

And we feel that if this property -- proposed project had income levels that it had to make compatible with the rents that it is proposing to charge, which are 100 to \$180 a month lower than our rents, and we are a private development that is trying to make it with a real -- and I might add that recently the Hoover organization in Hamilton Valley received tax credits to rehab 70 USDA units in Floresville, which are virtually across the street from our property, as well as the senior property that's proposed.

So based upon our concern about the market, we

are requesting that, unless this property can be restructured to serve a level of income below where we are, at 50 and 60 percent of median, that it be declined.

Thank you very much for your time.

MS. ANDERSON: Thank you.

Mr. Perez.

MR. PEREZ: Madam Chair, members of the Board, Thank you very much for giving me the opportunity to speak before you today. I understand the concerns that Mr. Gilbert has, and I understand the concerns --

MR. HAMBY: Identify yourself.

MR. PEREZ: Jesse Perez, Floresville Economic Development, Executive Director, Floresville, Texas. Again, I understand Mr. Gilbert's concerns. I believe that these apartments, and I understand the concerns that the staff has. But I don't understand all the ramifications and all the formulas that you all follow. I think I have learned a little bit here today just sitting through the sessions. But I really believe, Madam Chair and Board, that our project does not compete with Mr. Gilbert's and does fit a need that we have in Floresville.

This is primarily for seniors, 62 and over. The apartments that Mr. Gilbert has are very good apartments. In fact, we cooperated with him also when he

started the project, as well as other elements of the City of Floresville.

We are not, again, in any way going after his tenants. I believe this is a need that the study that we commissioned indicated that there is a need for housing primarily for senior citizens: not seniors with children; not seniors or grandpas or grandmas taking care of kids, and that is commendable. But I believe that we do have that need.

We have people that come to us and ask us -- this is adjacent to the veterans' nursing home in Floresville. We have veterans that are in there. Their spouses are looking for places that they can be relocated to in Floresville. We don't have those kind of apartments at an affordable level. We believe that these apartments would do that.

I then respectfully submit to you that you reconsider the staff recommendations. I believe this is a good project, and I think this is one that would benefit not only the citizens of Floresville, but the surrounding area of the greater Floresville area, which includes about 50 percent of the population in Wilson County. Thank you very much. Any questions?

(No response.)



MS. ANDERSON: Thank you, sir. That concludes the public comment on this item.

MR. BOGANY: I have one question for Tom.

Tom, would you one more, as briefly as you can, tell me why -- I know -- because I remember when they went back to try to work this project out, and I know the Chair asked about deferring the development fee.

Would that help this project at all, or is it still as dead in the water as it was a couple of months ago?

MR. CONINE: Let me rephrase it a little bit or add to it. Under option one, where are we at on the 10 percent leverage requirement under that scenario? Are we at six, are we at four, are we at three? What are we at?

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. We would be under 5 percent under options --

MR. CONINE: So that is my number compared to the 1.9 million.

MR. GOURIS: But the leverage is how much contribution they are providing to the total development costs. So in both option one and option two, the leverage is the same. They have about \$89,261 in leverage, and they need to have \$202,000 in leverage, based on their

costs.

The options that we have provided say how much of our funds, the rest of the money the entirety of the development have to be in the form of a -- of first a 40-year zero-percent loan then if -- then potentially cash to a loan and then a grant or a forgivable loan. And so the three options or two options we provided broke that piece down for you based on two different rent-restriction schedules. So if he -- how does the deferred developer fee play into it?

MR. BOGANY: Well, Beth had asked earlier if he would defer his development fee to try to bring this closer together. And I am just trying to get -- you know, for my vote I am trying to get a very clear understanding of how close we are, or are we just as worse off as we were last time?

MR. GOURIS: The leverage position, we are as worse as we were last time. That hasn't changed.

MR. BOGANY: Okay.

MR. GOURIS: The deferred developer fee is really a question that you all -- if you want to have him hold that back, you would need to also direct us as to what position of repayment -- that would be; would that be before our deferred forgivable? Would it before cash

flow? Would it be before our amortizable piece?

On a tax credit transaction, it is typically put in front of our cash flow piece if we have a loan involved, because it needs to be repaid for tax credit purposes.

On a HOME transaction that wouldn't necessarily be the case, although someone might argue, well, gee, if it is deferred and if it is after our forgivable, then it really wasn't developer fee in the first place, so why are we funding it. It is kind of a Catch-22 kind of question.

MR. BOGANY: So in your eyes again -- I am sorry; I probably wasn't paying attention. But would you please tell me again what is your recommendation, based on knowing about the deferred?

MR. GOURIS: Staff isn't recommending it because it doesn't meet the 10 percent leveraging requirement.

MR. BOGANY: Period.

MR. GOURIS: Period.

MR. BOGANY: Okay. Thank you.

MR. CONINE: Are we done.

MS. ANDERSON: Questions.

Mr. Flores, any questions? Are you sure?

MR. FLORES: No. I'm just worn out.

MS. ANDERSON: Don't you want to get in on this?

MR. FLORES: I am so confused at this point I am going to let Conine frame the question.

MR. CONINE: I am going to move staff recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Item 10A is a presentation, discussion and possible approval of a list of factors the Review Committee will consider in assessing compliance penalties under 10 TAC 1.20.

We've been waiting for this agenda item all day.

MR. HAMBY: Since I know that, I am going to pass it to the Deputy General Counsel and let them answer

the questions.

MR. PENDER: Jeff Pender. I am the Deputy General Counsel to answer your questions.

MR. GERBER: Describe 10A and 10B real quick for us.

MS. ANDERSON: Or just 10A.

MR. PENDER: The list of factors is something that is in the Rule, Rule 120, which, by the way, became effective two or three days ago as the asset management, asset resolution and enforcement rule. And that rule requires that when the review committee which is established by that rule picks a penalty related to some compliance violation, that they refer to a list of factors in deciding how much that penalty should be.

And this list that is going to be published -- we are asking you to publish it in the Texas Register -- lists those five factors, and basically the reason behind choosing those factors is that the statute requires these factors to essentially remunerate the Department for excess fees that they have had or excess costs related to enforcement violations. That is basically the list.

MR. FLORES: Move staff's recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 10B is possible approval for publication in the Texas Register a draft of proposed amendments concerning utility allowances.

MR. PENDER: Again, Jeff Pender, Deputy General Counsel. This item is a recent item. 60.17, which is the utility allowance, rule was just recently approved and is effective now. And we were approached by PMC and were told that people had approached them and said, We've got a question about what you would consider to be a reasonable actual use policy when trying to decide how to implement a utility allowance.

And so this rule, which we are asking you to publish in the Texas Register for public comment, lays that out for you. It is basically a procedure whereby somebody would ask us permission to use this actual use method, and they would provide us with information about,

on a unit-by-unit basis, the costs for the utilities on a bedroom-size basis, and they would also supply us with all the underlying information about the units themselves.

We would verify the numbers and give them approval to charge those utility allowances.

MR. CONINE: Move approval.

MR. BOGANY: Second.

MS. ANDERSON: Questions? Discussion?

(No response.)

MS. ANDERSON: I have some questions. This looks like we are going to document the actual utility cost for 100 percent of the units. Are those bills not usually or at least frequently in the tenant's name? Would the landlord not need signed releases from the tenants to obtain them? What is the motivation for the tenant to provide that to the landlord? It just feels impractical to me. Help me with that.

MR. PENDER: Patricia Murphy -- I was going to ask Patricia to answer that one.

MS. MURPHY: Good afternoon. Patricia Murphy, manager of compliance monitoring. Note that the rule specifically states it is 100 percent of the occupied low-income units. And every resident that occupies an affordable housing unit signs a release of information,

whereby we verify a lot of information about their income, their assets, those types of things.

So this would be a piece of information that the resident would need to sign, allowing the owner of the property to obtain the information from the utility provider. But I don't think we could require it of the market-rate units.

MS. ANDERSON: Okay. So this is routine that we get this release today, or that the management company for the development gets these releases today.

MS. MURPHY: To date, no. This would be a new way to calculate a utility allowance.

MS. ANDERSON: So do we, in the normal course of business with affordable-unit tenants today, as part of becoming an affordable-unit tenant, have to sign a release, or is this a new process that we are laying on the tenants and the property management companies.

MS. MURPHY: The tenants sign a release?

MS. ANDERSON: They do today?

MS. MURPHY: Yes. We would have an additional entity that they would be releasing -- they would allowing the release of information to.

MR. CONINE: The current language of the release is general enough to include utilities.



MS. MURPHY: Correct. However, I think in practice that utility companies may have a specific language that they would like to see the resident sign. Does that answer your question?

MS. ANDERSON: I have one other question. How was this rule developed? With whom did we consult in the industry in the development of this rule?

MS. MURPHY: This rule was developed in the Department with the input from the Multtfamily Division, the Real Estate Analysis Division, the Community Services Division and our Legal Division, and now I would like for it to go out for public comment to get input from the industry.

MS. ANDERSON: Normally, before we even put draft rules together, we talk to somebody besides ourselves about things. Is there a reason we didn't do that in this case? -- for speed, for --

MS. MURPHY: I am starting to receive requests to use this methodology, and I don't have a way to say, yes, I think this request is reasonable or, no, I don't think this request is reasonable and have a basis for that.

MS. ANDERSON: And last question. Is the fundamental issue about being able to use an additional

methodology to determine utility allowances, or is the fundamental issue that utility allowances are rising and therefore rents are falling and developers or developments are claiming to be in distress?

MS. MURPHY: It is widely recognized that utility allowances are a big problem in the industry. The Treasury Regulation 1.42-10 is expected to be out in draft form next month, so we should see something, I am hoping, next month from the IRS.

This is the guidance that is in the IRS 8823 Audit Guide that was released in January. And so they wrote that, until there is a further administrative guidance, that the states can allow this fifth option. But we need to verify that the way the owner calculates the utility allowance is reasonable. And I am sorry that I didn't invite the industry to --

MS. ANDERSON: I am sure you will get to hear from them.

MR. CONINE: You will.

MS. ANDERSON: Thank you, Patricia.

MR. PENDER: I just wanted to mention one other thing. And that is, we did get one e-mail a couple of days ago from UAH Property Management LP concerning this rule. But as you know, this is a little premature. We

are just now asking you to publish this for comments.

MS. ANDERSON: Thank you for answering my questions. Anybody else have any questions?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MR. FLORES: Do you want to make a motion?

MR. CONINE: Yes. I thought there was a motion.

MS. ANDERSON: Yes. A long time ago before I had to ask all my questions.

MR. CONINE: Somebody shake him down there.

MR. HAMBY: Mr. Conine made the motion, and Mr. Bogany seconded.

MR. FLORES: Kevin, I would expect you to keep us straight on this. We get a little groggy about the end of the day.

MS. ANDERSON: Particularly when the chair doesn't have lunch. I will never do that again.

(Simultaneous discussions.)

MS. ANDERSON: So we did vote and approve the motions -- staff recommendation.

MR. GERBER: Yes. I think we did.

MS. ANDERSON: Item 11A is notification of acceptance of resignation of internal auditor due to retirement and appointment of an interim director.

Mr. Gerber, is that mine?

MR. GERBER: I think that is yours. But I would just like to add that it is a very sad day for the Department, in that David Gaines has announced his retirement, and he has served in that capacity with great skill and integrity, and I have enjoyed working with him over the last year.

And as you know, this is one of your two Board appointments. David and I are your two employees that you are responsible for hiring or moving. And so there is a responsibility incumbent on you that we on the staff will assist you with finding -- posting the position. But today we just wanted to acknowledge David's hard work on behalf of the Department and that we have received that resignation and that we wish him well.

(Applause.)

MS. ANDERSON: And everybody is tired of hearing from me, but I have to say just very quickly, when

I came on this Board, we had a list of outstanding audit items from prior audits that was a million pages long. The thing was so ugly; I was just mortified that we could have all these audit findings.

And with David's leadership and with the commitment of the senior staff in this Department under this and the previous Executive Director, we have whittled that list down in a major league way, and that is a credit to every body in this Department.

But David led the charge, and so I want to thank you for your leadership this past several years.

Mr. David Gaines also proposes for the Board's consideration that -- his belief that Greg Magnus might serve the Department well as acting director until the position is filled.

I would entertain a motion.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none. You all vote on this; you haven't even met Greg Magnus.

MR. BOGANY: Yes. We did. We met Greg.

MS. ANDERSON: All right. Everybody met Greg?

MR. CONINE: Yes.

MS. ANDERSON: Okay. So the motion has been seconded. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Thank you, Greg. We appreciate your service as interim director of internal audit.

11B is presentation, discussion and possible approval of the Director of Internal Audit job description and posting of position.

MR. CONINE: So moved.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: I am surprised it doesn't say

three people. Go ahead.

(Pause.)

MR. CONINE: To replace David.

MR. FLORES: I got it.

MS. ANDERSON: True.

MR. FLORES: The rest of them didn't, but I got it.

MR. CONINE: He finally woke up down on that end.

MR. FLORES: I just had three crackers. That is how I got the system working.

MS. ANDERSON: Let's see. Executive Director's report.

MR. GERBER: Very quickly, the first item: our outreach activities that you see that are fairly standard.

Second item are reports on the current status of HOME amendments for your review as discussed within each Board book.

The third item is an update on the HOME snapshot provided by HUD. I want to draw your attention to that, because it is a report that HUD generates that's similar in concept to a report card, and I am pleased to tell you that the Department has risen in the last quarter from 42 out the 51 state participating jurisdictions in

the HOME program to 33.

And this is really due to the diligence and hard work of Lucy Trevino and Jeanie Arrellano and their staffs. Just been a tremendous effort; we are very proud of that improvement. I have set a goal of trying to get our HOME program into the top 20, and Jeanie and Lucy and their teams have taken that to heart. And we look forward to continued progress on the way up. So thank you really, very much for that. That is good. That was great news to receive that.

The third item is on Housing Tax Credit ownership transfers. Item five is the construction cost research that you asked the Board -- that the Board asked us to provide you regarding the Orange and Lufkin situation that Mr. Dowler referred to, and we can provide you with any additional information on that if you want to further discuss that.

And the last item is a bond finance sub-prime analysis. That responds to some of the questions that you all may have about the sub-prime mortgage market in Texas and TDHCA's participation in the sub-prime market.

And so that analysis is provided for you as Item 6. And I would be pleased to discuss it you separately or brief you in this format, if that would be



helpful. But otherwise, that's all she wrote.

MS. ANDERSON: Before we adjourn -- and I am only running one hour and 56 minutes beyond what I thought we would be through -- I apologized before, and we won't fail to take a lunch break again. But there is one very, very important agenda item remaining.

MR. CONINE: Reminds me of the old days when we didn't used to take lunch.

MS. ANDERSON: Well that was old Mike Jones did that.

MR. CONINE: He was skinny, you know.

MS. ANDERSON: He was. He was, and he about did me in my first Board meeting, and I said we'd always take lunch, and then I broke my rule.

MR. CONINE: You sure did.

MS. ANDERSON: Well, that won't happen again.

But this is a very important month in the life of the Department for two reasons. Number one is that Mr. Gerber's one-year anniversary with the Department is a week from today, on May 17. And he survived.

(Applause.)

MR. CONINE: Miracles never cease.

MS. ANDERSON: And then another major landmine -- landmark or landmine is that Mr. Gerber's 40th

birthday is on May 26 this month.

(Applause.)

MR. GERBER: I share that birthday with Kelly Crawford, who will be turning 23.

MS. ANDERSON: Seeing no --

MR. CONINE: What is he going to do to celebrate his 40th?

MR. GERBER: Well --

MS. ANDERSON: Talk to the Legislature, probably.

There is no further business to come before this Board, so I would entertain a motion.

MR. FLORES: I so move.

MS. RAY: Second.

MS. ANDERSON: We stand adjourned.

(Whereupon, at 2:58 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board  
LOCATION: Austin, Texas  
DATE: May 10, 2007

I do hereby certify that the foregoing pages, numbers 1 through 227, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Stacey Harris before the Texas Department of Housing and Community Affairs.

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(Transcriber) 5/17/2007  
(Date)

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