TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

John H. Reagan Building
Room JHR 140
105 West 15th Street
Austin, Texas

December 12, 2013
10:00 a.m.

MEMBERS:

J. PAUL OXER, Chair
JUAN MUÑOZ, Vice-Chair
LESLIE BINGHAM ESCAREÑO, Member
TOM GANN, Member
J. MARK McWATTERS, Member
ROBERT D. THOMAS, Member

TIMOTHY K. IRVINE, Executive Director

ON THE RECORD REPORTING
(512) 450-0342
INDEX

AGENDA ITEM

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

CONSENT AGENDA

ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:

EXECUTIVE
a) Presentation, Discussion, and Possible Action regarding the Board Minutes Summary for September 12, 2013

LEGAL
b) Presentation, Discussion and Possible Action on the adoption of an Agreed Final Order concerning Willow Pond Apartments (HTC 94039)

RULES
c) Presentation, Discussion and Possible Action on proposed new 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.1 Concerning Reasonable Accommodation Requests, and directing its publication for public comment in the Texas Register
d) Presentation, Discussion and Possible Action on the statutory four-year review with proposed amendments to 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.2, concerning the Department Complaint System, and directing its publication for public comment in the Texas Register
e) Presentation, Discussion, and Possible Action on an order adopting the repeal of 10 TAC Chapter 1, Subchapter A, §1.19 concerning Deobligated Funds and an order adopting new 10 TAC Chapter 1, §1.19 concerning the Reallocation of Financial Assistance

f) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 10, Uniform Multifamily
g) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.21, concerning Action by Department if Outstanding Balances Exist

h) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.3, concerning Delinquent Audits and Related Issues

i) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter L, concerning Community Affairs Compliance Monitoring Rules

j) Presentation, Discussion, and Possible Action on an order adopting the repeal of 10 TAC Chapter 1, §1.24, Foreclosure Data Collection

k) Presentation, Discussion, and Possible Action on an order adopting the repeal of 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.22 and adoption of new 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.22, concerning Providing Contact Information to the Department

l) Presentation, Discussion, and Possible Action on an order adopting 10 TAC Chapter 21 concerning the Minimum Energy Efficiency Requirements for Single Family Construction Activities

m) Presentation, Discussion, and Possible Action on orders adopting amendments to all sections of 10 TAC Chapter 23,
Single Family HOME Program, and the repeal of 10 TAC Chapter 23, Single Family HOME Program, Subchapter H, §23.80, concerning Application and Certification of Community Housing Development Organizations and directing publication in the Texas Register

n) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter H, Section 8 Housing Choice Voucher Program, §5.801, concerning the Project Access Initiative

HOME

o) Presentation, Discussion and Possible Action to authorize the issuance of a 2013 HOME Program Notice of Funding Availability for Single Family non-development Programs, and publication of the NOFA in the Texas Register

p) Presentation, Discussion, and Possible Action on an order adopting amendment to Substantial Amendment to the 2013 State of Texas Consolidated Plan: One-Year Action Plan

BOND FINANCE

q) Presentation, Discussion, and Possible Action on Resolution No. 14-008 authorizing modifications to TMP Program 79 and MCC Program 80 and 81 Program Fees if required to comply with Federal Qualified Mortgage Rules, and containing other provisions relating to the subject

r) Presentation, Discussion, and Possible Action on Resolution No. 14-009 authorizing Publication of Public Notice for Mortgage Credit Certificate Program (MCC) (Program 82)

s) Presentation, Discussion, and Possible Action on Resolution No. 14-010 authorizing application to the Texas Bond Review Board for reservation of the
2013 single family private activity bond authority carry forward from the Unencumbered State Ceiling

PROGRAM PLANNING AND METRICS

t) Presentation and Discussion on the Department Snapshot tool for the Multifamily programs

ASSET MANAGEMENT

u) Presentation, Discussion, and Possible Action on approval of Housing Tax Credit Amendment

13246 - Reserves at Maplewood, Wichita Falls

v) Report and possible action on a letter from HUD regarding non-performing HOME multifamily activities, including those in Dickinson

HOUSING RESOURCE CENTER

w) Presentation, Discussion, and Possible Action on the 2014 State of Texas Low Income Housing Plan and Annual Report (Draft for Public Comment), and proposed amendment to 10 TAC §1.23, 2013 State of Texas Low Income Housing Plan and Annual Report (SLIHP), Adoption by Reference, for publication in the Texas Register for public comment

REPORT ITEMS

The Board accepts the following reports:

1. TDHCA Outreach Activities, Nov 2013

2. Status Report on the HOME Program Contracts and Reservation System Participants

3. Executive Report of Multifamily Program Amendments, Extensions, and Ownership Transfers


ACTION ITEMS

ITEM 2: SINGLE FAMILY, COMMUNITY AFFAIRS AND METRICS:

ON THE RECORD REPORTING
(512) 450-0342
ITEM 3: MULTIFAMILY FINANCE DIVISION:

a) Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer

13417 Master=s Ranch San Antonio
13419 Hunter Plaza Fort Worth
13424 Sikes Road (aka Arthur Robinson II) Orange
13425 Pine Grove Orange
13426 Velma Jeter Orange

b) Presentation, Discussion, and Possible Action regarding Awards of HOME funds from the 2013-1 HOME Multifamily Development Program Notice of Funding Availability

c) Presentation, Discussion, and Possible Action to Ratify and Confirm Awards of Competitive 9% Low Income Housing Tax Credits from the 2013 State Housing Tax Credit ceiling from the Waiting List for the 2013 Housing Tax Credit Application Round

d) Presentation, Discussion, and Possible Action regarding the fulfillment of the 10% test, for HTC #12121, Memorial Apartments in McAllen, Texas

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.

EXECUTIVE SESSION

OPEN SESSION

ADJOURN
MR. OXER: Good morning, everyone. I'd like to welcome you to the December 12 meeting of the Texas Department of Housing and Community Affairs Governing Board.

We will begin, as we typically do, with a roll call. Ms. Bingham?

MS. BINGHAM ESCAREÑO: Here.

MR. OXER: Mr. Gann?

MR. GANN: Here.

MR. OXER: Professor McWatters?

MR. McWATTERS: Here.

MR. OXER: Dr. Muñoz is not with us today. I'm here. We haven't heard yet from Robert Thomas, so we'll keep him open, but we have a quorum of four, so we're in business, we can transact today.

We'll begin, as we do, with our flag salute.

Tim.

(Whereupon, the Pledge of Allegiance and the Texas Allegiance were recited.)

MR. OXER: Before we really get started on our agenda today, we have a sort of somber note to pass along.

We heard this morning that Don Jones passed away last night. He had been suffering from pneumonia -- is that right, Tim? For those of who will recall, he was a long
time member of the legislative staff, and he has currently been for the last eight years chief of staff for Representative Jose Menendez. We saw Jose last night before we found out this, and he's on the way back, of course, to San Antonio to help deal with that. But we pass along our best wishes and hopes for Don's family and for Jose, who I'm sure will be at a loss with this. So Jose, if you can hear us, we're thinking about you, Pal, and Don's family as well.

Sort of a spectrum change on this, I'd like to point out that -- we'll take care of this item in a bit. All right. Let's go straight to the agenda. On the consent agenda, Tim and others have advised me that we want to pull three items, and that would be 1(h), 1(v), as in Victor, and report item 4. 1(v) and 1(h), are those pulled to be considered later?

MR. IRVINE: Yes, sir.

MR. OXER: They're not on the agenda at all.

MR. IRVINE: No. The items will all be taken up at this meeting and the report will be given.

MR. OXER: So all three of those items, we're moving those to the action agenda and not to be pulled completely.

MR. IRVINE: Correct.

MR. OXER: Okay, good. All right. That said,
I'll entertain a motion on the consent agenda.

MS. BINGHAM ESCAREÑO: Mr. Chair, I'll move to approve the consent agenda with the exception of the items listed that will be pulled and dealt with separately, item 1(h), item 1(v) and report item 4.

MR. OXER: Great. Motion by Ms. Bingham to approve the consent agenda as amended. Second?

MR. GANN: Second.

MR. OXER: Second by I think Mr. Gann was first. Does anybody have a comment? There are no comments in the public comment section and none from staff. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none.

A quick housekeeping item, just a reminder for those of you here regulars, our first row up here to my left, inside to the outside there, will be for public speaking and for public comment. If you have something, only when an agenda item has been called, line up there in terms of the order that you'd like to speak. If you want to speak and there's nobody sitting in this first chair, don't sit on the last one, fill up from this chair out. And when you come to the podium sign your name so we can
make a record of it.

All right. Let's take these items from the consent agenda.

MR. IRVINE: If we might do the report item first, Mr. Chairman.

MR. OXER: Certainly. Elizabeth -- or Kate. Kate, come give us some good news here.

MS. MOORE: I'll try. Good morning, Board. My name is Kate Moore. I'm the Section 811 manager, reporting directly to Brooke Boston, deputy executive director. I'm here to give you a final update on the Real Choice Systems Change Grant, which is a project I started working on when I was a policy advisor in the Housing Resource Center, then reporting directly to Elizabeth Yevich.

The Real Choice Grant was a $330,000 grant provided to TDHCA in 2011 from the Centers for Medicaid and Medicare Services, or CMS. The Texas Department of Aging and Disability Services, or DADS, was the lead agency awarded these funds, with a grant period of September 30, 2011 to September 29, 2013. DADS and TDHCA partnered in 2011 to develop a successful application to CMS to receive this grant. Together we successfully completed the following activities: one, we applied for the HUD Section 811 Project Rental Assistance
Demonstration program; two, we created and implemented a Housing and Services Partnership Academy; and three, we built the Housing and Services for Persons with Disability Online Clearinghouse.

So DADS, through an interagency contract, transferred the funds to TDHCA to administer the activities, and I, along with Steve Ashman, the project director for the Money Follows the Person Demonstration Project at DADS, acted as co-directors for this grant. The grant is one of several excellent examples of how the strong partnership between TDHCA and DADS has brought in additional federal funds to Texas to create greater affordable housing opportunities for people with disabilities in Texas.

For this grant, TDHCA created an advisory team, called the 811 Team, to provide feedback and guidance on the grant activities. The 811 Team included representatives from all the Texas housing human service agencies, consumer representatives, and affordable housing developers.

I'd like to give you a brief overview now on the three main activities completed with the grant funds. The first activity was applying for Section 811 Project Rental Assistance Demonstration program. You'll hear me talk more about this in a later agenda item. But for this
activity, TDHCA contracted with the University of Texas at Austin, the Center for Disability Studies, to assist with the state's application to HUD for the Section 811 Project Rental Assistance program, and we were successful, we were one of 13 states awarded these funds.

The grant, however, allowed us to have extensive public comment into the program design, including consultation with the 811 Team and targeted outreach to consumers and consumer representatives at five roundtables held throughout the state in June 2012, with more than a hundred people in attendance.

So the second activity with the grant is the Housing and Services Partnership Academy that was held May 14 and 15 in Dallas, with 16 local community teams participating with over 70 total participants. The grant paid for the UT Disability Center and their subcontractors to assist with the implementation of the academy.

The goal of the academy was to provide local communities with education and technical assistance to create affordable housing for people with disabilities in their communities. TDHCA staff, health and human service agency staff, and other non-profit and for-profit experts provided extensive education to the participants at the academy, to include small group breakout sessions on affordable housing and services resources, the local
participating teams, including housing providers, service
providers, and consumers.

In addition to the training at the academy, all
of the teams were provided a facilitator to assist with
team goal creation based on what they were learning at the
academy. The grant paid for the development of resource
material for each team, as well as four webinars and
ongoing technical assistance after the academy.

Results of the academy include significant new
community partnerships between service agencies and
housing agencies, and new plans to create affordable
housing. Not only did participation exceed our
expectations, but we were encouraged by the amount of good
comments and feedback we received upon the academy's
conclusion.

The third activity was the creation of a new
online resource called the Housing and Services for
Persons with Disabilities Online Clearinghouse on the 211
Texas website. The website provides a central location
for affordable housing and services resource for people
with disabilities. TDHCA entered into an interagency
contract with HHSC to build this new online resource as
they run the 211 program for Texas.

The clearinghouse provides an easy to navigate,
online searchable tool that provides resources by
geographic area. The clearinghouse was released as a
draft for public comment with an online survey, and based
on the public comment, the clearinghouse was finalized and
made live on the 211Texas.org website in September 2013,
and we have received nothing but positive comments about
this new online tool.

So the grant officially ended September 29, and
all three activities I've just discussed were completed
before that time. At the moment we're in the final stages
of closing out the required financial reports which always
accompany a grant such as this. We actually anticipate
returning some of the funds to CMS, so in other words, I'm
delighted to report to you that we not only completed all
activities on time and we came under budget.

So are there any questions?

MR. OXER: Any questions of Kate? It sounds
like you guys did a pretty good job there, Kate.

MS. MOORE: We tried.

MR. OXER: We like to start off with a little
good news.

MS. BINGHAM ESCAREÑO: That is great news. No
questions, just awesome job, and it really sounds like you
made a difference.

MS. MOORE: Thank you.

MS. BINGHAM ESCAREÑO: I was remembering my
first Board meeting, I actually -- I don't know, Tim, if you remember, Tom will remember for sure, but we had advocates for persons with disabilities and they actually threw toilet paper at us at that meeting.

MR. OXER: You know, I have a hot button here below me.

(Microphones accidentally shut down, but was able to hear the following on the backup recording.)

MS. BINGHAM ESCAREÑO: And it was actually crepe paper, she wouldn't really throw toilet paper at us, so she threw rolls of crepe paper. But I think the agency has demonstrated over and over again a commitment to working with persons with disabilities, and we do in lots of our other multimillion dollar things that we do, but this is an example where you took a fairly limited amount of resources and were able to accomplish three really awesome things that sound sustainable. Right?

MS. MOORE: Yes, they are.

MS. BINGHAM ESCAREÑO: The 211 and the partnerships will continue.

MS. MOORE: Definitely.

MS. BINGHAM ESCAREÑO: Congratulations.

MR. OXER: So you basically built the intellectual capital protocol to be able to maintain this as we go forward without so much more funding, it's just a
change in the way we think about things.

MS. MOORE: Exactly.

MR. OXER: Congratulations, and thanks, Kate.

MS. MOORE: Thank you.

MR. OXER: Let the record reflect that Thomas has joined us, so that definitely gives us a quorum today.

Okay. All right. Since we're on these items that we pulled form the consent agenda, let's get to the next one too, 1(h), whoever is handling 1(h). Okay, Patricia, you get to go first.

Hold on a second. Madam Recorder, are you picking that up? We're not picking it up over the top.

(Pause and general discussion about microphones being cut off.)

MR. OXER: All right. We've got to be able to record these folks, so we're going to have to take a brief recess until we get the sound system back up. We'll take a five-minute break here.

(Whereupon, at 10:12 a.m., a brief recess was taken.)

MR. OXER: Okay, everybody, back in the box. We got it figured out and we're back in business here. The power is on.

Okay, Patricia.

MS. MURPHY: Good morning. Patricia Murphy,
Chief of Compliance.

Item 1(h) is adoption of amendments to Rule 1.3 which is about delinquent audits and related issues. The Texas Association of Community Action Agencies had submitted some public comments during the public comment period which staff did not recommend any changes based on those comments. Since then, we've had a little bit of a dialogue with them, and I think I did misunderstand some of the comments that they were suggesting, so I would like to suggest an amendment to 1.3(d), and I'll read into the record what I'd like the amendment to be.

"In accordance with OMB Circular A-133, Section .225, and the State of Texas Single Audit Circular Section .225, the Department may suspend and cease payments under all active contracts and/or not renew or enter into a new contract with a subrecipient or affiliate until receipt of the required single audit certification form or single audit."

So I recommend approval of the rule with that amendment to it, and I think that we do have some public comment on this item.

MR. OXER: Okay. Before we move this, make sure on rules particularly, I just want to make sure that we're clear on this, we don't want to be making amendment son the fly too fast, make sure everybody has got time to
comment on that. Tell us the difference between what
you're doing now, Patricia, with the amendment and what it
was before so that it's clear we're not making a
substantive change, if that's the case.

MS. MURPHY: The way the rule was originally
proposed to you, it made it sound like if you didn't turn
in your single audit certification form or your single
audit on time, that even after you turned it in, we still
were not going to release payments under active contracts
or enter into contracts with you, because it was a "will"
instead of a "may" and it didn't have the "until you turn
it in." So if you don't turn in your single audit, we
don't enter into new contracts with you and we suspend
payments on your active contracts, but once you turn in
the audit certification form or the audit, then we go
ahead and do business with you again.

And the way the rule was written doesn't
actually reflect what we do, and I misunderstood their
comments, I thought that they were saying that we
shouldn't be requesting the single audit certification
form, and Mr. Manning may still have some comments about
that, but so when they commented and we didn't accept
their comments, I was more focused on we do need this form
rather than looking at the actual wording, and it was a
little bit too restrictive.
MR. OXER: Okay. So basically, if they're late, we hold off until they deliver, and when they deliver, we're back in business.

MS. MURPHY: Yes.

MR. OXER: Got it. Okay. All right. Motion to consider, please.

MS. BINGHAM ESCAREÑO: I'll move to approve the item with staff's recommended amendment.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation as amended -- or as modified, since it's not amended -- as modified.

MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas.

MR. OXER: Okay. We have public comment.

MR. MANNING: Good morning. My name is Brad Manning, and I am the executive director of Texas Neighborhood Services in Weatherford, Texas. I appreciate the opportunity to address the Board this morning, and I will keep my comments brief because I know that you're only going to give me three minutes.

MR. OXER: The clock is running.

MR. MANNING: I understand. I am a 20-year-plus CPA with the State of Texas, and have actually done audit experience with A-133 audits.

I want to make sure that our public comments
were clear in that our public comments were not a concern with turning in the A-133 audit and with any sanctions or penalties according to those, because clearly, the A-133 audit is required by OMB Circulars, required by other federal statutes, and we're very clear with that. We understand that the state single audit certification form is a requirement with the state Single Audit Circular.

Our issue is not with the form, we've been filling out the form for years. Our issue specifically was with the penalties that were imposed with that form because those penalties, we believed, were in violation of federal law under the CSBG Act, which the CSBG Act states that you cannot impose sanctions or penalties without due process, and we felt like this rule circumvented those due process regulations.

We believe that what we have now with the amendment, we believe that it is a much better wording. It's not as good as we would like, but then again, we'll never get exactly what we like, but we believe that it is something we can live with.

And I appreciate the opportunity to address this Board, and I yield the rest of my time back.

MR. OXER: Great. Thanks, Mr. Manning.

All right. Any other questions from the Board?

MS. DEANE: Mr. Chair, let me just mention also
that we'll be amending the preamble that the Board has
been provided in the Board book to reflect that an
additional changes has been made, so when you vote, you'll
also be approving us making that modification to the
preamble to tell the public that that additional change
has been made.

MR. OXER: And these are essentially are
appropriate changes.

MS. DEANE: Right. You're allowed to make
changes in response to comment. You would have to
republish it if it was such a significant change as to it
would be a substantial change or a change that affects
additional people or affects them in an additional way.
This is not that kind of a change and it is in response to
comment, so there shouldn't be any problem in making this
change, and we'll reflect that in the preamble that's also
attached with the rule.

MR. OXER: Great. Thanks, Barbara.

Okay. Motion by Ms. Bingham, second by Mr.
Thomas to approve staff recommendation on item 1(h) pulled
from the consent agenda, as modified by Patricia. All in
favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)
MR. OXER: There are none. Thanks.
Okay. Let's see, 1(v), as in Victor. Tom, welcome home.

MR. GOURIS: Good morning. Tom Gouris, deputy executive director for --

MR. OXER: We haven't had you for a target for a long time.

MR. GOURIS: I know. Good to be back -- deputy executive director for Asset Analysis and Management.

This morning we asked to pull 1(v), as the Asset Management staff has continued to discuss with our local HUD staff possible ways to resolve some of these older HOME multifamily assets. Previously this Board has authorized the use of TCAP program income for resolving these matters. One of the potential resolutions we are now exploring is the acquisition and rehabilitation of another multifamily property in the same area which would be made subject to the same HOME restrictions. We'd like the Board to clarify that this authority extends to such acquisition and rehab, and would like also to include any due diligence costs.

Working with our broker, we have identified some potential specific properties. This approach is acceptable to HUD. We believe it is the most direct route to providing the required units of affordable rental
housing in Dickinson. Therefore, we recommend approval of a motion to authorize and direct the executive director, or his designee, to enter into contracts or associated actions to acquire property that will result in the ability for the Department to clear the HUD monitoring requirements.

MR. OXER: Okay. Any questions from the Board?
(No response.)

MR. OXER: Okay. Motion to consider?

MR. THOMAS: So moved.

MR. OXER: Okay. Motion by Mr. Thomas to accept staff recommendation on item 1(v).

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. Is there any public comment?
(No response.)

MR. OXER: There is none. Any other questions?
(No response.)

MR. OXER: All in favor?
(A chorus of ayes.)

MR. OXER: Opposed?
(No response.)

MR. OXER: There are none.

MR. GOURIS: Thank you.

MR. OXER: Thank you, Tom. Nice to see you
again. Merry Christmas.

MR. GOURIS: Merry Christmas.

MR. OXER: Okay. I think we're straight into now the formal action agenda. Is that correct, Tim?

MR. IRVINE: That's correct.

MR. OXER: Okay. It looks like Brooke is up on this one. Item 2(a).

MS. BOSTON: Thank you.

MR. OXER: Good morning, Brooke.

MS. BOSTON: Good morning. I haven't been up here in a while either. Brooke Boston, another one of our deputies.

As I did in September, I wanted to take a chance to brag to you guys about some of the great behind the scenes work going on, some of the less sexy stuff. Those things are part of the significant body of work that we do at the agency, but that don't require Board action, so on behalf of my management, I wanted to take a few moments every few months and just share some of that with you.

So the first thing is relating to our HOME program, and as is always the case with accomplishments of the agency, our successes are really based on the success of our subrecipients. When they help clients and spend funds appropriately, then obviously that drives our
success. I gave you guys an example last time relating to the Amy Young funds that moved in record time, and when we really start reservation funds, it just moved like that. And so that was really because a strong pool of administrators had been set up and qualified by staff to enable that to happen.

So today's example similarly is of an all-time record relating to the HOME program Persons with Disabilities funds. We call those the PWD funds, and within the HOME program, a certain portion of funds are set aside each year for persons with disabilities anywhere in the state. Historically, at the end of a year that money still has some balance left which has to be rolled forward which then continues to increase the balance.

MR. OXER: What's the percentage on those funds that's held?

MS. BOSTON: It's 5 percent of the annual allocation. And this year, for the first time, those funds are actually being fully depleted before the end of the year, which is huge. So it's a huge testament to the subrecipients who have gotten themselves set up, we're actually hitting most of the regions of the state, and it's also a big testament to staff and to the director of the HOME program, Jennifer Molinari.

From the staff side, we have made a couple of
initiatives to try and get that to happen. One is that we have an employee who now is specifically designated to work on PWD funds and activities, and then we also have paired up with some funds that we get relating to Money Follows the Person from DADS, which Kate had mentioned to you earlier, and we use those funds to help pay for another FTE who works to get people with disabilities to access agency funds, not only HOME, but it includes HOME. So we're thrilled about that, it's a huge success. It's an all-time new thing for us.

MR. OXER: What was the total on those funds again?

MS. BOSTON: I don't know how much we just finished because if you include the roll forwards.

Do you know, Jennifer?

MS. MOLINARI: (Speaking from audience.) The annual allocation is approximately $1.2 million.

MS. BOSTON: $1.2 million for this allocation, but it would have had some funds that have rolled forward.

MR. OXER: So. $1.2- to $1.5-, somewhere in there.

MS. MOLINARI: (Speaking from audience.) For multifamily and single family.

MS. BOSTON: It's for multifamily and single family.
Another initiative that's actually an agency-wide initiative, since we've had our reorg, we have tried to do more things that are cost-cutting, and one of the things is an improvement we've made to our rulemaking process, which sounds dull just to even mention it. But as some of you realize, even from looking at your agenda today, when you look at the amount of rules we bring before you in draft and then final adoption forma -- which you'll always see every rule at least those two times -- you can imagine the volume of that and then the additional process of us getting that turned in to the Texas Register. They have a very specific type of coding that's a little bit archaic, and we have to use that to turn in our rules, and it is tedious at best, it takes a lot of time, it takes immense attention to detail on behalf of several people in the agency for every single rule.

And so one of our staff, Chad Landry -- who is already one of our resident superstars, he had been a prior Employee of Excellence -- he made a huge improvement where he designed a tool that has a macro that essentially with a click of a button, it does all the coding. We need to probably market this. So it has saved an immense amount of time for a lot of different areas.

MR. OXER: Put up a message on the interagency bulletin board that will code for funding.
(General laughter.)

MS. BOSTON: Right. Will code for cash.

So we're really pleased about that and are always very happy at Chad's work. I'm actually thrilled to say that as of just this morning that Chad has moved out of the HOME Division where he had been housed and is actually now working directly for me in Policy Planning and Metrics so that we can use his skills across the whole agency.

Similarly, another cost-cutting thing that we've been working on is since the reorg in March of 2012, one important effort was the creation of a more focused single family initiative that included essentially where kind of all things single family get evaluated together. So whether that's HOME funds, Trust Fund, Bootstrap, NSP, instead of looking at each of those separately, we thought where can we find the commonality in processing forms, rules, training. And so the directors of those areas, Homer Cabello, Marni Holloway, Jennifer Molinari, Tim Nelson and Eric Pike, have put a ton of time in since early 2012 on trying to find what are these ways we can do this.

We also, at Tim's direction, put a lot of internal support to try and make that happen, and he has designated Homer Cabello as our Single Family coordinator,
and then we actually have one employee whose time we pretty much put fully into this, Dee Patience, who we designated as a Single Family implementation leader. So one of the first things they looked at, and that you guys had presented to you earlier, was the Single Family Umbrella rule, and that's now been in effect since the fall of 2012.

One of the other big aspects, though, was doing a survey and identifying what are our subrecipients experiencing that they find the most problematic, that either slows them down, they get deficiencies on from us, they really struggle with, and then to what extent are those cross-cutting. And one of the biggest implications of that or one of the biggest critiques that we got was procurement. There are a lot of different procurement requirements that change depending on different funding sources. They also change depending on the entity who we're funding and whether they're a local government or a non-profit.

So they created an academy, this group of Single Family folks created an academy, and as part of that, they created a new procurement web training, and that has just been lauded internally. Everyone who could have had a concern about, well, are my subs going to get this, is quality control still going to be okay, what if
we imply something incorrectly, everyone loves it. So that's been huge. And that academy is going to continue to work on different modules and roll things out.

And last but not least, and this may be stuff you've noticed in your Board book, each month you've been getting a snapshot report that David Johnson produces, and it's been in the report section of your book. And he had been rolling those out to you guys program by program so you could see just kind of focusing in on for this program here's how you read it. So that's been happening for almost a year, and in January we will present to you for the first time the cumulative full report, real numbers, the whole thing.

So that's great, and that's it, I just had to brag.

MR. OXER: Stay there for a second. Any comments from the Board?

(No response.)

MR. OXER: I have a couple, because one of the things that I do in my day job, where I buy groceries and pay the rent, is a lot of post-acquisition integration, mergers and that sort of thing, and there are two ways to look at those, and I'm happy to say that the mentality that you're saying is now becoming evident in the agency is it's cost-cutting is an important thing to do, but it's
cost-efficiency, gaining more performance for the costs you get, the benefit-to-cost ratio.

So in a reorganization -- and of course, everybody here, I think everybody in this room, certainly all the staff know that we went through a reorganization at the agency, and it's a little smoother and it's working, but a strategic redevelopment and a reorganization like that never really ends because it's a process that has to be monitored continuously forever because there will be varying influences, requirements for the agency, and demands on your time, things will change.

And so having a more organic structure that you're demonstrating here today to be able to respond to those is exactly what I think everybody on this dais was looking for, and I'm proud to say that you guys got it, and I'm happy that's keeping going.

So stay with it because there will be, I think I've said several times from up here, I don't know anybody who sees budgets increasing or demands decreasing, so to the extent that you're building a system that can respond to that, and frankly, have a good time at it, to get more done with the dollars that we have, I'm entirely behind. And so I applaud your efforts. Thanks very much, Brooke.

MS. BOSTON: Thank you.
MR. IRVINE: Stand up, Jennifer.

MR. OXER: Jennifer, you don't get to let her take all of it, so come on, stand up.

MS. BOSTON: On behalf of many.

MR. OXER: Yes, I'm sure. And as I have said on several occasions, I have the best job in this room because I get to take credit for all the hard work that you guys do, so I know there's a lot of hard work that's going on out there.

Let's see, that's item 2. Cameron, before you jump in, I want to point out just something a little bit lighthearted here since it's nice to have some good news.

At the end of the last meeting, I said, All right, wear some holiday colors. I have a colorful tie, I think Mr. Gann has got his Christmas red on, and all the staff seems to have responded, Megan, and Jean has got on some red, Patricia is back there. Elizabeth, where's your hat? There you go.

Now, I've got to call this out. This is a shout out, okay? I said wear some colorful ties. Michael Lyttle, stand up, Michael DeYoung, stand up, and Tim Nelson, stand up.

MR. IRVINE: Tim had to leave.

MR. OXER: Okay. Well, I'm sorry Tim had to leave because he had a beautiful blue tie. And the shout
out here, they wore some colors, but I've got to tell you, Michael DeYoung has got on the Christmas tie, I can see the Christmas Tree from here, you know. I might give Michael Lyttle a dime's worth of lead on this because not only does his have Christmas ornaments, it's got the Looney Tunes on it, which is more reflective of this meeting, anyway.

So congratulations to all of you, and thanks for being colorful.

(Applause.)


Cameron.

MR. IRVINE: Wait. 2(b).

MR. OXER: Oh, I'm sorry. I thought Brooke had that one. Yes, 2(b), please -- or not to be.

(General laughter.)

MS. MOORE: Good morning again. Kate Moore, Section 811 manager. We're here for agenda item 2(b) for approval to take some specific next steps regarding the Section 811 program.

As you may recall from our update to you in April of this year, in February 2013, the U.S. Department of Housing and Urban Development, HUD, announced that TDHCA was one of the 13 states selected to participate in the first ever Section 811 Housing for Persons with

ON THE RECORD REPORTING
(512) 450-0342
Disabilities Project Rental Assistance Demonstration. This new Section 811 PRA Demonstration is designed to assist specific hard to serve populations through the provision of project-based vouchers. The vouchers expand integrated supportive housing opportunities for people with the most significant and long-term disabilities and was the centerpiece of the Frank Melville Supportive Housing Investment Act of 2010.

The awarded $12 million is anticipated to provide 350 Section 811 PRA project-based vouchers for extremely low income persons with disabilities. A partnership with the Health and Human Services Commission and some of the agencies it oversees contribute to the clients' needed services.

I know you recently discussed this program with our Multifamily staff as it related to the drafting of the QAP, so I was not planning to present all of the program details to you again, but if you'd like me to, I'd be happy to recap some of the details of the program.

MR. OXER: Any members of the Board care to hear it, or are you confident with what we've heard? Okay. Carry on. Thanks.

MS. MOORE: So as it relates specifically to the actions in this action item, the success of the program is based on the identification of existing
multifamily properties funded with TDHCA programs through a competitive NOFA in seven geographic areas specified in TDHCA's application. Properties awarded from the NOFA will enter into a rental assistance contract with TDHCA committing to, among other things, a set number of units that they will be setting aside for use by one of the target populations. Those units will receive project-based rental assistance.

So next steps. In terms of where we are to date, TDHCA received a draft in November of the draft cooperative agreement that will govern our contractual obligation to HUD. In response we submitted extensive comments to HUD just last week.

So first, in anticipation of resolution of our concerns and the final execution of the agreement, sometime in the next weeks or months we are asking for authority to move forward with executing a signed cooperative agreement for this grant.

Second, as part of the implementation of the program, staff anticipates the need to procure HUD required software called Tenant Rental Assistance Certification System, or TRACS, and potentially other software to implement the program. The Department may also choose to procure an outside vendor to assist with the program software requirements. Staff is requesting
permission to release a request for proposals and/or a request for information to procure for these activities if needed.

And third, the Department also anticipates releasing a notice of funding availability to solicit interested TDHCA financed multifamily properties to participate in the Section 811 PRA program. So staff is requesting permission to release this NOFA.

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: I have a question, Kate. Who is it that actually develops this type of software?

MR. MOORE: They're private consultants, is my understanding, private companies that do that, so apparently there are a few that are normally used that do this business.

MR. OXER: Okay. In this case who is it? Do you know?

MS. MOORE: I don't know the names of them offhand.

MR. OXER: Okay.

MS. BINGHAM ESCAREÑO: Mr. Chair, I'll move to approve staff's recommendation.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation on item 2(b)
MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas. Any other comment? Any other questions from the Board?

(No response.)

MR. OXER: There appear to be no public comments. All in favor?

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none. Thank you.

Now, Cameron.

MR. DORSEY: Good morning. Cameron Dorsey, director of Multifamily Finance.

Item 3(a) is an item we expected to have some public comment on and it doesn't look like we're going to have any of that comment, so we probably would have included it on consent if we had known. But since I have the opportunity, I'll talk just briefly about each deal.

(General laughter.)

MR. DORSEY: I think that there's some uniqueness here. You guys have heard a lot about the RAD program, for example, and three of these deals is a portfolio that are involved in the RAD program, and I just wanted to kind of acknowledge that. And the other thing is I think we can take them all as a group and just do one
approval, but I'll kind of run through each of them real quick.

Master's Ranch is a 252-unit new construction deal down in San Antonio. It's going to be right on a golf course down there, the Pecan Valley Golf Course. It's part of a master kind of redevelopment of the golf course and the kind of general area down there. There are some drainage improvements that are going to be done, and what-have-you, and the golf course is going to be basically redeveloped into a fully accessible golf course particularly for veterans with disabilities, and what-have-you, and so this development is kind of a piece of that overall redevelopment plan.

We are not the issuer on the bonds, but we are doing the credits on this deal, so we're recommending a determination notice of, let's see, $808,526. So that's that deal, pretty cool little deal.

Hunter Plaza is a Fort Worth Housing Authority deal. It's an existing property, existing building. It's an old eleven-story hotel that was built in the '50s and in the early '70s it was renovated into a senior housing facility, and due to some circumstance I won't talk about, it has been vacant for a little while now for a couple of years. And the housing authority is going to go in and completely rehab the structure. A portion of it will have
historic credits, as well, historic tax credits, so
they're going to be working with the Texas Historical
Commission, what-have-you, so it's a pretty interesting
deal as well.

The next three deals on the list are kind of a
portfolio redevelopment, they're all kind of being done
together. These are existing public housing deals and
they're going to be redeveloped, there's going to be some
public housing, there are going to be some units that are
Section 8 converted under the RAD program, and there's
going to be some Section 8 units that basically the
housing authority will take a portion of their housing
choice voucher pool and project-basing vouchers to support
the debt and operating costs of these developments.

MR. OXER: So these are truly mixed income.

MR. DORSEY: Well, those three sources
generally are going to target really quite low income
folks. I think the really interesting piece of this whole
deal, though, is it's 216 units total, three different
sites, and so in a sites transaction you're actually
relocating units out of an area that has higher poverty
and what-have-you to an area that the census tract is 12
percent poverty. It's an area that while we didn't check
to see if it would qualify in the opportunity index
because it's a 4 percent deal, it's akin to that type of
area that would qualify.

You also have demolition of 100 units in an area that is higher poverty with only rebuilding 66 of those, and the other units are going to be part of the Velma Jeter reconstruction. It's technically new construction because they're adding units there. The 44 units that they're not going to place back on the Pine Grove site are going to move over to this transaction that's also in a lower poverty area. So it's a really great kind of deconcentration type portfolio transaction that's utilizing a whole host of resources to carry out this redevelopment.

In all cases we're recommending approval. They've passed all of our tests, and so there we are.

MR. OXER: Sounds like they're actually using all those resources the way they were intended to be used.

MR. DORSEY: Yes, I think so. I mean, it's tough to layer all of these resources this way. To work through HUD's process to get these units, approval to relocate these units, the mixed finance aspect of the transaction, as well as project-basing vouchers, these all require all these separate approvals and everything and they're putting all these pieces together in a great way.

MR. OXER: Great. Any questions of Cameron from the Board?
MR. OXER: Okay. Entertain a motion to consider.

MS. BINGHAM ESCAREÑO: Move to approve.

MR. OXER: Motion by Ms. Bingham to approve staff recommendation on 3(a), all inclusive.

MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas. Is there any public comment? There appears to be no public comment. Therefore, all in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none.

MR. IRVINE: All right. If it's okay, I think taking 3(c) before 3(b) makes a little bit more sense here. Both of them relate to the same two transactions but these are layered transactions with 9 percent credits and with HOME funds. So 3(c) is specifically staff is recommending the ratification of tax credit awards for two developments. One is La Esperanza Del Rio, and one is Royal Gardens. Both of these transactions are located in Rio Grande City, and we were able to select these transactions off of the waiting list due to a return of credits in that same region, as well as combining -- at
least for one of them -- with some statewide collapse funds and what-have-you.

So it's the ratification because we utilized the authority granted by the Board to go ahead and get those commitment notices out. Those commitment notices have 30-day windows where we have to get a bunch of documentation back and we have to get carryovers, after all that is done, executed by the end of the year in order to fully utilize that credit. And so due to the timing, we went ahead and utilized that authority and are simply asking you all to ratify these two awards. So staff recommends ratification.

MR. OXER: Okay. Questions from the Board? A quick question here. The credits that were returned, were they unused or just in excess of the project?

MR. DORSEY: Sure. It was an allocation or an award that was approved back in July for another 2013 9 percent deal that they went out and I think they simply had some difficulty putting all the financing together and what-have-you, so they went ahead and returned credits so some other folks could use it. It's a great thing that they did return credits. Oftentimes folks will hold onto them as long as possible, and it results in us not being able to reach down and get those next units awarded and under construction quickly.
MR. OXER: So it sounds like they did what they were supposed to do once they knew they couldn't do it.

MR. DORSEY: Exactly.

MR. OXER: And rather than being an excess of credits on any one deal, this is one that didn't work, returned, and so we go to the waiting list.

MR. DORSEY: That's right.

MR. OXER: Okay. All right. Sounds like the process is working. I'll consider a motion to consider for the item.

MS. BINGHAM ESCAREÑO: Move to so ratify.

MR. OXER: Okay. Motion by Ms. Bingham.

MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas again. I'm liking this.

Any other questions of the Board?

(No response.)

MR. OXER: There's no request for public comment. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none.

MR. DORSEY: All right. Back to 3(b). This item is the recommendation to approve two HOME awards for
the same two transactions we just did the ratification of
the tax credit awards for. Each transaction applied for
and is competitive for a million dollars apiece in HOME
funds. This is gap financing money, it's oftentimes a
very critical piece for these transactions. And we have
funding available, and so we're recommending approval of
the HOME awards for a total of $2 million, a million
dollars apiece.

MR. THOMAS: Motion to approve.

MR. GANN: Second.

MR. OXER: Motion by Mr. Thomas, second by Mr.
Gann. Is there any other questions from the Board?
(No response.)

MR. OXER: There appears to be no public
comment. All in favor?
(A chorus of ayes.)

MR. OXER: And opposed?
(No response.)

MR. OXER: There are none.

Use at least six more minutes. Okay?

MR. DORSEY: Oh, I'm done. Now it's back to
Gouris. I was easy today.
(General laughter.)

MR. IRVINE: This is really messing up the
over/under.
MR. GOURIS: Well, let me tell you, when I was a young man --

MR. OXER: Tom, put the phone book away, you can't read that.

MR. GOURIS: I know Green Eggs and Ham by heart.

MR. OXER: "The sun did not shine, it was too wet to play, so he sat in the house on that cold, cold wet day."

(General laughter.)

MR. GOURIS: That's right.

So this next item is item 3(d), and I, again, am Tom Gouris, deputy executive director for Asset Analysis and Management.

This item involves a 9 percent tax credit award made last year that is now at the status check-in point which is known as the 10 percent test. For this development there are three key items that are intertwined to be accomplished by this check-in point. The first is a federal requirement that the applicant has spent or incurred 10 percent of the reasonably expected basis in the property. The second is a state QAP requirement that the ownership of the property has been transferred to be in the control of the new partnership. And the third intertwined issue is an underwriting condition that the
applicant receive approval by the USDA of the transfer of existing financing to the new ownership structure.

This property has previously been assisted with significant amounts of USDA financing which USDA needs to approve the transfer or the financing needs to be repaid for the ownership change to be accomplished. The 10 percent test is typically due in July, and this development has received two prior extensions of this request in order to get the USDA approval. The applicant has submitted their 10 percent test package as of the last extension date, December 1, but has yet to be able to provide the documentation of USDA approval.

They've asked for a waiver of the closing requirement and staff recommends denial of that waiver but to provide an extension of the deadline for USDA approval until December 27, 2013, which is consistent with the absolute federal deadline for the 10 percent test.

I have received some more correspondence from USDA this morning suggesting that that's going to be a very difficult time frame for them to meet, but beyond that, we wanted to give them every opportunity to try to get that accomplished, and if they can't get it accomplished, they can always reapply in a subsequent year to attempt to do this project.

MR. OXER: As is the case on most of our
projects, in the event that they don't succeed, they have
the opportunity to apply again for next year. Right?

MR. GOURIS: Correct.

MR. OXER: On most of them within most of the
programs that we have.

MR. GOURIS: That's correct.

MR. OXER: Nobody ever gets the door fully
slammed on them. Right?

MR. GOURIS: That's correct.

MR. OXER: Okay. Any questions of the Board?

MR. GOURIS: And I believe David Marquez is
here to speak on behalf of the applicant.

MR. OXER: Now, David, you know better. Get up
here.

We've got to have a motion to consider here
first. Is there a motion to consider?

MR. GANN: I so move on 3(d).

MR. OXER: Motion by Mr. Gann to move staff
recommendation on item 3(d).

MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas. Are there any
questions of the Board?

(No response.)

MR. OXER: There are none. And we have public
comment. David, you can go first because you were there,
even though we have them lined up the wrong way. You've
got to keep him in line. Okay?

(General laughter.)

MR. MARQUEZ: Mr. Chair and Board, we're here
to kind of plead our case on what we're doing and why
we're doing what we're doing.

Mr. Lopez here is the executive director of the
Hidalgo Housing Authority. They have owned and managed
this property for 40 years. It's 246 units.

MR. OXER: David, you've got to identify
yourself.

MR. MARQUEZ: Oh. David Marquez, the co-
developer for Memorial Apartments in McAllen, Texas.

This is a USDA set-aside, it's 246 units, it's
161 project-based rural assistance, and 64 Section 8. It
has over 1,200 residents, and some of the most poorest
people in the Valley. These are farmers and farm workers.

The other thing is that we have worked with
USDA since October 12, and so we seem to get closer and
closer every single time. There is emails from them
stating that yes, they cannot get there before the end of
the year, and we understand that. It has been a process.

I have over 300 emails since June to USDA national. What
Temple office has been telling us -- and I have a letter
to that regard too -- is that this has to be approved on
the national level. Well, back in June we did go and meet
with the director of the housing services for USDA. We're
now dealing with Mr. Davis, who is the acting director,
Brian Hooper, who is in charge of multifamily for USDA,
and his deputy, Mike Steininger. So we have over 300
e-mails to them since June, so we have been working
diligently.

And during that time we've also been spending
money. We have over $300,000 in a full set of plans, both
engineering, we had some engineering nightmares in there.
That's one of the issues that USDA doesn't quite seem to
come to grips with, but as of late of December 9, they
have started to ask for information as to why we need a
pumping system for our detention pond, and starting to
understand that after even a good rain it fills up to the
capacity where a young child can actually drown. So some
of the things that we've actually put above and beyond
what their scope of work is, and that's been the main
disagreement, I think we're going to come to terms with.

And so we have approvals from WNC, our tax
credit provider, we have an interim loan from Stearns Bank
that has already been approved, and Lancaster Pollard has
already underwritten the transaction, it's gone through
their credit committee, but the thing is that we can't
make it till the end of the year. We have made the 10
percent, and I'll let Novagradac address that issue. Our attorneys have rendered legal opinions for that, given state law.

She's given me her time. And so I think it's something that's kind out of the ordinary, it's dealing with another government body, and we ask for at least till January 31. At that point you can take the credits back and redistribute them. It does not hurt the agency or their ability to fund if you give us the extension.

MR. OXER: Any questions of the Board?

MS. BINGHAM ESCAREÑO: You mentioned that the 27th aligns with a hard stop with the deadline. What is that?

MR. GOURIS: The deadline is the federal deadline for the 10 percent test being met. It's one year from the date when the carryover was signed, and the carryover was signed on the 28th of December, so 28th is a Saturday so it's the 27th is what we came to a deadline.

MS. BINGHAM ESCAREÑO: And the applicant is requesting a waiver?

MR. GOURIS: We had some dialogue before the Board meeting, recognizing what had come in and what wasn't there, and we suggested that they might ask for a waiver or ask for something and they needed to take this Board meeting opportunity to do whatever they needed to
do. They did ask for a waiver. Probably the more
appropriate thing would be to be an extension of that one
part of the 10 percent test that we feel is intertwined bu
they would like to separate out.

MR. OXER: And the essential issue here is that
the USDA can't react.

MR. GOURIS: Well, no. They've reacted and
suggested that they would not be able to approve the
request, and they've said that repeatedly. The applicant
has indicated that they think they can get them to approve
the request. Not wanting to get in the middle of that
dialogue, we've set a deadline -- or recommended a
deadline be set for the USDA approval and if they can get
it, great. USDA has repeatedly told us, as they did this
morning, that they weren't able to give that approval at
this point and don't think they could give that approval
by the end of the year. That's what the letter said, but
they actually denied the approval and said they couldn't
meet the requirement by the end of the year. So they're
-going to have to reapply, I assume, and go through the
process.

MR. OXER: So they said they couldn't meet the
approval deadline or they don't expect to approve the
project?

MR. MARQUEZ: I have their email.
MR. OXER: Hold on, David. You can't do that. You've got to speak into the mike so it can be recorded. Do you have a quote on that, Tom?

MR. GOURIS: "Due to the aforementioned discrepancies, we are unable to initiate the underwriting process which includes analyzing the financial viability of the project as a whole. This being the case, and also the fact that this office received a Section 538 application for this project on November 29, does not allow adequate processing time, as stated in the previous letters, to meet the December 31 deadline for tax credits to TDHCA."

The opening sentence said, "We are unable to approve the transfer of the rehabilitation due to the following." And it listed a bunch of issues that they have had for quite a while with regard to how much rehab was being done versus how much rehab they felt should be done.

MR. OXER: So staff's position is this is not just a scheduling problem, this is a substantive issue.

MR. GOURIS: It appears from USDA's correspondence with us that that's the case, but again, not wanting to get into that detail of it because that's between them and USDA, we set the deadline. And the deadline was set initially because the ownership transfer
and all these things should take place simultaneously. The approval of the financing should take place when the ownership transfer takes place; otherwise, the ownership transfer kind of is —

MR. OXER: No reason to make it happen unless you've got financing.

MR. GOURIS: Right, yes.

MR. IRVINE: Well, pulling it back and giving more context to show how these things are interrelated, there is existing financing in place, and USDA has a lien position. So the question is really how can you transfer the ownership to the development entity when a USDA consent is required for that, and it's really all tied up with how or if USDA moves forward with the new structure. And I believe, without putting words in Mr. Marquez's mouth, the applicant is optimistic that they can further educate USDA and obtain their agreement to proceed with this overall change.

And what we're saying is that clearly they have to meet the federal 10 percent tests, that's simply there, and I believe that with their opinion from counsel and advice from Novagradac, they have addressed that and they'll explain to you how they've addressed that. Then they have a state law 10 percent test that also requires that ownership, not necessarily record title, but that
ownership be conveyed to the development entity, and I believe they'll address that. Third, we have a condition that was imposed in connection with our underwriting that said specifically: Oh, and we want this to occur with the USDA approval by this deadline. And that deadline, as they've described, is something that they believe they need more time to meet it.

MR. THOMAS: Mr. Chairman.

MR. OXER: Mr. Thomas.

MR. THOMAS: So Tom, the issue for us is from the staff's perspective is trying to set a deadline to provide certainty and transparency of process for all applicants without interspersing or putting ourselves in the issue between the applicant and the federal agency. Is that the idea?

MR. GOURIS: That's right. In essence, that's what we did with the original deadline with tying it to the 10 percent test, and then those extensions were granted internally by the executive director. This is like the last -- I mean, they actually submitted the 10 percent test but weren't able to meet that last element and now need an extension of that last element -- further extension of that last element.

MR. OXER: What is the impact to the system or the process or scheduling for anything else or anybody
with giving them 30 days? Does it have any detriment to
our programs?

    MR. GOURIS: I would imagine not. I think Jean
might be able to speak to that. The credits, if they were
returned by the end of the year, would just roll into next
year. That would be the big issue. The issue from a
process standpoint for the development is they have a year
to do the rehab once they get the approval. Once they get
the ownership transfer finalized and all the financing
transferred, they would have to the end of next year to
place in service, and that's a pretty short time frame.

        They've indicated to us that they don't think
it will take quite that long to get it all done, and we're
willing to see that through. But oftentimes, at this late
date in the status of a project, if they haven't met these
requirements, it usually is a great concern to the lender
and syndicator to be able to get the property accomplished
in the time frame that's required under federal law.

    MR. IRVINE: Logistically, where it is right
now, if the credits were returned within this year and we
had identified somebody who fit into our waterfall
structure, then we could award those returned credits to
somebody else and they would have to meet carryover by
year-end. If the credits were returned after year-end,
then it would simply go into next year's round.
MR. GOURIS: Actually, I think at this point in the year --

MR. OXER: Okay. Let's don't guess. Cameron?

MR. DORSEY: What our goal is always is to try and allocate it and get as many deals allocated credits by year-end. It's very late, and so I think it would be a tossup whether or not we could get that accomplished, I'd say 50-50 really. We'd have to call the next folks on the waiting list, see if they've still got their site under contract, there would be a series of things we would need to do.

MR. OXER: There are implications for having this roll over.

MR. DORSEY: Right. Well, I mean, if they got returned this year, we could choose to roll it over or do the next deal in line, and doing the next deal in line just is not totally certain because we would have to work with --

MR. OXER: It's so late in the game.

MR. DORSEY: That's right.

MR. OXER: Okay. Anything you wanted to add, Jean? Hold on, David.

MS. LATSHA: (Speaking from audience.) Not at this time.

MR. OXER: Okay. David.
MR. McWATTERS: Mr. Chairman.

MR. OXER: Professor McWatters.

MR. McWATTERS: What's the basis by which you think an extra 30 days is going to make a difference?

MR. MARQUEZ: That we're dealing directly with national now and the issue has been what Tom mentioned, was the fact that we think that the construction budget is $5.4 million, it's 246 units, they're saying it's $2.9-.

MR. OXER: That seems like a pretty substantial discrepancy.

MR. MARQUEZ: Well, it's less than that now because they've given into the fact of the roof structure -- there's two roofs on there -- the roof structure, the sidewalks, the water heaters and the detention pond. All this comes up to about a million dollars so now it starts to narrow the focus, and that's what we need is just to be able to come up and say okay, it's $4.5- or it's $4.8-, or whatever it is, and so that's what the discrepancy is on the C&A. I think we need more than that.

Our investors, who are still involved in this, we have phone calls every Monday, they're still involved. Our attorneys are still involved. They think we can get it done in the nine months that we say it can take our reconstruction. I mean, we've been preparing for this for
over a year. I mean, all of our people have been certified already, we've gone through them all. All the residents know that we're going to do this. So it's not just for myself or the housing authority, it's like I said, there's 1,200 people that live there that want this to happen. And we wouldn't be up here driving this thing, we're big boys, we can take our hits, but what happens is that after being there a year, year and a half and knowing all the residents, we can't stop now.

I mean, for 30 days, and your own staff says it has no bearing on the credits for next year, so if we go to January 31 and we don't get it done, you just put it in the next cycle and let's go about our business.

MR. OXER: Okay. Anything else, Mark?

MR. McWATTERS: Well, I'm trying to determine from the email that was read a moment ago if there's any negotiating room on behalf of the United States Government here, if they feel like this thing is done and that you're going to continue to make arguments to them and they're just simply not going to pay attention because they feel like their analysis is correct right now.

MR. MARQUEZ: Well, Professor, I have an email December 9 from their state architect that asked the list of questions that I just mentioned, and we went over them with our engineers and our architect, and so it seems to
answer the question.

MR. McWATTERS: So I mean, have they given you any indication, through an email or otherwise, that hey, if we have a little more time, I think we can reach an accord?

MR. MARQUEZ: What their email exactly says is that we're still working through the process, we can't make it till the end of the year.

MR. OXER: Maybe it's by the end of the year.

MR. MARQUEZ: By the end of the year. But that's what I'm saying, there is correspondence between us and them continually, so there's no lack of communication. There's no we're not talking to you, the prices are too far off, there's not any of that. We are talking.

MR. OXER: And you're caught in the holidays too. I understand the bind that you're in, and based on the fact that there's probably we wouldn't be able to do a credible job of rolling over these credits, I'm inclined to offer you to the end of next month, if the rest of the Board considers that appropriate.

MR. MARQUEZ: We'll be working through the holidays.

MR. OXER: I know. You better be.

MR. MARQUEZ: I understand that.

MR. OXER: Okay. We have a motion by Mr. Gann
and second by Mr. Thomas to approve the staff recommendation on item 3(d) which, if we decided to go this way, we'd have to modify. You're speaking on behalf of all three of you right there.

MR. MARQUEZ: Yes.

MR. OXER: That's all right. If you don't want to speak, that's fine.

Is there any other comment from the Board? We need to either tell them no or tell them they've got till the 31st and be done with it and it's over. That's basically what's coming down.

MR. THOMAS: Mr. Chair.

MR. OXER: Mr. Thomas.

MR. THOMAS: I have some concern based upon our prior discussions on these very issues, being also very sympathetic to the concerns and the issue of the timing of interjecting the agency, and staff in particular, in speculation, and more importantly, for purposes of transparency and consistency with all of the folks who have come to us on these issues in the past

MR. OXER: Who have got their deadlines.

MR. THOMAS: And so while it is a critical need in a critical part of our state -- which if I had a magic wand, we would fix -- I have some concern about granting -- or opening a Pandora's box or slippery slope
going forward.

MR. OXER: And in the event that this is turned down, you have the option -- Tom, in the event that this is turned down, which it's not been yet, but in the event that it's turned down, they have the option to reapply.

MR. GOURIS: They do under, I guess, the general set-aside but not under the USDA.

MR. OXER: Jean, have you got any more detail on that?

MS. LATSHA: Jean Latsha, Housing Tax Credit program manager.

Not really. I just pointed out to Tom earlier that they applied under the USDA set-aside in 2012, and under those rules they could qualify for it just because of our definition of rural, and since that's changed, they could come back and apply again but it wouldn't be under the USDA set-aside.

MS. BINGHAM ESCAREÑO: I have a question just for clarification. So when we mentioned kind of the three little benchmarks, the three hurdles, we're pretty clear they meet the 10 percent test, the literal 10 percent. Right? They have somebody here that can attest to that. And the ownership hurdle. So the USDA is actually a condition of the underwriting is how you defined it. Correct?
MR. GOURIS: That's correct.

MS. BINGHAM ESCAREÑO: So it's not a rule that applies to all deals, it's just because it is a USDA that they have that additional hurdle. Correct?

MR. GOURIS: In this case it was added because of the unique circumstances of this transaction, which in order to fully transfer the ownership of the site and complete the rest of the 10 percent test, they would need, in our eyes, to have received USDA approval of the transfer of the funds.

MS. BINGHAM ESCAREÑO: It is unique and I just wondered if it might help clarify for my peer that in a way we kind of already insert ourselves into that. Right? Like we can't really act like it's an anonymous, generic deal because it isn't. We know those deals are always really dicey and so we put that for a reason, but we're already in it. I mean, we're not involved directly in the dealings with the USDA but it's not a generic deal, so we know that there's that complicating factor.

MR. GOURIS: There was when the award was made, yes.

MS. BINGHAM ESCAREÑO: And David, did you mention there's been leadership changes, that for a while you were having to deal with somebody who was an interim USDA leader.
MR. MARQUEZ: There was what they call the housing administrator, Tammy Tamayo. She was there, that's who we met with. And now there's an acting, Rich Davis. But we feel is that we process everything through USDA Temple, but D.C. is made aware of this because in some of the funding issues they do have to be approved by national, and so since June that's who we have been dealing with.

MS. BINGHAM ESCAREÑO: You really do think if you got an extension you can get the project done in the remainder of the coming year?

MR. MARQUEZ: Yes, ma'am.

MR. OXER: In the remainder of the year, or by January 31?

MR. MARQUEZ: January 31. I'm sorry.

MR. OXER: Point of clarification.

MR. MARQUEZ: For the record, January 31.

MR. OXER: Just a second, Mr. Lopez. It occurs to me that we recently asked some folks to go after some documentation from HUD under some duress also. They were pretty pinched over the holidays.

MR. MARQUEZ: Well, the other thing too is that, you know, the government being shut down October 17.

MR. OXER: I'm sure this didn't help out.

MR. MARQUEZ: We turned in an application and
then all of a sudden it was closed for two weeks, and so even the people in D.C., we could not get a hold of, and so that did hurt us.

MR. OXER: Tim.

MR. IRVINE: Could you clarify for the Board how you specifically addressed our ownership requirement?

MR. MARQUEZ: Well, actually I'm going to let Novagradac do that. How's that?

MR. LITTLEJOHN: I'll fill out a comment card after. My name is George Littlejohn with Novagradac and Company. I'm a partner in the CPA firm. Susan Wilson actually signed the report; we have a two partner review process on these engagements.

In this case when the 10 percent test was met -- and I did want to sort of address that there is a federal deadline of 12/27, one year after the carryover -- we've issued the opinion based on a special warranty deed and an assumption of the debt that was prepared by their attorneys. We talked and received documentation from their attorneys that based on all the facts under Texas state law this would be a legal transfer of title and that they would have all the benefits and burdens of ownership, so we went forward on that respect and said, This is good. Again, there are other ways to spend money by the end of the month, that's not really meeting the 10 percent test.
We believe they've already met it, that's not a concern.

I did want to point out one point, because we brought that up, in terms of timing, and that was an issue I personally have addressed with David. It's like, okay, if you get this and you have an extension, you have a rehab, can you get it done by the end of the year. The rehab plan I think is about nine months, so they should have plenty of time to do it. One advantage, I think, in this deal is that as opposed to new construction, the way the Federal Code is written with respect to placed in service dates for rehab, there is more flexibility with meeting that deadline and more ways to make sure that the credits aren't lost for another year, that they can meet that deadline.

MR. IRVINE: And the special warranty deed has been executed and delivered but not recorded.

MR. LITTLEJOHN: The special warranty deed has been executed, it's been delivered, but it has not been recorded in the courthouse, and we got correspondence from their attorney and discussed with their attorney on whether that was still a valid legal transfer under state law, and they said it was.

MR. OXER: Tom. Thank you, Mr. Littlejohn.

I'm going over a summary of where we're at on this because this is one of those things where we like
to -- and I'm entirely in favor of what Mr. Thomas just recounted a moment ago because I think I'm the one that started that some time ago, but the discretion to waive these sorts of requirements is something that should be exercised rarely and lightly, in my estimation, but perhaps we are there but I'd like to get a summary on this. This is a unique project, it's not going to be something that's going to be -- the USDA contribution to this would be different next year if they had to roll it over. Is that correct? If they reapplied next year.

MR. GOURIS: Yes, that's correct. As far as being different, I stand corrected. Staff reminded me that all the properties that had USDA associated with them had the same or similar underwriting condition placed on them, and all of those other transactions met the deadlines.

MR. OXER: How many others were there?

MR. GOURIS: Half a dozen?

MR. DORSEY: Yes.

MR. OXER: A dozen?

MR. GOURIS: At least a half dozen, if not closer to a dozen.

This one is a fairly large transaction, I think probably one of the larger transactions, and there are other things that make it different, but the condition
that staff put on it was consistent with the other USDA transactions.

MR. OXER: So it's not a unique requirement for this project, it's just -- come on, Cameron.

MR. GOURIS: Every project is unique, obviously.

MR. OXER: Obviously. But it's not unique in the terms -- is it more complex than others that would require more time?

Here's the question, David: Why were you late?

MR. MARQUEZ: I can address that.

MR. OXER: Let's hear it.

MR. MARQUEZ: What happens is that you have a 514-516 loan. Most of the other USDA loans that come through are for-profit. This was a non-profit grant that was given eight years ago, and so we had to address that grant, and so that grant has to be closed out and forgiven. In order to do that, you have to go to D.C. Right now USDA wouldn't even be talking to us if they didn't think that that grant was going to be closed out, because when we started this process -- and, Jean and Cameron, I think you remember -- they kept on saying you're going to have to pay it back, you're going to have to pay it back. Well, we finally addressed that issue at national.
And so now what they're saying is that in order for us to transfer, we have to address the funding, the C&A, the 514 loan all at one time. So it did have a different piece because most of them are for-profit developers and they don't have a grant.

The other thing is, too, this project is 246 units. It's one of the largest USDA projects in the country, not just here but in the country, and so when you start talking about a project of that size, many of the ones that they're talking about are 20 units to 50 units, so it's not as massive of a transaction. And so anyway.

MR. OXER: Okay. Thanks.

Cameron, of the rest of the, quote, dozen or so projects that are there, were there any more than had a USDA 514 grant that went with them?

MR. DORSEY: Not a 514.

I did want to address a little bit the timing. You know, I'm responsible for carrying these transactions through carryover the end of the year that they're originally awarded and then they transfer to the asset management group to manage them from there. We have monthly conference calls with USDA throughout the tax credit cycle to make sure that we're all on the same page and we understand what's going on. And so I don't know what has happened since the end of 2012, but I know that
Mr. Marquez was the last to contact USDA about the USDA deal.

USDA didn't have any idea what was going on with the deal until very, very late in 2012 which is most certainly different from each of the other transactions that were USDA deals, despite them being a different source of USDA financing. So I think USDA most certainly felt like that there was a delay and they hadn't been brought in the loop early in the process.

MR. OXER: So you're saying it's a product of Mr. Marquez being late communicating last year with USDA.

MR. DORSEY: I can't say that there's a direct correlation between the delay, I don't know if that would have resolved the timing issue, but I can most certainly speak to the fact that there weren't those initial conversations that we generally expect to see early in the process with both of the key financing entities.

MR. IRVINE: This isn't really a waiver request, it's an extension request ostensibly because USDA says it needs additional time to take definitive action on the matter, and the question floating around here is: Okay, why is USDA saying that now?

MR. OXER: David.

MR. MARQUEZ: We received our allocation in September -- or our underwriting, and so we had contacted,
because Mr. Lopez and I actually went to USDA in February of '12 and informed them that we were going to be submitting an application -- so when we received our actual commitment from the Department, we were the last ones underwritten in September.

MR. OXER: Your application from the department, USDA or from TDHCA?

MR. MARQUEZ: No. The actual commitment.

MR. OXER: Our department.

MR. MARQUEZ: Yes. We got that in September.

And so what happened then, some of the language was not correct and so the Department went back and corrected it, and so what we needed to do was submit a full transfer package to USDA for the closeout and for the transfer of the 514. We did that in October of '12, October 15 of '12, probably less than 30 days than when we got our commitment. I know commitments usually come out a little bit earlier than that, but ours was the last one underwritten. So we got it as soon as -- it's three binders long.

MR. OXER: Hold on. So they would have gotten their commitment September of last year, as he said or suggested that you did, and that was a product, since we made the decision in July and it rolled over, is it only because it would have been the tail-end of underwriting
that you issued the final?

    MR. DORSEY: Yes. It would have been something related to that, most likely. But you know, I wouldn't have an expectation that folks wait to talk to everyone else until we've acted, you know. The expectation is that you're communicating with our state agency as well as the other federal agencies involved with the transaction throughout the process, particularly because it's fairly well known amongst folks that do USDA transactions that it can take quite a while to get transfer approvals and these types of things. It's quite rare, however, to have this type of situation occur because folks know that they need to start working very early in the process.

    MR. GANN: Mr. Chairman, I've got a question of Cameron if I can, sir.

    MR. OXER: Mr. Gann.

    MR. GANN: Cameron, you mentioned something earlier that if these funds were to come back that you'd have a 50-50 chance of maybe given them to someone else.

    MR. OXER: For this year.

    MR. GANN: For this year. I mean, if it was 10 percent and I was in the 10 percent, I would really want to see that. But there is a real chance that you could find somebody to use these.

    MR. DORSEY: The next transaction in line is
about a $1.2 million deal. This return is slightly under $900,000. We also have a pot of about $100,000 in credits sitting there. So it would require them to figure out how to resize, make their deal work with slightly -- well, not slightly, $200,000 in credit is quite a big piece. I've seen it done before but I hedge primarily for that reason. I'm not sure if they would feel comfortable or have the resources available to them to resize that transaction that substantially.

MR. IRVINE: It's about a $1.8 million cost swing.

MR. DORSEY: Could be up to that amount.

MR. GANN: But it's still possible.

MR. DORSEY: I've seen it done before. I've seen applications for HOME funds in order to fill the gap, they've made that work. Allegro Point up in Austin, it was a 2011 deal, it was a tail-end deal just like this would be.

MR. GANN: I actually think that would be one of our issues if we did not approve the staff recommendation.

MR. OXER: Barbara.

MS. DEANE: May I ask a question?

MR. OXER: Madam Counsel.

MS. DEANE: If these credits do come back and
you try to award them to someone else and it can't be done by the end of the year, they carry forward to the next year. Right?

MR. DORSEY: That is correct.

MS. DEANE: What about the national pool, does that impair our ability?

MR. DORSEY: No, it does not. The way the regulation is written, if credits are returned in the last three months of the year, we can accept those as returned on the first of the following year so as not to miss out on national pool. It's kind of a reasonableness thing.

MR. OXER: What is the national pool?

MR. DORSEY: The national pool --

MR. OXER: When is that distribution made?

MR. DORSEY: It's generally made around November of the allocating year. So this year, for example, in November -- or maybe it was October -- October we got an additional 300,000 or so in credits. It varies from year to year, it can be none some years. But that wouldn't be at risk and that wouldn't be at play in this particular instance. We would most certainly still qualify for national pool because the amount we've allocated thus far is sufficient to qualify next year, and in addition to that, if a return occurred, it would occur in the last three months of the year, we could accept it.
as returned on the first of next year so as not to kind of put us in a really tough allocating spot needing to get that money out super fast.

So I think it would be a correct statement to say if we were not able to allocate to the next year deal -- which I am not certain we can do -- it wouldn't result in us losing out on some resource or it wouldn't result in any kind of adverse thing for the Department or the state.

MR. OXER: So it's not use it or lose it at this point.

MR. DORSEY: That's right.

MR. OXER: Okay. Professor McWatters.

MR. McWATTERS: Cameron, I'm having some difficulty following some of this, so just let me ask this sort of simple question.

MR. DORSEY: Sure.

MR. McWATTERS: What's the basis for the need for the extra 30 days, and is that reason reasonable?

MR. DORSEY: It's really hard for me to say. You know, you kind of have to accept both things at face value, I think. They've communicated, for example, that they started in February 2012 of talking to USDA. Our communications throughout the 2012 cycle did not reflect that USDA knew what was going on with the transaction, if
it, in fact, was going to move forward, these types of things. So you know, I'm kind of the middle man here and I don't want to say Mr. Marquez is wrong at this point because I don't know what they did in 2012, I can only speak for the conversations we had with USDA.

I think, you know, generally speaking this is significantly longer than it would take. I haven't seen this type of situation happen with USDA to where they were this late in the process and didn't have the approval. I think that's typically because folks that do USDA deals do a lot of USDA deals and they kind of have an understanding that USDA works slowly, they've worked out all the kinks in how they communicate with USDA, and these types of things.

These folks don't have a portfolio of a significant number of USDA deals, I don't think, and so there was probably some figuring that out, and I don't think that's any fault of theirs. It can be tough to figure out our process too sometimes for a new person. So it's hard for me to assign who's at fault or if the additional 30 days are reasonable.

MR. IRVINE: But regardless of how it got here, USDA has been pretty unambiguous that they cannot speak definitively by the year-end.

MR. OXER: And that's what Tom read off the
Hold on a second, David. I echo, and I know where Professor McWatters was going, I think, and Mr. Thomas and Mr. Gann. We're big on rules around here, David, big on schedules, and it seems like that was a lot of time to get this done.

Tom, do you have another comment?

MR. GOURIS: I was just going to mention that I think we included in the Board package a timeline from USDA of when things occurred from their perspective, and it showed kind of repeated start and stop points and significant time periods before the next start was had again. So they received an application in October of 2012, they sent an adverse decision letter in November, the applicant appealed the decision in January, and then in April they withdrew their appeal, and then it wasn't until August that they applied again.

MR. OXER: Wait a minute. They applied again, reactivated?

MR. GOURIS: To USDA.

MR. OXER: So they reactivated that application or they made a new application?

MR. GOURIS: I believe they had to submit a new full application because they withdrew their previous one. And I don't know the workings of USDA and the technical
components, but it appeared that they had an application that was denied and then they appealed it, withdrew their appeal, and then several months later applied again. And this was all during the same period of time when they were asking for extensions for the 10 percent test from us, saying that they were very close to getting these issues resolved.

Just one other issue that I want to make sure is clear. The concern about the transfer or the repayment of the federal grants is pretty significant to this transaction, and by implication, I think Mr. Marquez suggested that they've gotten that resolved at the federal level, the D.C. level. We haven't seen any documentation of that. I don't think he can confirm that that has formally been resolved. I think what has happened is it needs to be resolved at the local level, and if the local level is okay with it, they can get through it at the federal level.

MR. OXER: Mr. Marquez.

MR. GOURIS: Did I say that correctly?

MR. MARQUEZ: Because there's a lot of things that USDA tells you to move forward on, it's not in writing, but what it is is that the timeline that they have are not indicative of the 300 emails that we have back and forth to USDA talking to them, from at least May
of '13 all the way through. And so one of the issues, you asked me earlier do I think we can get it done by January 31, in your Board book we put what they call an unnumbered letter in there, and that is from the acting director, Rich Davis, that says that state offices now have to have USDA tax credit projects as a priority, and they list that in there. And so that's what we're pushing in D.C. and that's what we're pushing now is that we're under a time restraint and we were at the end of the year, and so if we are granted a waiver till January 31, this is why we feel we can get it done.

MR. OXER: Let's clarify. That's an extension, not a waiver.

MR. MARQUEZ: Okay. An extension. It's an actual directive from the housing administrator, and I put that in your Board book as well. It's called an unnumbered letter, dated September 30, from Rich Davis. And that's why I put it in there because all our correspondence with national and Temple stresses that point because that's exactly what we've been told, that this is what they are trying to do and this is what they're moving to do in their 40 and 50 year old projects. This is a way to preserve USDA.

And the state and the staff, I know that they've been in contact with USDA, I know that they've met
them at housing conferences, and I think that everybody
agrees that this is what should be done, it's just how do
you get there.

MR. OXER: Apparently everybody doesn't agree.

MR. MARQUEZ: Well, agrees that tax credits
with -- everything you read from USDA is this and this
unnumbered letter dated September 30 states that better
than I do. So that's why we feel we can get there by
January 31. And then given what Tom has said, and Cameron
as well, I mean, it really doesn't have an adverse effect
to the delivery of credits to individuals for next year.

MR. OXER: It doesn't have an adverse effect to
the delivery of total credits that the state manages. It
does potentially have an adverse effect on the next deal
in line which would be potentially able to use those
credits, and that's one of the things I'm focusing on, and
I think that's what Mr. Gann's point of concern was. Is
that correct?

MR. GANN: That's correct.

MR. OXER: Okay. Any other comments? Ms.
Bingham.

MS. BINGHAM ESCAREÑO: David, is the
congressman engaged, or no? I mean, we saw like your
support letters and things from the county judge, but are
you getting any help from anybody in terms of the USDA?
MR. MARQUEZ: Congressman Cuellar has interceded on our behalf, Congressman Hinojosa has, the entire delegation has, and so we're just pushing forward.

MS. BINGHAM ESCAREÑO: Okay.

MR. OXER: Mr. Lopez.

MR. LOPEZ: I was going to address that.

MR. OXER: You have to identify yourself.

MR. LOPEZ: Mike Lopez, Hidalgo County Housing Authority executive director.

I have met with all three congressional offices, they've been very supportive in terms of trying to help out between USDA and ourselves.

This is a unique application to USDA. In terms of communications between us and them, that's been overly communicated. I mean, I've been at the housing authority 22 years and I've dealt with USDA every day and this is a real tough deal because the limited knowledge that I have from them in terms of what they do with tax credits, they've never done one of theses. Temple office has never done one of these, so it's been a big problem back and forth, but I think we're almost there.

MR. OXER: I got the impression that the Temple office had gone along with this and the problem wasn't there.

MR. LOPEZ: If they'd have gone along with it?
Yes, I agree with you. I think we spent -- I don't know, time flies, but I think we spent about six, seven months going a discussion over the structure. We had to have a meeting in D.C. with the director and all her legal people there, and the people that manage the multifamily, Mr. Steininger and Mr. Hooper and those members, for everybody to tell us that all they had to change was one phrase in the language which, in my opinion, they could have told me the first month I was at Temple.

MR. OXER: They could have told that over the phone too.

MR. LOPEZ: They could have told me that over the phone and we would have fixed that. We spent six to seven months just doing that. But I think we're almost there. Thank you.

MR. OXER: Okay. Any other thoughts? Any other comments?

(No response.)

MR. OXER: Okay. We have a motion by Mr. Gann, second by Mr. Thomas to accept staff recommendation on item 3(d) with respect to the Memorial Apartments in McAllen, Texas. There's no other public comment, no other comment from the Board. This is to accept the staff recommendation which is to deny the modification to extend. All in favor?
MR. IRVINE: Wait. Was it also to extend?

MS. BINGHAM ESCAREÑO: Tom, why don't you read the resolve?

MR. OXER: Read it again, Tom.

MR. GOURIS: That the request for the waiver of the closing requirement is denied, however, the extension is approved -- extension of the approval by USDA of the transfer of the loan is granted until December 27, 2013, after which the condition is if the carryover is not met, the commitment and carryover agreement shall expire. So deny the waiver but grant an extension through the 27th.

MR. OXER: Which the extension to the 27th is from when? When was the original?

MR. GOURIS: The original due date was July 1, and we've extended twice, through December 1. They submitted the package with a piece incomplete. It's that piece that's going to be extended until December 27 is what we recommended.

MR. OXER: All right. All Board members clear on the resolution? Okay. Motion by Mr. Gann, second by Mr. Thomas to approve staff recommendation on item 3(d). All in favor?

(Ayes: Gann, McWatters, Oxer and Thomas.)

MR. OXER: And opposed?

(Aye: Bingham.)
MR. OXER: There is one, Ms. Bingham is opposed.

MR. MARQUEZ: Mr. Chair, may I make one comment?

MR. OXER: Yes. Identify yourself, David.

MR. MARQUEZ: David Marquez, Memorial Apartments.

So I just want to make sure that if we receive a letter from USDA as the 10 percent test -- and I'm asking staff -- USDA/RD approval of the proposed rates, terms and transfers of existing USDA RD loans and acceptance of the additional permanent loan funds as a first lien, that's the verbiage that we need, and our carryover?

MR. GOURIS: That's correct.

MR. OXER: Basically what we're telling them, Tom, is you get your letter by December 27, you're in good shape.

MR. GOURIS: Right.

MR. MARQUEZ: Just wanted a clarification.

MR. OXER: And I know it's going to be hard.

MR. MARQUEZ: Well, you know, unless they shoot you, you still have a chance. Right?

MR. OXER: That's one of my single prescriptions in here: you can't use live ammo.
(General laughter.)

MR. OXER: We appear to be at the end of this agenda. We do have to go into executive session today, it's 11:50. Everybody sit still and listen to this. The Governing Board of the Texas Department of Housing and Community Affairs will go into closed session at this time, pursuant the Texas Open Meetings Act, to discuss pending litigation with its attorney under Section 551.071 of the Act, to receive legal advice from its attorney under Section 551.071 of the Act, to discuss certain personnel matters under Section 551.074 of the Act, to discuss certain real estate matters under Section 551.072 of the Act, and to discuss issues related to fraud, waste or abuse under Section 2306.039(c) of the Texas Government Code.

The closed session will be held in the anteroom right behind us. The date is December 12 and the time is 11:51. I expect this is going to be about an hour and 15, maybe 20 minutes on the exec session. We'll be prepared to go back into session at 1:15. If we get back at one o'clock, we'll be here. At that time we will receive comments for the next session. With that, we're in executive session.

MR. IRVINE: I doubt it will take that long.

MR. OXER: All right. It won't take that long,
so we'll be back at 12:30, executive session until 12:30.

See you then.

(Whereupon, at 11:50 a.m., the meeting was recessed, to reconvene this same day, Thursday, December 27, 2013, following conclusion of the executive session.)

MR. OXER: We're reconvened in open session at 12:30. We received advice from legal counsel about pending litigation and no decisions were made. So we're to the point now in the meeting where we take public comments, having completed the entire agenda, we now take public comment. Is there any public comment for agenda items in the future?

(No response.)

MR. OXER: No other public comment. Is there any staff comment? Why, Cameron, there's Cameron.

MR. DORSEY: Yes. I was hoping that we would have several folks from the development community in the room to hear it, but it will be helpful for it to be on the record, as well. We've gotten a little bit of concern recently, I've gotten a couple of emails and calls from folks about the previous participation rule and how it's going to be implemented, and I just wanted to proactively address it because it kind of blew up into a bigger issue than I think it really needs to be, and we're going to work on kind of making sure we clarify this with folks.
So the previous participation rule is changing, as you all know, so it doesn't have this strict material non-compliance score. Instead we get a report, and the report is going to come from two areas, one is Cari Garcia's area and one is Patricia Murphy's area, and it's going to come to our Executive Award Review and Advisory Committee, so I'm kind of speaking as a member of that committee, really.

The concern is that some of the information that will be supplied from Asset Management is really new, and it's going to relate to the financial status of existing deals that are in a particular applicant's portfolio, such as the debt coverage ratio on their deals, the expense-to-income ratio on these deals. And the way the rule is written -- and I think this makes a lot of sense since it's the first year and we're still kind of going to be in the learning process -- we're keying off of those thresholds utilized when we underwrite a deal up front, so what will be included on the report are those transactions that are operating at under a 1.15 debt coverage, that have over a 65 percent expense-to-income ratio, et cetera.

The concern was I think that the development community felt that those weren't appropriate ratios and that that would automatically result in the ineligibility
of an applicant, and one thing we're working on is
clarifying that that is, in fact, not the case, and you
all might hear from some folks on this matter. That is
simply the thresholds that warrant inclusion in a report
to the ERAC committee and that gets reviewed, and where
something is operating at a 1.15 debt coverage, I will
say, quite honestly, that that in and of itself isn't for
me going to warrant me voting to make that applicant
ineligible. It's a confluence of issues that we're
looking for, and those are simply triggers that may help
us ask additional questions.

That's how I view this report. It's going to
have some key information that enables us to ask
additional questions and get additional answers. And that
point I would need a body of information in order to make
an actual vote to make an applicant ineligible. But there
is that feeling out there that they're inappropriate
thresholds to use and that it's going to result in
automatic ineligibility, and we're going to try and
address those, like I said, proactively and wanted to let
you all know about it.

MR. OXER: So this is essentially just one
piece of information that's not used independently or
unilaterally but more in conjunction with a bunch of other
things to guide your decision-making.
MR. DORSEY: Right, and it helps us figure out what questions to ask. That's how I view it.

MR. IRVINE: And I think it's also important to underscore that it isn't final decision-making. The ERAC will receive these reports, consider them and so forth, analyze them, and then make recommendations to the full Board. And then the Board, based on those recommendations can take such actions as it deems appropriate to award, to not award, or to award with changed conditions. So ultimately, applicants will have the ability to be heard by the Board before any final action is taken.

MR. OXER: So it's portfolio data to guide collective decision-making.

MR. IRVINE: Correct.

MR. DORSEY: Yes.

MR. OXER: Okay, good. All right. We are accepting public comment. Since the public has made no interest, is there any other staff that wants to make a comment?

(No response.)

MR. OXER: Okay. Is there any member of the staff or the Board that would like to say anything?

(No response.)

MR. OXER: Okay. As chairman, I get to say the last word. I think we do good hard work here. It's been
a great year. We did some really hard things in the early
spring pushing this QAP through and getting those
decisions made, so I compliment everybody on their effort
and their work. I hope everybody has a merry Christmas,
happy and safe holidays. Be careful, because I need you
back.

I'll entertain a motion to adjourn.

MS. BINGHAM ESCAREÑO: So moved.

MR. OXER: Motion by Ms. Bingham to adjourn.

MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas. And I think
today, just as a chairman's note, Ms. Bingham and Mr.
Thomas get gold stars for their participation ratio.

MR. GANN: Call the question.

(General laughter.)

MR. OXER: All right. All in favor of
adjournment.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. All right, folks,
see you in January.

(Whereupon, at 12:36 p.m., the meeting was
concluded.)
CERTIFICATE

MEETING OF: Texas Department of Housing & Community Affairs

LOCATION: Austin, Texas

DATE: December 12, 2013

I do hereby certify that the foregoing pages, numbers 1 through 90, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

12/16/2013
(Transcriber) (Date)

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