TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

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

Thursday, October 9, 2014
9:10 a.m.

MEMBERS:

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

STAFF:

TIMOTHY K. IRVINE, Executive Director

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authorizing application to the Texas Bond Review Board for reservation of private activity bond authority from the existing single-family set-aside

HOME DIVISION

j) Presentation, Discussion, and Possible Action to authorize the issuance of an Amendment to the 2014 HOME Single Family Programs Reservation System Notice of Funding Availability (ANOF@) and publication of the amended NOFA in the Texas Register

ASSET MANAGEMENT

f) Presentation, Discussion, and Possible Action

MULTIFAMILY FINANCE

I) Presentation, Discussion, and Possible Action regarding modification to terms of NSP1 multifamily loans

j) Presentation, Discussion, and Possible Action on Notices for Housing Tax Credits

REPORT ITEMS

The Board accepts the following reports:

1. Results from Compliance Division Customer Service Survey and update on Compliance Activities

2. Report on Status of Efforts to Affirmatively Further Fair Housing

ACTION ITEMS

ITEM 2: INTERNAL AUDIT
Report from the Audit Committee Meeting

ITEM 3: MULTIFAMILY FINANCE:

a) Presentation, Discussion, and Possible Action on a Request for a Waiver of '11.3(e) of the 2014 Qualified Allocation Plan Relating to Developments in Certain Sub-regions and Counties for Villas at

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b) Presentation, Discussion, and Possible Action on Awards of Competitive 9% Low Income Housing Tax Credits from the 2014 State Housing Tax Credit ceiling from the Waiting List for the 2014 Housing Tax Credit Application Round

ITEM 4: ASSET MANAGEMENT

a) Presentation, Discussion, and Possible Action on a Waiver of 10 TAC '50.4(d)(16)(H) and approval of Land Use Restriction Agreement (ALURA®) Amendments

b) Presentation, Discussion, and Possible Action on Material LURA Amendments

c) Presentation, Discussion, and Possible Action regarding an appeal of staff decision under 10 TAC '10.902(a)(7) related to the denial of a change to the Land Use Restriction Agreement (ALURA®) for Sabine Park Apartments in Orange (File No 96134) withdrawn

ITEM 5: APPEALS

a) Presentation, Discussion, and Possible Action on Timely Filed Appeals and Waivers under the Department's Program Rules withdrawn

b) Presentation, Discussion, and Possible Action on Timely Filed Appeals of Underwriting

PUBLIC COMMENT

EXECUTIVE SESSION

OPEN SESSION

ADJOURN
MR. OXER: Good morning, everyone. I would like to welcome you to the October 9th meeting of the Texas Department of Housing and Community Affairs Governing Board. We will begin with roll call, of course.

Ms. Bingham.

MS. BINGHAM-ESCAREÑO: Here.

MR. OXER: Mr. Gann.

MR. GANN: Here.

MR. OXER: Mr. McWatters is not with us today. Dr. Muñoz?

DR. MUÑOZ: Present.

MR. OXER: I am here. Mr. Thomas is not. We have four. That constitutes a quorum, so we are in business. So Tim. Pledge to the flag.

(Pledge of Allegiance was recited.)

(Pledge to the Texas flag was recited.)

MR. OXER: Okay. Do we have anything on the early side here, Tim?

MR. IRVINE: Yes. We have several items that are on the consent agenda and I understand that there is desire for comment on them. I would like to pull items 1(b), (f), and (j). Any others?

MR. GUDEMAN: Yes. Good morning. My name is Will Gudeman. I represent a nonprofit organization named
Equity Community Development Corporation. I would like to comment on Item 1(e), the prohibition of --

MR. OXER: Will, at this point, we are just --

MR. GUDEMAN: Yes, sir.

MR. OXER: We will offer you an opportunity to do that when we get there. What we are going to handle here first is the consent agenda, so if you would like us to pull that item for a comment, we can certainly do that.

MR. GUDEMAN: I would like to comment on that.

Yes, sir.

MR. OXER: Okay. Then we will pull that for you, and we will take it up in a minute.

Okay. Any Board member care to pull an item off the consent agenda?

(No response.)

MR. OXER: Okay. In that case, we will entertain a motion to consider for the consent agenda.

MS. BINGHAM-ESCAÑO: Mr. Chairman, I move to approve the consent agenda with the items removed as reported.

MR. GANN: Second.

MR. OXER: Okay. Motion by Ms. Bingham, second by Mr. Gann. No public comment. All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?
MR. OXER: There are none. Okay. Okay, we will take item 1(b) first.

MR. IRVINE: Okay. Thank you very much, Mr. Chairman. Item 1(b) is my recommendation regarding the staffing levels for the Internal Audit Division. And we have with us Betsy Schwing, who runs the Division, who would also probably want to provide you with some information on this.

Quite simply, my recommendation is that the Internal Audit Division has currently got four FTEs in the budget and operating plans and currently has two staff, so there are two vacancies. I recommend that the Board approve reducing that to three positions.

My rationale for that recommendation is twofold. One is just in terms of large-scale business operations. I think for the past decade or more, we have been going through some pretty exceptional things. Certainly, disaster recovery efforts, stimulus funding and so forth.

Now I see us returning, not only to normalized levels of programmatic activity, but also in some instances, some significant instances, reduced funding levels. So I would expect a concomitant reduction in need for audit services.
I also just kind of used high level mathematics. I assumed the average number of working hours that any TDHCA employee would work, and came up with approximately 5,500 hours if you have three staff working at that predicted average level of activity.

And we have a proposed from the Audit Committee level of hours in the 2015 fiscal year audit plan that is about 3,600 hours. That seemed to be to be a reasonable cushion, even if I used some more conservative numbers, I still come up with you know, perhaps as much as 1,000 hour cushion.

I also would emphasize that this is simply my recommendation. It is ultimately a Board decision. And I think you should certainly obtain information from the Director of Internal Audit. If things change, and additional audit needs are raised, there is always the possibility of changing that cap back up to the four. Or whatever other number the Board desires.

There is certainly the possibility of utilizing external audit firms on a properly delegated authority from the FAO to contract with external auditors. There are a variety of mechanisms that could be utilized in that way.

Also, qualitatively, personally, I would very much like to have a more robust engagement with Internal
Audit on a consulting basis. We are always pretty much going through the process of reinventing one major program activity or another.

And I think that Internal Audit can be incredibly valuable and useful in helping us on a consulting basis, not providing assurances or representations. Appropriately maintaining their independence. But you know, giving us a framework for ensuring that we have got the best possible risk mitigations in process at all times.

So that is my side of things. And certainly, I would invite Betsy to come up and provide her perspective.

MS. SCHWING: Good morning. I am Betsy Schwing. I am the acting Director of Internal Audit at TDHCA. And I am here to talk a little bit about staffing for the Internal Audit Division.

Back in 2002, we had -- as of July of 2002, we had four full time equivalent employees in the Internal Audit Division. The Agency changed quite a lot from 2002 to now.

Of course, there was the American Recovery and Reinvestment Act. There was disaster recovery. Because of those programs, our FTEs remained at four, but we got two additional temporary employees. As you know, disaster
recovery moved over to the GLO, and ARRA ramped down.
So we still have four FTE budgeted positions. But we have had some staffing changes, lately. Our Director Sandy Donoho retired recently. She left the Agency at the end of July of this year.
And we also lost one of our senior auditors, who went to work for another state agency. This was a tremendous loss to our Audit Department. Now, the Division is made up of myself, Derrick Miller.

We have one vacant director position and one vacant audit position. So that is a staff of four. I do understand and I absolutely agree that the resources dedicated to the Internal Audit program should be periodically reviewed to ensure they are adequate.

But my concern is that making a staffing change at this time may have an impact on how effective Internal Audit can be. Because we are going through changes right now, by losing our Director and a staff member, we have less resources to do what we need to do. And we lost our staff because of attrition.

Just because there was attrition doesn’t mean that the rest of the Agency has been reduced. So I think now more than ever, it is important to have the opportunity for four FTEs to do the work that we need to do.
And this is especially timely to consider because management has expressed interest in performing consulting engagements. Consulting engagements are not something we have done in our Division historically.

They can be done if special care is taken to make sure the auditors maintain their independence, and they do not take on management responsibilities. And the engagement is well documented and the stakeholders are all in agreement on what is going to be done. Well, that is a whole lot about consulting engagements.

But the point is, we are in transition right now. We have got two staff. I would worry that if we were reduced to three FTEs, we may not be able to have an effective Internal Audit function to provide the coverage for an agency this size, and the risk that it has.

It is important that we provide information to the stakeholders timely. And if it is not timely, it is not going to be relevant. So in order to prepare that information and provide it timely, I would think that an FTE level of four might allow us to have a more effective division at this time.

MR. OXER: Thanks, Betsy. Any questions from the Board?

DR. MUÑOZ: I have a question. So are you saying that when all of the disaster relief funds came in,
that the staffing was four. And then it was augmented by two. And now it has returned to four?

MS. SCHWING: Correct.

DR. MUÑOZ: Okay. But functionally, it is down two.

MS. SCHWING: Yes.

DR. MUÑOZ: And so the Department is functioning.

MS. SCHWING: The Internal Audit Division is functioning with great challenges at this time. And let me expand on that a little bit more. We developed an audit plan for FY '14 that was made up of six projects and one contingency project.

And because of our reduced staffing, one of those projects was very behind schedule. And that was the audit of the Financial Administration Division. In addition to that, the development of the annual risk assessment and the presentation of the audit plan for fiscal year '15 was behind schedule.

DR. MUÑOZ: You are saying that as a result of the loss of the retirement and the transition to another state agency, that you weren't able to complete all of the projects in the time line that you had originally thought --

MS. SCHWING: That is correct.
DR. MUÑOZ: And I presume that you communicated that with the Executive Director?

MS. SCHWING: Yes. Yes. It is also important to note that one of those projects that was listed on our FY '14 plan is being carried over into FY '15, because we could not accomplish that with the resources that we have, currently.

MR. OXER: Any other questions? Betsy, do you have -- I'm sorry. Leslie, do you have a question or a comment to make?

MS. BINGHAM-ESCAREÑO: Yes, Mr. Chair. So Mr. Gann and I convened the Audit Committee today. And although this wasn't an action item, we did have, I think, some very productive discussion.

You know, I think the bottom line will probably -- first of all, we just approved through the consent agenda the audit plan for next year. Betsy and her team did a great job of tailoring it to anticipate that they are short on FTEs where they would ideally like to be.

I think that the Board's responsibility is to the State, and to wisely use resources. We have certainly done some other adjusting and belt tightening as some of our ARRA projects and whatnot have rolled out or down.

And Audit may be an area where we want to look at that.
One of the things that management and Betsy and
the Committee discussed today was, it is kind of -- Audit
is always pretty dynamic. So we set a plan with our best
hopes. And then things, life happens.

Things come up, and plans sometimes need to be
adjusted. It sounds like to me, if the Board were to
approve management=s recommendation for the three FTEs
versus the four, the Agency still has some flexibility to
be able to add manpower if it needed to, whether that were
through external engagements or temporary engagements or
looking back in the plan and reprioritizing.

So although I do believe that the Department
feels they can best meet the Agency=s needs with the four
FTEs, if the Board were to go to an approval of the three
FTE plan, I think that it is something that Internal Audit
can continue to communicate to the Board. So that if
there need to be adjustments made, they could be made
along the way.

MR. OXER: So essentially, we are saying that
in the event that we follow what Tim has asked, to move it
to three, we would ask you to come regularly and as often
as needed, Betsy to update us on how you are with it. And
I recognize that things, trust me, plans go out. Much
like game plans.

I understand UT had a little problem last

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night. They were eleven out of the top 25, they had game
plan issues last week in the football arena. Okay. I
think I get it. Is there any more questions from the
Board?

(No response.)

MR. OXER: Okay. Is there any other public
comment?

DR. MUÑOZ: Yes. I suppose the only other
comment I might add is, in the event that something
becomes particularly concerning, that my presumption would
be that you would communicate that to management --

MR. OXER: Sooner rather than later.

MS. SCHWING: Absolutely.

DR. MUÑOZ: And I appreciate what you are
communicating, and the work load. You know, one FTE up or
down, you can always hire somebody later on. It might be
more simply helpful to have that person on the front end
earlier than later.

But I also think that there is a sense in
management, in terms of the workload as well. And so
hopefully, the way you communicate is such that should it
materialize that the absence of the FTE conspicuously
undermines your ability to effectively prosecute your
responsibilities, we can act, probably outside of a formal
meeting to ameliorate that circumstances.
MS. SCHWING: Okay.

MR. OXER: Okay. We have a motion to consider on Item 1(b) regarding Internal Audit staffing. To be clear, approval of the staff recommendation, means it drops to three. Is that correct, Tim?

MR. IRVINE: Correct.

MR. OXER: And then opposition to its approval means that it remains at four for those two positions to be filled as soon as possible, to keep the audit function from being under duress.

DR. MUÑOZ: Move staff recommendation.

MR. OXER: Okay. Motion by Dr. Muñoz to approve staff recommendation.

MS. BINGHAM-ESCAREÑO: I will second.

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

Is there any other public comment on this item?

(No response.)

MR. OXER: Okay. No further public comment.

Motion by Dr. Muñoz, second by Ms. Bingham to approve staff recommendation on Item 1(b).

All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. It is unanimous.
Thanks, Betsy.

MS. SCHWING: Thank you.

MR. OXER: Okay. Item 1(f), which was recently pulled from the consent --

MR. IRVINE: Actually, 1(e).

MR. OXER: I'm sorry, you are right, 1(e).

Let's have the -- Marnie, are you making the presentation?

Will, give us a second. Marnie is going to come down and speak.

MS. HOLLOWAY: Good morning, Chairman Oxer, members of the Board. My name is Marnie Holloway. I am the Director of the Neighborhood Stabilization Program. I am currently serving as the Single Family Coordinator.

Item 1(e) is adoption of the amendments to the Single Family umbrella rule. You will remember that a couple of years ago, under Homer's direction and his leadership, we first created the umbrella. The amendments refine the rule to better serve the purposes of our single family programs moving forward over the next couple of years.

Mr. Gudeman had submitted public comment during the public comment period on the rule, and as I understand it, he would like to discuss those comments with the Board.

MR. OXER: Okay. So the summary of it, Marnie
is that we are approving the publication of these amendments?

    MS. HOLLOWAY: The adoption.
    MR. OXER: The adoption. The final adoption.

Okay.

    MS. HOLLOWAY: The amendments were actually published on August 15th of 2014 in the Register and were available for public comment through August 15th.

Included in your Board item is a summarization of all of the comments and our responses.

    MR. OXER: Okay. Thank you. Is there any questions of Marnie from the Board? Any member of the Board?

    (No response.)

    MR. OXER: Apparently, no. All right. We will need a motion to consider.

    DR. MUÑOZ: So moved.
    MR. OXER: Motion by Dr. Muñoz to approve staff recommendation.

    MR. GANN: Second.
    MR. OXER: Second by Mr. Gann.

Will, do you have something more to say?

    MR. GUDEMAN: Yes.
    MR. OXER: We have public comment.

    MR. GUDEMAN: All right. I will start over. My
name is Will Gudeman. I represent Equity Community Development Corporation. We are a nonprofit organization. Through TDHCA, we administer the Amy Young Barrier Removal program and the Colonias self-help center program down in Valverde County.

Of all of the comments that I have submitted, I would like to just talk about one. It is the prohibition to rehab manufactured housing units with federal funds. I would like to -- I would ask the Board to reconsider that specifically with CDBG funds in the Colonias Self-help Center Program. In the Colonias, we need maximum flexibility. And in the Colonias of Valverde, there are many MHUs.

And of the three, three of the Colonias in that contract are all on septic systems and private wells. And so a prohibition to use federal funds to rehab MHUs would include not being able to replace a family septic system for example, or a foundation that was not installed correctly.

The Manufactured Housing Institute based out of Virginia, they report that most failures of MHUs are because of improperly installed foundations. All we are asking for is flexibility to be able to do things that might be necessary to make these houses last longer and make them more -- safer for the families that live in
The Travis County CDBG program allows the rehab of MHUs and so does TDA, the Texas Department of Agriculture. They recently released their application for the Colonia Construction Fund. And they do not prohibit rehabbing MHUs, either. I am not asking to rehab MHUs with HOME funds or NSP funds. Strictly with -- I am only asking for CDBG in the Colonia Self-help Center program.

I understand MHUs are a different type of housing and it requires different types of knowledge. And I am comfortable in my abilities to be able to see that and understand what needs to be done with those. And I would work very closely with Homero Cabello and LCI staff to make sure that what we propose to do to an MHU, whether it is replacing a defective and unsafe septic system or replacing a foundation or shoring up a foundation.

I would work very closely with Homero Cabello and LCI staff to make sure that what we are proposing is in line with what they are comfortable with. I would ask the Board to reconsider the prohibition strictly for CDBG and not all federal funds.

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

DR. MUÑOZ: Well, I just have a comment, Will. I don’t question your sincerity in doing so.

Just a few days ago, I happened to be at

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Colonias down in Weslaco and Mercedes, down in South Texas; Indian Hills Colonia. And when I spoke to people, you know, what they said to me is, working on a manufactured home in terms of the engineering specs, in terms of the tolerances of walls and how they get worked on by general contractors that are building stick houses is very different.

They will cut into a wall, okay. And it will look nice. And then after six months, when it starts to become compromised, and water is coming in, these people don’t have the expertise. And those are the folks that are being hired.

I appreciate your saying and I would work very closely. But what about everyone else that would then no longer be subject to the prohibition. We can’t ensure that they would be as conscientious as you might be in ensuring that the people that work on manufactured homes have the technical expertise to do the work properly.

I appreciate what you are saying. And I think we have to find a solution to be able to use these monies to work on these specific type of properties.

What I saw down there was reprehensible. It is unconscionable. And yet, people are living in these -- they are hard to call homes. It is hard to use that term. That is not what I saw.

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MR. GUDEMAN: I agree.

DR. MUÑOZ: But liberating these dollars to be used within your very conscientious thoughtful organization doesn’t ensure that others will be equally thoughtful, conscientious and technically proficient. I am happy to try to work with the staff to come up with some solution that provides some oversight that introduces the proper technical expertise to effect these repairs.

MR. GUDEMAN: If I may, I don’t disagree with you, Dr. Muñoz. I have done an incredible amount of research on MHUs and how they are engineered and how they are built on site.

I am very familiar with the limitations that need to be put in place. And I would recommend that the Department come up or develop limitations based on research that has already been done. Things that you must do. Things that you can’t do.

MR. OXER: Any other questions from the Board?

(No response.)

MR. OXER: Tim?

MR. IRVINE: I had a question for either you or Marnie or Homero. Either one of you.

If this activity of rehabbing MHUs were permitted, would there be any limitations or would there
be a requirement that when we walk away from the rehab, we have got a fully compliant home? And where I am going with that is, I don’t have a problem with having a licensed installer come in and deal with the stabilization system or foundation.

MR. GUDEMAN: Or septic?

MR. IRVINE: And I don’t have a problem with a qualified person installing the septic and so forth. But I have got a real concern when anybody is dealing with the envelope and structure of the MHU itself.

MR. GUDEMAN: Yes. I don’t disagree with you, Mr. Irvine, at all.

MR. OXER: And just as a collateral comment on all of this, rather than providing a universal exception through the CDBG funds to allow this, my inclination would be to put this in place, and allow individual exceptions as they were appealed, for money to be spent, as long as it was not to be into the -- essentially, into the structural shell of the home, of the MHU.

MR. GUDEMAN: I wouldn’t be opposed to that at all, Mr. Chairman. I would ask that the Department would be working closely with the OCI staff to make sure that it doesn’t take a very long time to come up with that exception. We could describe everything to --

DR. MUÑOZ: Maybe staff could work with people...
like Will and others that might be interested to come up
with some language, so that when you make the request for
the waiver, it is done so in kind of a uniform way that
adheres to all of our expectations. So that everybody
that wants to do this kind of work within this sort of
technically defensible way can, with this general
prohibition still in place.

MR. OXER: I understand the importance of the
foundation, the septic, the sort of infrastructure systems
of support, the location of an MHU with the potential
compromise, the actual envelope itself is problematic.
So --

MR. GUDEMAN: That is part of the limitations
that I would recommend that staff --

MR. OXER: Maintain. Right.

MR. GUDEMAN: So things that you can and can=t
do, based on when that house was built, when it was
installed.

MR. OXER: Right.

MR. GUDEMAN: How it was. Because it is very
different.

MR. OXER: Okay. Homero, do you have a
comment?

MR. CABELLO: I just have a couple of comments.

Homero Cabello with the Office of Colonia Initiatives.

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About five years ago, with the El Paso County, we had just allowed about $500,000 on rehabs to manufactured homes. There were a lot of issues, and at the end of the day, the improvements were not safe for the Colonia residents.

I agree with Will is very knowledgeable on manufactured homes that are wanting to be done. But I agree with Dr. Muñoz that the other organizations that we work with may not be as sophisticated.

You know, the Self-help Center that he is working with, there is 5,400 Colonia residents in the five targeted Colonias. So if you just take an average of 5.4 household size, that is 1,000 lots, okay.

His contract requires seven rehabilitations and twelve small home repairs. So you know, making these changes for the manufactured homes, there are plenty of units, plenty of households that can be assisted.

The amount of funding that is provided to the Self-help Center doesn’t make a significant impact with the amount of monies that we have. So I understand. So say 50 percent of those homes are MHUs. That still leaves 500. And you can find 19 households that need assistance.

And so I am more concerned about the other organizations than I am with Equity CDC. It is -- the El Paso that we had to go before County Commissioners Court and say we are disallowing $600,000 because of the shoddy
work that was done.

DR. MUÑOZ: Again, Homero, if we could come up with some way. You know, I mean, we have the discretion to waive the rule with cause, right.

If we could come up with some kind of language so that when a Will or another equally sophisticated, technically proficient group wants to do this kind of work in a way that obviously you are satisfied will be done in a compliant way, that we can look at the same sort of language of appeal consistently. So that we are not making sort of decisions you know, that are radically different from one another.

I suspect, like you, we are not going to get a lot of people asking for them. Okay. I mean, that is what I intuit. But in those instances, like when we do have a responsible party that we have confidence in, we want to be able to permit it.

MR. OXER: Rather than let everybody in, we would rather keep everybody out, and let the ones in with permission, essentially.

MR. CABELLO: There is a lot of need in the Colonias. A lot of need.

MR. IRVINE: If I might, because what we have under consideration right now is an active motion, is final adoption of a rule, I would suggest that it might be

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prudent to table this item.

And during the course of the meeting, a small group, perhaps Will and the Single Family folks perhaps with somebody from Legal, might look at whether that kind of a waiver or other appropriate clearance could be fashioned and still remain within the scope of the rulemaking or whether it would necessitate a republication.

And then come back with a recommendation either to make adjustments here within the scope of the rule, or to defer it, and initiate a new process immediately after the rule becomes final. And I tend to think that the latter might be neater and cleaner.

MR. OXER: Marnie, do you have -- do we have a comment or a perspective on whether or not the current rules as written allow for any waiver like Will would be looking for?

MS. HOLLOWAY: The current Single Family umbrella rule does not include provision for a waiver.

MR. OXER: Okay.

MS. HOLLOWAY: I can tell you that. There may be a provision in other sections in the Administrative Chapter that I am not aware of. But the rule as written does not allow for a waiver. If I could present a couple of other possibilities, and maybe a little more
information about the work that we have already done around manufactured housing.

DR. MUÑOZ: Marnie, I think I would like to withdraw my motion, to see if we could table it in the way that the Executive Director has described.

MR. OXER: That is fine to withdraw the motion.

MS. HOLLOWAY: If I may --

MR. IRVINE: If the rule as presented does provide for a waiver, there is no point in tabling it. It is either approve it, or not approve it.

MS. HOLLOWAY: If I may. We will be bringing to next month=s Board meeting an amendment to this rule that we are adopting that is around compliance. And we just didn=t have it together in time to get it to you this month.

We will be bringing that waiver next month. Rather than tabling this rule at this point in time, which would have sort of a chain reaction effect, particularly for the Amy Young program, trying to get their money out, I think that it -- because we are already going to be amending next month.

Certainly, absolutely, we could spend some more time with Will, and spend some more time amongst us about exactly what those standards are for rehabilitation of manufactured housing and what fund sources are
appropriate. So that is some additional information that
is not included in this item; that that amendment is
coming.

MR. OXER: Hold your ground there, Will. If we
did this, you know, the last thing we want to do is
provide administrative hurdles to those people that need
some help in the Valley in repairing their homes and
bringing them up to code. We also don’t want to open the
gate to allow a lot of changes that aren’t in the best
interests of that community.

So if we put this in place today, and pass this
as has been moved so far, what is the schedule? What is
the impact on you, on schedule? If we come back and spend
some time to figure out a waiver to allow people --

MR. GUDEMAN: A month or two. I would be happy
with that. All I am asking for is flexibility in the
Colonias with the funding source that was specifically
designed to be flexible. And I am perfectly fine with a
waiver in place that could be reviewed by Department staff
on a case-by-case basis.

MR. OXER: Great. That is the right answer.

Okay.

MS. HOLLOWAY: Okay.

MR. OXER: All right. Anything else, Juan?

DR. MUÑOZ: Marnie, you are clear on our
direction. Right?

MR. OXER: You understand -- hold on a second.
We have -- let=s -- all right. Is there any other public
comment?

(No response.)

MR. OXER: Okay. Just for the record, we have
had a motion by Dr. Muñoz and a second by Mr. Gann to
approve staff recommendation on Item 1(e). All in favor,
aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. Okay. Now, are you
clear on what we need to do, Marnie?

MS. HOLLOWAY: I am very clear that over the
next month, before we --

MR. OXER: In 30 days when we come back, we
want to hear what you guys whipped up. Okay?

MS. HOLLOWAY: We will absolutely put some
directed effort toward what we can and can=t reasonably
do.

DR. MUÑOZ: I like that. Directed effort.

MS. HOLLOWAY: Directed effort.

MR. OXER: Focused, directed --

MS. HOLLOWAY: Coordinated directed effort.
DR. MUÑOZ: And before we come off of this subject, just, I would like to get into the record. I mentioned this earlier with the Executive Director and we have done this in the past.

I would like to see within the next calendar year if not sooner, convening a meeting of this Board somewhere in the Valley, close to a Colonia, as we have in the past. So I just want to put that on the record. I know that the Executive Director and his staff are already looking at that.

But I would like people that are here that represent that part of the State to know that we are considering it. And I am certain, given this public remark, that it will come to fruition.

MS. HOLLOWAY: Absolutely.

MR. OXER: That's great confidence, which we are proud to have. Okay.

Thanks, Marnie.

MS. HOLLOWAY: Thank you.

DR. MUÑOZ: A focused effort on it.

MR. OXER: There you go.

MR. OXER: Okay. Item 1(f). Good morning, Chief Murphy.

MS. MURPHY: Good morning. Patricia Murphy, Chief of Compliance. Item 1(f) is the final adoption of
rules regarding enforcement and debarment.

As you know, staff held several roundtables, and there was lots of public comment. And we had a discussion item on this issue in May, and then we brought our proposed rule to you.

It went out for public comment and now at this point, staff is recommending adoption of this rule as presented in your Board book. I believe there is some public comment.

But before we hear that public comment, does any Board member have any question for me?

(No response.)

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: That's all. There is your seat there. The one that is wired to the 463 phase. Okay?

All right. We will have a motion to consider, which is a requirement to take this up.

MS. BINGHAM-ESCAREÑO: Move to approve staff=s recommendation.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation.

DR. MUÑOZ: Second.

MR. OXER: And a second by Dr. Muñoz.

Do we have comment?

ON THE RECORD REPORTING
(512) 450-0342
MR. IRVINE: I believe Michael has some comment.

MR. OXER: Michael, would you like to read one into the record?

MR. LYTTLE: Yes, sir. A letter addressed to you and members of the Board and Mr. Irvine from the Texas Association of Community Action Agencies, Incorporated.

It reads as follows, "On behalf of Community Action Agencies in Texas and, more importantly, on behalf of the hundreds of thousands of Texans we serve annually, primarily the low income population of individuals, families with young children, elderly, and persons with disabilities, we oppose adoption of the enforcement rule as it pertains to community affairs programs under Consent Item 1(f).

"We respectfully refer you to 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, Section 5.1(b) Purpose and Goals, which states: 'The programs administered by the Community Affairs Division of the Texas Department of Housing and Community Affairs support the Department=s mission to help Texans achieve an improved quality of life through the development of better communities."

"The adoption of the rule has a negative impact on low income Texans. Our focus will change from helping
people help themselves and each other, yielding better communities, to a bureaucracy of checks and balances and verification of processes over and beyond what we already do. According to TDHCA staff, historically fines have not been imposed.

"Don't misunderstand our position; rules are respected and taken seriously. When we sign a contract, we know our obligations and do everything possible to be compliant, and good stewards of the funds we receive. However, this rule is punitive without providing clarification or interpretation of violations.

"We followed due process, attended roundtable discussions and expressed our concerns and provided examples of inconsistencies or areas needing clarification; conversed with staff at every opportunity, and filed written comments during the public comment period.

"Although some of our concerns were addressed in your Board book, others were left unanswered. We suspect this is a done deal. We simply want to go on record to state this is wrong for Texans.

"Our priorities should be figuring out together how best to provide needed services to our low income population and address poverty. We fear less folks will be served. This action strains the relationship and
partnership between Community Action Agencies and TDHCA which we have enjoyed for many years.

"In any event, we will continue to do the best that we can with the resources available to serve low income Texans. Respectfully, Taina Shaw, President, Texas Association of Community Action Agencies."

MR. OXER: Thanks, Michael. Peggy, did you have another one?

MS. HENDERSON: Peggy Henderson, Texas Department of Housing, registering public opinion for Stella Rodriguez, with Texas Association of Community Action Agencies, on Agenda Item 1(f): Against staff recommendation.

Registering opinion for Mark Bethune, Concho Valley Community Action Agency, Item 1(f): against staff recommendation.

Registering opinion for Vicky Smith, Community Action Committee of Victoria, Texas, Item 1(f): against staff recommendation.

And Christy Smith, Economic Community of the Gulf Coast, 1(f): against staff recommendation.

MR. OXER: Good. Thanks. Patricia, I have got a question. You are generally just coordinating and putting all of these into one place? What is the big issue that seems to get everybody so exercised? Can you
have a perspective, or do you have a perspective?

MS. MURPHY: Ummm.

MR. OXER: Yes or no's a good answer, if that is what you want to use, too.

MS. MURPHY: No. The Community Action Agencies you know, they had a lot to say at the roundtables about the imposition of penalties and these administrative procedures, being subjected to them. And you know, we have got that to the Board in May, to give them an open opportunity to directly discuss those issues with the Board.

You know, some of their comments about strained relationships with us, I don't know how else to say, we're really not that bad.

MR. OXER: We sort of have an administrative relationship with HUD, too. We don't necessarily like what they tell us, right.

MS. MURPHY: Yes. You know. So they just are very adamantly opposed to the concept that noncompliance under their program's corridor should possibly result in an administrative penalty. And I understand that.

I think staff disagrees that that is never going to be appropriate. I think we have demonstrated that we have a lot of due process before you get to that point. And that comes to you. And even after that, there
is SOAH, and there is a whole host of opportunities to do these things.

MR. OXER: So even with the imposition -- or I should say, the potential for the staff to recommend imposition of these penalties, and administrative penalties and damages potentially, there is a sequence of things that they have an opportunity to have their case heard, their voice heard, their position stated.

And so when it finally gets to us, which it would ultimately have to do to impose a penalty --

MS. MURPHY: That's correct.

MR. OXER: -- it would be the third or fourth time the question comes up. Is that correct, more or less?

MS. MURPHY: That is correct. Yes. The compliance rule itself has options for review. There is a Compliance Committee. They could ask for clarification from a federal agency, if they think we are off on our interpretation of something. There is an Enforcement Committee which very much works to resolve issues, and then there's you.

MR. OXER: Good. Okay. Thanks. All right. Regarding Item 1(f), there has been a motion by Ms. Bingham, seconded by Dr. Muñoz to approve staff recommendation. We have heard public comment. Any other
comment from the Board?

    MS. BINGHAM-ESCAREÑO: Mr. Chair, I just --
just for the record, I guess, part of the letter that Mike
read into the record referenced something about it being a
done deal.

    MR. OXER: Clarify.

    MS. BINGHAM-ESCAREÑO: I know.

    MR. OXER: Can you clarify that again? Just
read it again.

    MR. LYTTLE: Yes. It said, it was the first
sentence of a paragraph which basically read and said, we
suspect this is a done deal.

    MS. BINGHAM-ESCAREÑO: Okay.

    MR. LYTTLE: And it was in reference to yes,
the Item 1(f) and the staff recommendation.

    MS. BINGHAM-ESCAREÑO: Mr. Chair, I just take
issue individually with that. I think even our Board
books reflect that when the roundtable happened, that
staff did concur with some of the comments that were --
and made changes accordingly.

    I understand it is a touchy and difficult
subject. But suspecting that it was a done deal, I
just -- I don=t think that is fair to staff, and I don=t
think that the record reflects that it was a done deal at
all.
Now, does the staff hold to principle that they believe that that is a responsible relationship and that penalty needs to be there. I can see that.

And I can see where some folks in the community might disagree. But I think just the roundtables and the amount of time that staff put into getting comment and responding should be proof that it wasn’t a done deal.

MR. OXER: It was a long time coming. And even now it is not a done deal until we say it is a done deal. Okay.

Comments and other questions?

MR. IRVINE: Mr. Chair?

MR. OXER: Yes, sir.

MR. IRVINE: If I might, first of all, I think we have to go back to the statute. And the Texas Legislature has said that the administrative penalties tool is an appropriate tool for all programs. And it is already there. It is already in place.

And in fact, these rules that are proposed for final adoption reflect just refinements and improvements to a process that is already in place and already applicable. And I think that it is -- a lot has been done to make this process more interactive. And it provides for a lot more avenues for resolution of disagreement or confusion.
And you know, the creation of the Compliance Committee. The inordinate amount of time, frankly, that a lot of staff spend doing follow up on monitoring findings, I think is a really a pretty strong testimony. Patricia, me, our lawyers, our directors and deputy executive directors, our counsel. We spend a lot of time whenever there is any question.

And I also think in terms of due process, everybody needs to remember that an administrative penalty can occur in two ways. Both of which involve coming through this meeting. Once is, if we work out an agreed order. That means both sides agree. Then it comes to this Board for adoption as an order.

If someone doesn’t agree, we cannot even initiate an administrative penalty proceeding without bringing it here to get it cleared from you. So I am very confident that the Legislature has developed this process with strict and scrupulous regard for due process requirements, and that the rules reflect the same.

MR. OXER: Good. Thanks, Tim. I think I reflect the Board’s consideration too, and say, thanks for the time that you spend on generating this, and putting all of this together, Patricia. So okay. With that said, any other comments out there?

(No response.)

ON THE RECORD REPORTING
(512) 450-0342
MR. OXER: Okay. To repeat, there has been a motion by Ms. Bingham, second by Dr. Muñoz to approve staff recommendation on Item 1(f). There is no further public comment. All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. It is unanimous.

Thanks, Patricia. Okay, 1(j), please.

MS. MOLINARI: Good morning, Chair and Chairman Oxer. Item 1(j) is a requested amendment to the 2014 HOME Single Family program=s reservation system, Notice of Funding Availability.

The purpose of this amendment request is primarily twofold, and it is intended to address some systematic issues that we experienced with our reservation system, when we attempted to release our annual allocation of HOME funding on September 9th.

This amendment request would add an additional $4 million of deobligated funds and program income to the NOFA. And it would also call for a site of release of funds. Both of those additions are intended to prevent some of the issues or help address some of the issues that we did experience on September 9th.

MR. OXER: What were the issues, just to remind
everybody and have it on the record. What were those issues, Jennifer?

MS. MOLINARI: There were two primary things that we experienced. The first was that when we released $5.2 million of our general set-aside funding, our system was designed to prevent requests from being submitted in excess of the amount that we were releasing for funding. That validation simply did not work as it had been intended to work.

The other issue that we experienced was a large volume of traffic, which we normally do expect. But it also caused some of our users to notify us that they were not able to access our system. Although we can=t independently verify that, that is what we were being told. So this is staff=s attempt to kind of address those two issues.

MR. OXER: Did Curtis get this fixed up for you?

MS. MOLINARI: Yes, sir.

MR. OXER: Great. Good job, Curtis. All right.

MS. MOLINARI: And we have worked very closely with our -- I should say, and would like to note, we have worked very closely with our IT staff, have done extensive testing and use of both IT and HOME staff to address these
problems, so that we would not expect them to occur again.

MR. OXER: So you flight-tested the system since then.

MS. MOLINARI: Yes, we have. Several times.

MR. OXER: Where did the deobligated funds come from?

MS. MOLINARI: They come from previously obligated HOME funds, so our normal HOME allocations. Once they are awarded, if not completely used, go back into a pot of funding that becomes then available for the next project.

MR. OXER: Okay. So is a rotation of the funds?

MS. MOLINARI: It is a rotation of the funds.

MR. OXER: The funds you had available earlier. Right?

MS. MOLINARI: Yes, sir.

MR. OXER: Okay. Good. Any questions from the Board?

(No response.)

MR. OXER: All right. Motion to consider approval.

MR. GANN: I make a motion to consider approval.

MR. OXER: Okay. Motion by Mr. Gann to approve staff recommendation on Item 1(j).
MS. BINGHAM-ESCAÑO: I will second.

MR. OXER: Second by Ms. Bingham. Is there any public comment?

MS. QUINTANILLA: Good morning, Chair and members of the Board. My name is Elena Quintanilla. I am here on behalf of South Plains Association of Governments in Lubbock, Texas. It is a political subdivision of the State.

And we basically help rural communities with any type of planning efforts that involve water, any infrastructure, housing. So we are heavily involved in those processes. I am here to actually applaud TDHCA for --

MR. OXER: That is a refreshing change.

MS. QUINTANILLA: Yes. And I work in government myself, so I always enjoy the applauds when they come to us as well. This was a very effective system.

I think, when we had the malfunction, we were excited because we received more money than what was allocated, and frankly, we thought some magic appeared and we were just automatically getting funds. And so we were pretty excited.

One of the activities that happened is, that evening I was receiving my 15 year pin for being in my
job, and my boss happens to say in front of 200 elected
officials, Elena just got us some housing units going to
Plainview.

And, Mayor, have you heard that you are getting
your houses. And so the Mayor is all excited. And all of
these elected officials are excited. And I am sitting
here, kind of keeping things quiet, because we hadn’t
fully -- we had confirmed with Jennifer, but we know these
malfunctions had been kind of systematic.

MR. OXER: So you are worrying about managing
expectations.

MS. QUINTANILLA: Exactly. So I am trying to
mitigate expectations. But needless to say, we understand
technology malfunctions. I understand that. We have had
it happen in our office.

So I am here to applaud the efforts of the
staff, because when they heard our situation and our
political situation, they understood it. And Jennifer
Molinari has been just exceptional.

And Tim, I think, I applaud you, your staff.
Michael DeYoung. I also want to say thanks, Dr. Juan
Muñoz. I cannot say enough for the advocate I have in
Lubbock; he is awesome.

He has been guided me through a political
process that helps me understand okay. This is how it
works over here. He does defend the staff. I want to say that. But he also has been very helpful to me as a resource, because I can go see Juan. He explains the process. He is very -- puts it in simple terms.

And I work with bureaucracy myself. So I completely understand that. But I do want to say thank you to TDHCA, your staff. We look forward to a great working relationship with you and look forward to continuing the process.

MR. OXER: Great. Thanks, Elena.

MS. QUINTANILLA: Thank you.

MR. OXER: Thanks very much for your comments.

MS. QUINTANILLA: Thank you.

MR. OXER: And for the record, we appreciate the effort. Jennifer, I know this is a hiccup, a big one. This wasn’t a road hump; this was a wall that you hit. Good job taking care of it, Curtis.

Fortunately, the staff also puts things in simple language so I can understand them, too, which is one of the reasons I can stand up here most days. So we appreciate the comments on their behalf.

MS. QUINTANILLA: Thank you.

MR. OXER: We all think well up here of all of the staff. I think that comes out. But we also have high expectations of them.
MS. QUINTANILLA: Well, I appreciate the executive team that worked on it as well. So thank you.

MR. OXER: All right. Thanks.

MS. QUINTANILLA: Thanks.

MR. OXER: All right. Jennifer, anything else?

MS. MOLINARI: That will be it.

MR. OXER: Okay. All right. Regarding Item 1(j) --

MS. MOLINARI: Excuse me. That will be it, except I will see you in maybe February or March.

MR. OXER: It is evident why that is going to happen. So you know --

MS. MOLINARI: This is my last Board meeting for a while.

MR. OXER: Good luck. We look forward to seeing you in 2015.

All right. A motion up on Item 1(j). Motion by Mr. Gann, second by Ms. Bingham to approve staff recommendation. Is there any other comment from the Board?

(No response.)

MR. OXER: There is none. All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)
MR. OXER: There are none. It is unanimous.

Good job of the staff on all of those items that we pulled and have taken care of. Okay. Anything else coming up? We have a report item.

MR. IRVINE: Cameron has a report item.

MR. OXER: Cameron, I understand you want to make a report; not just a report on the report, as opposed to accepting the report.

MR. DORSEY: Yes. I just wanted to highlight a few things.

MR. OXER: And you are?

MR. DORSEY: Cameron Dorsey, Deputy Executive Director of Multifamily Finance and Fair Housing. So the second report item on the agenda is -- reflects a report on our directed efforts to affirmatively further Fair Housing.

MS. HOLLOWAY: I do too. I do too.

MR. DORSEY: Sorry, I couldn\'t resist that.

MR. OXER: She is just making a name for herself.

MR. DORSEY: Yes. And I just wanted to run through a couple of things. We have gotten some really good stuff accomplished over the past few months.

One of the bigger items is the Fair Housing tracking database. There is a 35-page report that
summarizes the different actions that the Department is engaged in to affirmatively further Fair Housing, in various areas of the Department.

So we met with Jennifer, and we met with Homero, and we met with all of the Division directors and tried to consolidate all of the efforts that were engaged and doing to affirmatively further Fair Housing. Some of these are older; they have been in our state statute for a while. But those count.

And I would also point out that we are working on the lingo a little bit. There is -- you know, whenever you are trying to summarize so many diverse kinds of activities, you inevitably have to come up with shorthand, you know, ways to describe what is going on. And so we are still working on some of this terminology and lingo.

But this is really going to help us identify where we are -- areas where we may need to take additional steps or what have you. But it also helps fulfill our obligation to have a consolidated record keeping of our activities to affirmatively further Fair Housing.

In addition to that, you will find in Exhibit B to the report item, just a couple of screen shots from an affirmative marketing data tool. We have got a draft rule out that is a significant revision to the affirmative marketing requirements for multifamily developments.
And we are developing a marketing tool to help folks understand this stuff a little bit better. You know, I talk about metropolitan statistical areas and census tracts and these types of things far more than the average person. And so we are trying to get to a point of conveying some of this information in much more understandable terms.

And one of the cool things we are trying to develop with the tool -- and you will see kind of a preliminary version of it -- is we are trying to help folks understand where within their market areas they may need to do some outreach or develop some relationships with organizations to reach underrepresented populations.

So one of the things that we've continually gotten feedback on in roundtables we have had is a concern that in trying to affirmatively market to underrepresented populations, protected classes, that there's this idea that you are supposed to profile in some kind of illegal way in order to reach those populations, which is just a misunderstanding of, I think, what is expected. And so we are trying to build in a way to help folks understand what the expectations are a little bit better.

And that is, you know, it's readily accessible on the Census Bureau=s website where protected classes live in high proportions. And so we are going to help
folks identify where in their communities these
underrepresented populations reside, so that they can
develop relationships with organizations working in those
areas.

It is not that you are trying to identify an
organization that works exclusively with African American
or exclusively with the Hispanic population. It is really
about getting into an area where folks are represented.

MR. OXER: So it is more a matter of -- rather
than it being a matter of outreach, it is matter of being
reachable.

MR. DORSEY: Well, I think it is -- I think a
big question is, how do we reach these populations. And a
lot of times, folks are like, well, are we supposed to
assume that this is a church that serves predominantly
African American folks or whatever. And it's, no, no, no.
You don't have to -- that is not the expectation.

It is readily available where people live. And
so all we are saying is, go work with organizations that
work in those areas where these folks live, reside, work.
You know, go to school, whatever. Make sure folks in
that area are aware of housing opportunities that exist
over here, where they may not otherwise have access to
that information.

So anyhow, that tool is something that is still
in development. It still uses some of that relatively inaccessible lingo. But we are trying to get there and make that transition to more accessible language. Talk about neighborhoods rather than census tracts and stuff like that. So that is something that you will see there.

And the crime statistics data, I think you may hear a little of comment toward the end of the meeting. We have hit some bumps in the road in procuring that data. But we are still making some progress there, and have some other ideas.

There is also just launched -- this is a pretty big deal for the Department -- we just a couple of days ago launched a completely new section of the website for Fair Housing.

We previously had a Fair Housing, Fair Housing information on the website. But this is an incredibly information rich website on Fair Housing information.

MR. OXER: Were they directed, a tab, on the directed focus tab?

MR. DORSEY: Yes. A directed focus. Right.

And so there is a lot, a lot of information. It is -- we really tried to revamp it to serve as a hub for access to all kinds of information that may be disparate, you know, somewhere on the internet.
And pull that together into a central place so that you can access HUD=s you know, YouTube channel on Fair Housing issues. And you can get to all of these different things and learn about your rights.

And there is also -- there is a section for property owners, and making sure that they understand what their expectations -- the expectations for them are. Local government officials being able to access information. Toolkits on helping convey accurate information about what affordable housing is in communities.

So a lot of this information has been out there. It just hasn=t been accessible in a central location. And this is a really substantive change to the website to pull that information together.

And lastly, as a final exhibit in the Board book is a tenants rights and resources guide for TDHCA monitored rental properties. In the analysis of impediments to Fair Housing choice, one of the issues that is front and center is, just folks having access to information and what their rights are.

How they file a complaint and different issues like this. How they get assistance and help in exercise those rights.

And so this is a guide that helps pull together
again, disparate pieces of information that are accessible in different locations, sometimes in language that is very legal in nature, and trying to convey it in a more accessible manner. And it includes information specifically for, you know, tenant rights in our properties.

For example, in Texas, in state statute, our tax credit properties are required to comply with 504, which has implications for how reasonable accommodations must be addressed in TDHCA tax credit properties. Whereas other states have not placed the same expectations on tax credit properties.

And so it is important that in Texas, we make sure that Texans know it is different here. And here is how it works in Texas. So it does that kind of stuff.

And it is out for public comment right now. And it is also reflected as a requirement in the draft compliance rules, to be provided to tenants who reside at TDHCA monitored properties.

MR. OXER: I have a question. You say, it is out for compliance. Is this the website that is out for compliance or the information on it? It sounds like this is a distillation of the research you have done to put all of this in one place to make it far simpler, faster and easier for those that need the information to be able to
access it.

MR. DORSEY: There is two different kind of things. So there is the website, which is out. It is live. It is accessible right now. Then there is the --

MALE VOICE: We just lost our quorum.

MR. OXER: Okay. Time out. Let the record reflect that Dr. Muñoz has taken a -- well, in the racing and bicycle racing, we call it a nature break.

(Off the record.)

MR. OXER: Dr. Muñoz for the record, has returned. Our quorum is now --

DR. MUÑOZ: We are going to need that nature break sometime soon.

MR. OXER: I was looking to get this out of the way here, let Cameron step down.

MR. DORSEY: Okay. So there were two separate kind of pieces there. One is the website. That is live. That hot. That is ready to go.

Then there is this tenant rights and resources guide that is referenced in the Compliance rules as a requirement to provide it to tenants at our properties. It also has links to the website to make sure that they know that information is there.

But it also tries to convey in short form some really important information on their rights. How to file
a complaint, a Fair Housing complaint, and some stuff like that. And that replaces -- that is not wholly new.

That is not a completely new concept. That is really a proposed replacement to the Fair Housing disclosure notice that was previously a more limited kind of version of this guide. So yes. And it is out for comment.

MR. OXER: Good. Thanks, Cameron. Any comments or questions from the Board?

(No response.)

MR. OXER: Good. Thanks, Cameron. It sounds like we are getting to where we were wanting to go with what you were doing. So thanks for that. Let=’s see. Where are we here? We are taking, we are going to do Item 2 on the agenda?

MR. IRVINE: Yes.

MR. OXER: Okay. We need to do the -- take Item 2. Betsy, are you going to come talk to us?

MS. SCHWING: Hello again, Chairman Oxer, members of the Board. I just want to give you an update on this morning=’s Internal Audit Committee meeting. Actually, it is the Audit Committee meeting, talking about Internal Audit.

I want to tell you a little bit about what --

MR. OXER: Is this in addition to the
discussion we had on Item 1(b).

MS. SCHWING: This is, yes. Absolutely.

MR. OXER: Just a point of clarification.

MS. SCHWING: Okay. We had an agenda of several items. One of them did involve staffing, and that was just bringing everybody up to speed on what our current staffing level is, and the changes we have had in the department.

We also talked a little bit more about management’s interest in consulting engagements. And I touched on that a little bit earlier. It is not something we have done historically, but absolutely something Internal Audit can do with the proper safeguards.

In addition to that, we talked about the Audit Plan. I specifically haven’t brought that up, that was on the plan. So I wanted to give you this opportunity right now to hear a little bit more about that.

We are going to do two large projects, one small project and have one carry over project this year. The carry over project is the project of HOME Single Family. We are also going to have a project related to program income, and a project related to payroll. And a smaller project related to record retention.

That is just what is going on with there. In addition to the projects that we have on the plan,
Internal Audit has various responsibilities and requirements according to the audit standards and the Internal Auditing Act. And those include a quality assurance review. We also have a report to the State Auditor's Office.

We need to get a certain number of hours of continuing professional education in addition to that. We accept and triage and keep up with the fraud, waste and abuse allegations and complaints, the ones that come through our Fraud hotline, and ones that come from other areas as well.

And it is important to note that the fraud, waste and abuse allegations that we have received this year have gone up significantly. Where last year we had 79 complaints through our hotline, in a total of all of our resources, we have taken in 131 complaints this year. Which, that is an increase of about 65 percent.

MR. OXER: Is there a concentration of those complaints in any particular area?

MS. SCHWING: They run the gamut. But a lot of the complaints relate to the Housing Choice Voucher program. And we get those complaints from all over the state.

In most cases, well actually, in every case that I can recall, that complainant was in an area that
was served by a public housing authority, where we would not have jurisdiction over that particular case. In all of those cases, we refer the complainant to the appropriate agency or entity that may be able to help them.

For example, if it is a public housing authority, we will refer them to that particular housing authority. It might be that they need guidance from the Department of Family and Protective Services, depending on the nature of the complaint. We get all kinds.

And our number of complaints has gone up. I don’t know if that is because more fraud, waste and abuse is going on out there, or just because there has been more focus and attention on fraud hotlines in general.

So it is important that the word is getting out there. That people have an avenue to come to us, to say, hey. There is something going on, that I don’t feel comfortable with.

They can report it to us. And we can investigate or take action or refer them to somebody who may be more appropriately able to help them.

MR. OXER: And in those cases where it is appropriate to refer them to the PHA for example --

MS. SCHWING: Uh-huh.

MR. OXER: Locally, that constitutes a
disposition of that claim.

MS. SCHWING: That is correct. That is correct.

MR. OXER: Okay.

MS. SCHWING: So most of those complaints are closed out accordingly. Just to give you some statistics on what we have going on with our complaints, as I said, we took in 131 complaints of fraud, waste and abuse; 123 came in through our hotline.

Eight came from other sources. And those other sources include TDHCA staff, the public and contract administrators. So people know that when something is making them feel uncomfortable, they can come to us.

Now, 107 of those 131 complaints were not under the Department=s jurisdiction as I mentioned a minute ago. The 24 TDHCA complaints were resolved as follows. 18 were investigated and closed.

Five were referred to the SAO or other oversight agencies, and one is pending. The one that is pending was received in August of 2014. So it is really too soon to tell you how that one is going to be resolved.

MR. OXER: Still in process.

MS. SCHWING: Still in process. Absolutely.

This morning, we also talked about the prior audit issues that we track and keep up with. And these are audit

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issues that were discovered either in an internal audit or an external monitoring and external review.

We currently have 15 open prior audit issues. Eight of those were reported by management as implemented. Seven of those are reported as pending. And Internal Audit will verify and close these issues once they are reported as implemented. And we can review the supporting evidence, of course.

We are currently undergoing or participating or being audited, or having monitor activities by several entities. And this includes the State Auditor's Office, they are doing their annual opinion audits. They are also going to be performing some agreed upon procedures relating to the reporting and the Real Estate Assessment Center, which is also known as REAC.

KPMG is performing an audit of the CSBG program for the single audit of the State of Texas. In addition, HUD is monitoring -- actually doing an in depth monitoring of the environmental review procedures. And there was also another HUD monitoring of the Emergency Shelter Grants. TDHCA responded to the issues that HUD had. And those issues have been closed.

Recently, the State Auditor's Office issued a report on physical controls at selected state agency data centers. They looked at four state agencies and the
controls they had over their data centers.

The State Auditor's Office stated that TDHCA has processes in place to manage electronic access to the data centers for their own employees, contractors and their own employees and contractors. In addition, TDHCA has adequate environmental controls to protect the data center from environmental threats such as fire and floods.

The State Auditor's did have opportunities for improvement at each of the agencies that were reviewed. And for TDHCA, they said that TDHCA should define job titles or roles of its personnel who require access to the data center.

Also, TDHCA should also implement a process that includes a comprehensive review of all personnel with access to its data center, including employees and contractors of other state agencies. And it is important to note that the Department has implemented both of those recommendations.

The Internal Audit Division released two reports, Internal Audit reports. One was on performance measures at TDHCA, and the other was on the Financial Administration Division.

And just to be brief, the Department reported reliable results of the Legislative Budget Board. They reported reliable results to the Legislative Budget Board.
for all five key measures that were tested.

A performance measure is considered reliable if it is certified, or certified with qualification. Two of the measures we tested were certified with qualification, because the methodology used to calculate the measures was not strictly followed.

The measures certified with qualification when the calculation of performance deviates from the measure definition. But the deviation is less than 5 percent between the number reported to the LBB and the correct result.

Management has already implemented changes to adhere to the methodologies for these two measures. The other three measures were tested -- we tested, were certified. And no issues were found in the internal controls over the performance measure process.

And our second audit was of the Financial Administration Division. What we found is the operating budgets developed by the Financial Administration Division are in alignment with anticipated funding and estimated expenditures. With very few exceptions, the Department records, posts and deposits Housing Finance revenue payments accurately and timely.

Of the 34 Housing Finance revenue payments we tested, two were not deposited by the third business day.
after the date of receipt, as required by the Texas Comptroller of Public Accounts Office.

And I want to be very clear on this. These two deposits, one was one day late, and one was three days late. And so this is not as if it was 90 days late, 100 days late, 1,000 days late. I just want to make sure that is in perspective there. And the --

MR. OXER: A quick question?

MS. SCHWING: Yes.

MR. OXER: When we receive these funds, I assume these are funds that come from agencies for particular programs? These come in the form of checks, or are they for -- which, I assume that they are. Why are they not under bank wires, for example?

MS. SCHWING: We do get some bank wires, and we also get checks. And the checks are very well controlled when they come into the agencies. The wires are not as common as the checks, and I am not sure why that is.

But I do want to say that we did look at the intake process for these checks, and they are -- they have procedures to make sure they make it to the deposits for those programs. And these, just to be clear, also -- when I am talking about the Housing Finance revenue payments, these are payments that we receive for asset management fees and also for bond administration fees.
They are fees that we receive for a part of the monitoring that we do. So it is strictly those fees that we are talking about here. And let=s see. What else can I tell you about the Financial Administration Division? We did recommend that they enhance their controls by fully documenting the procedures for processing Housing Finance revenue. And management agrees and has set a target date for implementation for February 1, 2015.

Another item we discussed was the status of the FY '14 Audit Plan. And as I mentioned before, we are behind on that plan. The audit of the HOME program is going to be carried over to FY '15.

I am happy to say now that their risk assessment is done, and the FY '15 Work Plan has been approved. So that is one thing we can take off of our list. But out of the six audits and one contingency audit, all were completed except for that HOME audit. And as I said, that will be carried over into FY '15.

The exciting thing that we talked about this morning is the FY '15 proposed work plan. And that was approved earlier in this meeting, and we talked about the audits that are included in that plan. So I don=t really know what else I can tell you about that meeting, unless you have any questions for me.

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MR. OXER: Great. Any questions from any of the members of the Board?

MS. BINGHAM-ESCAREÑO: I think that thoroughly summarizes the meeting.

MS. SCHWING: Okay. Very good.

MR. OXER: Are you comfortable with that, Leslie?

MS. BINGHAM-ESCAREÑO: Yes.

MR. OXER: As the Audit Chair, do you have any comments to add to it?

MS. BINGHAM-ESCAREÑO: No.

MR. OXER: Okay. Good.

MS. SCHWING: Okay. Well, very good. Thank you.

MR. OXER: Thank you very much.

MS. SCHWING: Thank you.

MR. OXER: All right. In anticipation, it is 11:16 here. We are going to take a quick break. Let’s be back in the seats here at 11:30.

(Whereupon, a short recess was taken.)

MR. OXER: All right, everybody. Let’s get back in the box, here. Okay. We are on Item 3. Jean, I think you are up.

MS. LATSHA: Okay. Hi. Good morning. It is still morning.
MR. OXER: Yes. So far.

MS. LATSHA: Jean Latsha, Director of Multifamily Finance. All right. Item 3(a) is -- I'm sorry.

MR. OXER: Hold on. I am remiss in my duty here. I want to do something really quick. I just would like to recognize a couple of guests that we have here. One of which, we are going to have an opportunity to listen to here in a second. Our former Chair, Mr. Conine. Good to see you back here again, Kent.

MR. CONINE: Thank you.

MR. OXER: And Bobby Wilkinson. Where are you back there, buddy? There he is. He's our Governmental Affairs guy. We always want to make sure that there is a good report going back to that pointy-topped building over there. So we will hear some more from you in a minute, Kent.

So okay, Jean.

MS. LATSHA: All right. Item 3(a) is a request for a waiver of Section 11.3(e) of a 2014 QAP. And this is related to developments in certain subregions of counties. Basically, it restricts development in certain subregions and counties to only general population supportive housing; no elderly developments in those.

The reason for that was basically, there was
a -- we ran some data last year that indicated the percentage of elderly households in tax credit units exceeded the percentage of total elderly eligible population for those units. So basically, in -- this request is based partly on staff=s proposal in the 2015 draft to lift this restriction.

So the immediate response to that is, well, sure. It might be lifted in 2015. But we are still in 2014. So the law of the land is the law of the land so the answer is no. Well, we didn=t want to just say that, right. We had to look at this reasoning a little bit.

Part of the reason behind our proposal to lift the restriction is that you know, we feel that after a year of having no elderly developments in these counties and subregions, that we have a slightly more balanced portfolio. So we are in a position to be able to lift that restriction in 2015.

The problem with granting the waiver at this point in time is, number 1, that rule is still out for public comment. And it could be the case, come November, that this Board chooses not to lift that restriction. And then we are in the position of having granted this waiver without being able to rely on that reasoning that we had this balanced portfolio.

MR. OXER: So conceivably if you grant a waiver
for a rule that doesn’t exist yet.

MS. LATSHA: Well, you are granting -- right. Kind of. Right. The reasoning behind granting the waiver now is predicting the future, that you are not going to have that same restriction in the future, in 2015. Right.

MR. OXER: Okay.

MS. LATSHA: You can’t really do that, because you don’t know if that is really going to happen. Well, you can do it, but you can’t really rely on that reasoning. So --

MR. OXER: That prediction has a lower level of confidence.

MS. LATSHA: That is right. This particular county too, as an example, we actually did have a general population deal, a 9 percent award in Collin County. So that tipped the scale. Right. So we now have more general population deals in Collin County.

But if we were to grant the waiver in 2014, then suddenly, we have just as many general population and elderly units in Collin County. So the math is the same as it was in the beginning of 2014 as is in the beginning of 2015. Our balance goes away. Right.

So our response becomes well, why not just wait a couple of months, if we really think that this rule in 2015 is not going to restrict our elderly development.
Just wait until January to submit this application. It is a 4 percent application. They can kind of do it whenever they want.

So the response there is, well, one of them was, a concern that this development currently is located in a QCT. And there was concern that in 2015, it would not be located in the QCT and would lose its ability to get the boost. And that it wouldn’t be financially feasible.

However, serendipitously, HUD released the 2015 QCTs just a couple of days ago, and they are in line. So we are again, back to our position of -- we can just wait until January to complete this application.

The Applicant, I know, has -- they have talked about the fact that they have been looking at this deal for a long time. They have been putting it together long before the 2014 rules were in place. I might argue that all developers kind of function that way. Right.

These things always take -- not always, but quite frequently take two or three years to put together. You know, I am just not sure if that is the most valid argument for not being able to wait a little bit longer.

There have been some discussions about zoning restrictions that are actually restricting this property to target an elderly population. I haven’t seen evidence...
to that that was presented in their application.

There was evidence of zoning in the application, but I didn’t see anything in there that actually restricted the property to target an elderly population. So I am not sure if that is actually an issue or not.

I think that the Applicant is going to speak to some other timing of financing which would preclude them from waiting until 2015. But in general, staff’s recommendation is to deny the waiver. Unless you have any other questions for me.

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: Then we will have to have a -- on Item 3(a), a motion to consider.

MS. BINGHAM-ESCAREÑO: Move to approve staff recommendation.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation on Item 3(a).

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. And it appears that we have some comment. So Kent, welcome. Nice to see you again.

MR. CONINE: Good to see you, Mr. Chairman.

And thank you, Board members. From now on, I think you...
guys are probably known as the Hard Core Four from now on.

Other people come in --

MR. OXER: There is a three-letter word on the hard side, you know.

MR. CONINE: It is good to see you again, and thank you for your service to the State. And I happen to know how much you sacrifice. And it is very appreciated from those of us out here.

Let me kind of give you the two-minute version of this thing. Jean's right. This project started back in the summer of 2013, before any discussion of any prohibition against senior development in Collin County ever came up.

And as most of you know, it came up at the last minute on the development of the QAP. We had been in discussions with staff all along about this particular project. So as it read in the QAP, as you will see in the write up that you have in your Board book, in the third whereas and at the bottom of the page, it said, for the 2014 application round.

Most of us in the industry would take that to mean the 9 percent round, not the 4 percent round. Nine percent projects and 4 percent projects today are totally different than they were ten years ago. And so that morphed into obviously, having an effect over both nines.
and fours.

So essentially, we are caught in a trap, and didn’t know how to get out. We went ahead and purchased the land. Did all of the market studies. Did all of the studies that are necessary. Have drawn all of the plans.

And as the year has evolved, have got the support from the City, which is obviously a mission of the Department is to get local support. In fact, I have articulated five or six different mission related reasons in my response letter to you. That hopefully, you have had a chance to read.

I won’t go through them here. But we have got approval from the City and the County by their inducing of the bonds there locally. And have put together the financing to move forward on this particular project.

I would just, as a side note maybe, suggest to the Board that maybe in the rules going forward in the multifamily rules going forward, you take a look at separating the rules for multifamily at the 4 percent level and the 9 percent level. Back in the old days, that was probably a good thing to do, because they were coming and going and a lot of projects were getting done in both categories.

Today, I think to do a bond project today
requires extraordinary circumstances and requires extraordinary developers to come to the table. And you might want to take a look at how those rules affect the bond portfolio.

You may know that there is a huge backlog of unused bond cap sitting around the Agency. And it certainly behooves us to get as much of that out and get as much housing, affordable housing on the ground as we possibly can. And rules such as this restrict that activity in this particular county.

It is a great location. It is zoned for senior independent living. It is in a master planned complex that is being done right by the new State Farm headquarters if you know anything about Plano. It is -- again, a super location.

All of the other five projects that are of senior orientation in the Collin County market all have waiting lists. So the demand is in balance, because we haven’t put any more senior projects there. We need some more to take care of the waiting list.

I want to introduce to you our nonprofit sponsor if you will. Jean Brown who is the Executive Director of the Plano Housing Corp. And she will tell you some other details.
question.

MR. CONINE: I'm sorry.

MR. OXER: We, meaning Dr. Muñoz has a

question.

MR. CONINE: Yes, sir.

DR. MUÑOZ: Kent, do you want the questions

right now, or after?

MR. CONINE: I will come back.

DR. MUÑOZ: Okay.

MS. BROWN: Chairman Oxer, Board members. I am

Jean Brown, Executive Director of Plano Housing

Corporation. We are the City of Plano=s community housing

development organization.

We have zero available affordable housing in

our community. The Consolidated Plan calls for 1,000

units of affordable housing. And we are working very hard

to get this done.

We are in dire need. We have veterans living

in hotels in the area, that have nowhere to go. This

project is 292 units, 55 and older. We are setting at

least 60 aside for veterans.

And the real need for us to get it done this

year is, we have $400,000 in grant funds. If we don=t get

them committed this year through this project, we lose

them. And that is a good bit of our gap funding. So we
will lose that if we don’t.

    And we are working on a multifamily
development, a transit oriented development that we have
the land on. So we are -- when we get this one done, we
are moving into a family project.

    We are here today to ask for a waiver so we can
move forward. Pre-development is done. We are ready to
start. We have our financing in place, in order to start
construction before the end of the year. So thank you.

    MR. OXER: Thanks.

    MR. CONINE: Again, to make the Board aware,
this is a two meeting process to get this done. We need
the waiver today. And then we would have to come back
next month to get the tax credits allocated.

    So the practical reality of it is, we probably
can’t get started until the first of the year anyway. But
given the momentum and the public testimony at some of the
meetings, relative to doing away with the prohibition in
Collin County, we would certainly like to get a good jump
on it. I’m available for questions.

    MR. OXER: Juan?

    DR. MUÑOZ: I have got a couple, Kent.

    MR. CONINE: Yes, sir.

    DR. MUÑOZ: My first question was going to be,
why couldn’t this be done in a future meeting, January.
But by your own admissions, it is likely you won’t, given the timetable, start it until January. So it will be done in the future.

But okay. What, I mean, part of your argument or your position is, that this prohibition will be removed in the future, in the new sort of requirements. But you heard Jean say that in fact, it may not come to pass.

MR. CONINE: It may not.

DR. MUÑOZ: It may not. So then it would be a waiver. It would be a waiver of a rule, and not just simply going for a period of time where it will no longer be in place.

There may continue to be an imbalance in the stock, and no longer -- and that prohibition may still be relevant and germane. How -- you have been in this chair.

MR. CONINE: Yes.

DR. MUÑOZ: You have been in this chair, arguably, longer than anybody else in this room.

MR. CONINE: Yes.

MR. OXER: As much as several of us combined, I might add.

DR. MUÑOZ: Right. So --

MR. CONINE: I understand. Again, I think based on the testimony that the Board has heard, and the imbalance or the rebalancing that has occurred in Collin
County. And if you look at the market study, which I know none of you have had a chance to do --

DR. MUÑOZ: Has the rebalancing occurred? I mean, what if that rule -- what if that prohibition is still in place?

MR. CONINE: As evidenced by the fact that there are six month to one year waiting lists at every senior property in Collin County, there is a drastic need for senior affordable housing. And if more 9 percent deals get done, and more 4 percent bond deals, we will be back in for another 4 percent family deal not too long from now in the same county.

I suspect that the need is there. And I would think that the Department again, would want to do everything they can to try to get affordable housing on the ground, utilizing a resource, the bond cap. Which is severe -- I think you have only done a couple of bond deals this year.

Because they are difficult to do, now. They are not easy. And I would think that the Board would want to make sure that we could get that somewhat scarce resource utilized.

DR. MUÑOZ: Ms. Brown referred to a grant that serves as gap funding.

MR. CONINE: Yes.
DR. MUÑOZ: Is it a foundation? Is it a --

MR. CONINE: Home Depot.

DR. MUÑOZ: Home Depot?

MR. CONINE: Yes, sir.

DR. MUÑOZ: And why would they not -- why would that money not be available in the future, given the scarcity of stock, given the necessity and given their apparent need or desire to provide it in the first place. Most foundations are amenable, if there is a real chance that in a few months, with the preservation of those monies, this project moves forward. Why the hard --

MS. BROWN: So $300,000 is Home Depot. And it has to be committed in this year, or we lose it, and it will go to whoever came in behind us. Because they start their round again in January.

(Feedback in sound system.)

MR. OXER: Just a moment. Hold on just a second. Can we identify that?

MALE VOICE: Nothing I know of.

MR. OXER: Okay. I haven't pressed the big white button over here, either. Okay. I'm sorry. Please continue.

MS. BROWN: The other monies are from Citibank, and they have to be committed this year, so we are on a reimbursement on those. So we would have to start this
year to be able to pull those monies on both of these grants. We have to apply to get them and expend them in this year.

You know, I would also like to say that all we needed from the City of Plano Council was a resolution of no objection. We had a resolution of -- unanimous resolution of full support for this, as well as the County Commissioners on the bond inducement.

They were very excited about this, very excited about helping the veterans in our community that are living in hotels.

We have no place for the seniors in our community to go that are leaving their homes and are on fixed incomes. There is nothing available for them, if they want to stay in our community.

MR. OXER: Pardon me, Ms. Brown. At the risk of seeming argumentative and cold-hearted, I am going to offer up a few comments.

But it's one of those things that we have to take into consideration. Kent has seen this on a number of occasions; have to make some hard decisions. I haven't seen anybody yet show up in this room who said, Yeah, we'll take it or leave it. If you have got some, we will take some. Or otherwise, we will go someplace else.

Everybody that shows up needs this. Without
the administrative requirements that we have there's
nothing to balance only those demands for housing in
Collin County, for example. We have to balance it across
Texas.

The concern that many of you have probably
heard, that there is -- let=s say, a discussion that is
going to be held in D.C. in early January against nine
people that are going to listen to something that happened
and see if we allocated credits in the right way across
the entire state over a period of time.

So while I recognize that there is a need,
there is a need all over this state, and nobody shows up
here without need.

The point about this is, is that -- and I am
going to ask that Juan re-ask his question, because what I
heard you say in my mind didn=t answer his question.

He asked, why was it not available to move
forward into next year if it was a foundation. You said
it had to be spent this year, which is the point of his
question. Why is that the case?

(Feedback in sound system.)

MS. BROWN: Because it is -- you know, they
start their funding.

Is it me? Am I causing this?

MR. OXER: Yeah, hold on just for a second. I
think we have got an unidentified ground somewhere that's shorting.

(Pause.)

MR. OXER: Okay. Everybody, all mics off to start with.

(Pause.)

(Feedback in sound system.)

MR. OXER: All right. Let me ask this. Can you guys in the back hear us?

VOICE: Yes.

MR. OXER: Okay. Can you hear us, Madam Recorder? Are you good?

MS. KING: Yes.

MR. OXER: Okay. We will just kind of muddle through it, then as long as we can. We can have this taken care of at lunch. Ms. Brown.

MS. BROWN: So if we don’t draw the funds down this year, we have to reapply, so we lose them. They lose our 2014 funds.

MR. OXER: And to Juan=s question, since it is a foundation, somebody like Home Depot, why would they not consider providing that funding?

MS. BROWN: Well, it is a competitive process, and it starts again in January.

MR. OXER: Okay.
MS. BROWN: So there is no -- so we have a commitment today for this project. There is no guarantee that we will get it.

MR. OXER: That was the answer to the question. It was a competitive commitment that had date and end certain on it. So you hadn=t answered that yet.

MS. BROWN: I am new at this.

MR. OXER: That is okay. It won=t take long for you to get to be a veteran with us.

MS. BROWN: You're a tough crowd.

DR. MUÑOZ: Hey, Kent, in your letter, I just want to make sure I understand. So it is 10 percent of 292, about 30, 29 that would be assigned for handicapped residents with special needs.

And on top of that, 60 for veterans. So about 90, about a third of the development for veterans and elderly with special needs?

MR. CONINE: That is right. It won=t surprise you to know that Congressman Sam Johnson is also -- sits on Ways and Means and oversees the tax credit program. And we are trying to get him to make some statutory changes to the program.

He has, obviously, an interest in veterans. He is going to come out and help us do the groundbreaking and all that kind of good stuff. So you know, he has a
supreme interest in seeing the project get done. It is right in his backyard.

MR. OXER: You know, I think -- I hope it has always been evident to you, Kent. We have always had an interest in providing opportunities to those who served in the uniform. You know, I have got a house full of veterans in my house, okay. So I am sensitive to this, too.

MR. CONINE: I have got one, now.

MR. OXER: Yes. Soon to have one. Yes.

Freshman, or is he a sophomore?

MR. CONINE: He is a freshman.

MR. OXER: Okay.

MR. CONINE: A plebe, I think, is what they call him.

MR. OXER: Yes. Good luck to him, you know.

DR. MUÑOZ: Kent, you know Kent, I want to be supportive. It is just the fact that, you know, it is a rule in the current QAP. And there is no certainty to my mind, that I have heard yet, that it won't be a rule in '15. You know, and I know you know. That is, for me, what I am having trouble with.

MR. CONINE: I guess the -- I would refer back to the language in the QAP that says, application round. And the -- you know.
MR. OXER: This is part of the 2014. What you are saying is, this is part of the -- hold on, Doni. That is all right. Just stay there, but hold on for a second.

This is an application under the 2014 round, under the bond cap for the 4 percent deals. Which, as it turns out this time, falls under this years QAP.

MR. CONINE: Well, we don=t have rounds for 4 percent deals.

MR. OXER: It is coming under this QAP.

MR. CONINE: I know. But I am just trying to articulate what my definition of the words, application round, historically through the years --

MR. OXER: Yes.

MR. CONINE: Has been the 9 percent round.

MALE VOICE: Yes.

MR. OXER: I understand.

MR. CONINE: Again, that is why, to help clear that up, I am thinking maybe you guys want to take a look at splitting the rules for 4 percent deals and 9 percent deals going forward, so that you don=t have this problem. But the definition of an application round to me is a 9 percent round.

DR. MUÑOZ: A competitive round.

MR. OXER: Right. A competitive round. And I understand what you are saying. And the other bond cap,
the 4 percent deals under the bond cap, that makes sense
to consider it that way.

    We just haven’t had the opportunities up to now
to slice this hair quite this fine. Hold on a second.
Tony. Hey, Tony.

    MS. JACKSON: Hi. I feel like I am causing
this as well. Antoinette Jackson, Jones, Walker. Good
morning, Board. I just wanted to speak to the application
round comment, particularly utilizing the language that is in the QAP.

    The QAP specifically shows application round as
capitalized; Application Round. However, it is not a
defined term within the QAP. And within the QAP, there
are several times when the QAP actually distinguishes
between the 9 percent round and the 4 percent round for
the application period of the 9 percent round, and then
simply an application when it is referring to the 4 percent.

    So I put that in front of you, to say one, when
we talk about application round, particularly in terms of
the prohibition of seniors in Collin County, I do not feel
that it is applicable to 4 percent because application
round, based on the way this is referred to throughout the
QAP appears to be speaking to the 9 percent side. So --

    MR. OXER: What you are essentially -- if I
could, a quick summary on that, what you are saying is
that the QAP implicitly separates the two programs, the 9
percent with the round, and the 4 percent comes in, there
is an implicit separation on those?

MS. JACKSON: Right. There are several places
when it is talking about 9 percent, it talks about the
competitive 9 percent round or tax credit application
period. But it does not make that explicit language when
you talk about the 4 percent in several places throughout
the QAP, and throughout the rules.

MR. OXER: Okay. Tim, you have a comment?

MR. IRVINE: Yes. Application round is defined
in the statute. 2306.6702(a)(4), it states, application
round means the period beginning on the date the
Department begins accepting applications and continuing
until all available Housing Tax Credits are allocated, but
not extending past the last day of the calendar year.

MS. JACKSON: Right. And with that said,
however, again, as it is referred to in the QAP, because
it sets out in the QAP, the 4 percent has a different
schedule. Which again, is pointed to throughout the QAP.

It is still our contention that the two are not
looked at in the same way. And therefore, the 4 percent
would not be applicable under this prohibition.
MR. OXER: Jean? Kent, go ahead. And then we will get Jean.

MR. CONINE: No.

MS. LATSHA: Yes. I am in basic --

MR. OXER: Let’s do Jean first.

MS. LATSHA: Sure. Just really quickly, I just kind of -- I disagree with Toni’s characterization of that. First off, because of the definition in statute, with respect to an application cycle. And it is very clear when those who apply for, whether 4 percent or 9 percent Housing Tax Credits under which set of rules they are applying.

That is why these folks know that they do need this waiver. Because they are very aware that they are applying for Housing Tax Credits under the 2014 QAP.

We also, I believe, at minimum, addressed this in an FAQ. Because folks were wondering if this particular rule applied only to the 9 percent round or to 4 percent Housing Tax Credits too. And we answered that question several times.

I think that has been -- which is why the waiver is so important --

DR. MUÑOZ: Jean, let me interrupt. I’m sorry.

MS. LATSHA: Sure.

DR. MUÑOZ: You are saying that in some kind of
public -- you clearly explicated the difference between
the nine and four percent, and that the rule applied?

MS. LATSHA: Yes.

MR. OXER: Can we get a citation on that? Do
we have any documentation or a citation on that?

MS. LATSHA: Right. Well, as I said, I think
the fact that the waiver is being requested in the first
place is evidence enough that the Applicant realizes that
they do need the waiver. They are applying for Housing
Tax Credits under the 2014 QAP, which clearly restricts
elderly developments in Collin County.

MR. OXER: Tim.

MR. IRVINE: When we did our FAQs, did we not
bring them back to the Board, as I recall.

MS. LATSHA: We did.

MR. IRVINE: And if somebody who is facile with
a computer can just pull them up and that would clarify
whether the Board has actually been involved in
clarifying.

MR. CONINE: We were told by staff --

MR. OXER: You have got to say who you are,
every time.

MR. CONINE: Kent Conine. We were told by
staff we needed to come for the waiver. We didn't
necessarily agree with the staff recommendation, but we
are here anyway to appeal. To you know, a more common
sense approach, let’s get some affordable housing on the
ground.

You know, again, the practical side of this
thing, this is going to be December or January before we
can really start construction. And I think the consensus
is from everybody I have talked to that we hope to --

(Thumping in sound system.)

MR. OXER: Well, that really got it.

(Thumping in sound system.)

MR. OXER: Okay. You, don’t touch anything
else. Okay.

MR. CONINE: And again, harking back to when we
first started to put the property under contract, none of
this was even thought about. And now, you know, I am
essentially caught in a trap, if you will.

And have let the market evolve long enough,
through the end of the year, and through discussions with
not only Board members but staff members and other
developers to articulate that Collin County has kind of
fixed itself. And we have a huge shortage of senior units
there that needs to be shored up.

(Feedback in sound system.)

MS. DEANE: Mr. Chair, just to be really clear,
from a legal standpoint, the rules that are going to be
applicable will be the rules that are in effect at the
time the application is filed.

MR. OXER: Regardless of what we --

MS. DEANE: So if they would need to do this,
they would need a waiver of the rule.

(Feedback in sound system.)

MR. OXER: I'm sorry, everybody. This is
really distracting.

MS. DEANE: So the 2014 QAP and multifamily
rules that are in effect at the time the application was
filed, which is now, or whenever they actually filed it.
I assume it was in 2014 round.

Regardless of what you call the application
round, those were the rules that were in effect when the
application was filed. That is what attaches.

MR. OXER: Is the application round essentially
for the 9 percent? Is the application calendar for the 4
percent? And it turns out they both fall under the 2014.

Is that what I hear you saying, Barbara?

MS. DEANE: Right. The rules that are
applicable right now to the tax credit program are the
2014 QAP eligibility rules.

MR. OXER: Okay. Everybody hold on just for a
second. Let's see if we can sort this out. Got any

ideas, Mr. Audio Sport?
(Simultaneous discussion.)

MR. OXER: Well, it is live, anyway.

(Pause.)


MS. JACKSON: In the comment that I -- the comment that I am making is that this particular prohibition does not -- is not governing the 4 percent round. That is the point that I am making. Not that we don't fall under the 2014 rules. But that this particular rule, this particular prohibition.

(Feedback in sound system.)

MS. JACKSON: That is not --

MR. OXER: You can turn that off.

DR. MUÑOZ: But Toni, you heard the ED read right out of statute. I mean, how do you -- I mean, it is all application. It doesn't --

MS. JACKSON: Because --

DR. MUÑOZ: It doesn't delineate between any of the -- it says, all. I mean --

MS. JACKSON: Because throughout the QAP, you do distinguish. And again, as we indicated, because this was intended for balancing, for the purposes of the competitive rounds, because that it is our contention that it was intended for the balancing of the competitive...
rounds.

DR. MUÑOZ: I understand that. But the fact that in other parts of the QAP, there may be some kind of differentiation, that doesn’t nullify the fact that the statute seems to categorically encompass all applications.

MS. JACKSON: And all applications are encompassed in the rules and the QAP overall. Again, however, there are distinctions made and recognized. That there are certain things that are different in the 4 percent and the competitive 9 percent. And therefore, in this particular instance, it was again, to create the balance.

DR. MUÑOZ: No. I understand. I just don’t see -- I don’t see --

MS. JACKSON: But the QAP makes that distinction throughout.

DR. MUÑOZ: The statute that the ED read, I don’t see how it provides relief for that argument.

MS. JACKSON: Because again, throughout the QAP, you distinguish that. You recognize that there is a difference between the 4 percent and the 9 percent.

And as it relates to things in terms of regional allocations, applications coming off the waiting list, the 4 percent deals actually have priority over those. There are a number of distinctions that you make.

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throughout the QAP.

MR. OXER: And those -- and that is obviously true, Toni. But what we are saying is, that based on what the statute says, that the --

MS. JACKSON: If --

MR. OXER: Hold on. The project is subject to the rules in place when it is applied. And that would be, within calendar 2014 for the 2014 QAP. Is that right?

MR. CONINE: I have an idea.

MR. OXER: Kent?

MR. CONINE: A new idea. Another idea.

MR. OXER: Say who you are, to start with.

MR. CONINE: Kent Conine.

MR. OXER: Right.

MS. JACKSON: A new idea.

MR. CONINE: Maybe if we could suggest that the Board table this item until the next meeting. And instruct staff to go ahead and underwrite the project, so that we can come back next month with a reconsideration of this off the table, plus the credits at the same meeting.

You will then at least know what the QAP is going to say relative to the issue. And be a little more --

MR. OXER: It would take a significant degree
of uncertainty out of this.

    MR. CONINE: Correct. And it still
accomplishes our timing objective.

    MR. OXER: Okay. Jean, you can come up for a
second. I know this is going to be funky and you are not
going to be able to answer this. But what does that do to
your allocation?

    MS. LATSHA: No. It is a 4 percent
application, so --

    MR. OXER: Okay. So we don=t have to worry
about any of that, right.

    MS. LATSHA: Right. We could certainly do it.
It would be a bit unprecedented for staff to be reviewing
an application that is clearly ineligible.

    MR. OXER: If we direct you to do that --

    MS. LATSHA: If the Board does choose to direct
us to do that, then we are happy to do it.

    MR. OXER: Okay. Well then it occurs to me,
Kent that that is a really good and elegant solution to
this, that solves some of the uncertainty that we are
facing. That also helps us preserve the integrity of our
rule, which is, as you know, being the Hard Core Four, we
are pretty hard core about certain parts of this.

    MS. LATSHA: I would --

    DR. MUÑOZ: And if we do so in the interest of
further advancing affordable housing possibly.

MS. LATSHA: I would like to make just one point so we don’t have to have this exact same discussion in a month with respect to the need of the waiver, and some clarification that that waiver is necessary and would need to technically be heard again at the next meeting. I want to make one point about this rule, this particular section of the rule was written in kind of an odd way, if you will.

Because it made reference to the 2014 application round and then made reference to the 2015 application round. Basically, in an attempt to have everyone understand that this balance would be reviewed again in a future round.

And so I think that perhaps that is what Toni was alluding to. But it is still very clear that this is a 2014 application.

MR. OXER: It is important, I think, and Kent, because there will still be -- it is not like we are going to run out of 4 percent availability. You have got bond capability or bond cap looking for things to do. Looking for deployment.

So this is one of those things. Can you work with that? Can you --

MR. CONINE: Absolutely.
MR. OXER: Okay. I think that amongst -- my own perspective is, that is a pretty good solution to this. It helps us maintain that. Because we want to make this work.

I would like to see the housing get put in there. Like you said, get some more housing on the ground and help these folks. But we have also spent a lot of time developing a structure to the rule, that this helps us maintain that integrity.

I think it would also be important to point out and have on the record that in doing this, it says that 4 percent deals, it can't happen -- or you made the application within 2014, and therefore, it comes under the 2014 QAP.

Is that what you were saying, Jean? And Kent?

MR. CONINE: Yes.

MR. OXER: Is that what you were saying, Jean?

MS. LATSHA: Yes.

MR. OXER: Okay. Does that work for you, Kent?

MR. CONINE: Yes. Yes, I mean, obviously we applied in 2014.

MR. OXER: Okay.

MS. BINGHAM-ESCAREÑO: Mr. Chair, do you --

MR. OXER: Yes.
MS. BINGHAM-ESCAREÑO: Do I need to withdraw --

I believe I made the motion.

MR. OXER: You did make the motion. But what
we can do is, let's see. With an active motion, we can
table this until the next meeting and bring this back up
in the next meeting.

DR. MUÑOZ: Without a vote? Because it has
already been -- or without a motion?

MR. OXER: All right. Let's do this. Rescind
the motion and the second.

MS. BINGHAM-ESCAREÑO: So done.

MR. OXER: And then we will take this up at the
next agenda. Rather than tabling this, we will simply --

MR. CONINE: You can table to a time certain,
which would be the next meeting.

MR. OXER: Okay. Which is what we are going to
do. All right.

MR. CONINE: Perfect.

MS. LATSHA: The only other point I would just
like to make is, that this is all under the assumption
that we would have our review the rest of our review
completed by November, which I can't guarantee. We can
certainly attempt to do so.

MR. OXER: Okay.

MS. LATSHA: But I am not sure that is going to
fit completely in his timing. He might have a waiver in November, that he might have a better shot at the waiver request, and then our review not completed until the December meeting.

I just don’t want to guarantee that the -- that although we pick up that review right now, that it will be completed by November 13th or whatever the date is.

MR. OXER: All right. Well, hold on. All right. There has been a motion by Ms. Bingham and a second by Mr. Gann to approve staff recommendation on 3(a).

The Chair would accept a rescinding of the second by Mr. Gann?

MR. GANN: So moved.

MR. OXER: Ms. Bingham, by your motion?

MS. BINGHAM-ESCAREÑO: Yes.

MR. OXER: Okay. So now there is a motion to table until the next meeting consideration of this item on 3(a). I will entertain a motion to consider table until the next meeting.

MS. BINGHAM-ESCAREÑO: I will move to table.

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

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. Okay. Since we have had public comment, we will take off. All in favor,
aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. That is with the staff direction to make all due haste in this course and see if we can get this sorted out by the next meeting.

Does that work for you, Kent? That good for you?

MR. CONINE: Thank you very much.

MR. OXER: Okay. Thanks.

DR. MUÑOZ: Can I just -- hey, Jean. I want to underscore the "all due haste" comment. Right. It is going to be very awkward, right. Next -- I mean, I appreciate what you are saying. I appreciate well, I suppose, what we are directing, you know. Right.

MS. LATSHA: Understood. We will pick up that application right away and give it some directed effort.

MR. OXER: Directed and focused effort.

Kent, I hope you know we appreciate seeing you here.

MR. CONINE: Thank you very much.

MR. OXER: All right. Cameron, do you have a comment? Last comment.

MR. DORSEY: Yes. Last comment. Just real
quick. Reviewing an application is a two-way street. This would be an unprecedented review time frame, and I am not joking by any means. Underwriting has not looked at the application at all.

If there are a set of deficiencies that take seven days to resolve, seven days or five days to resolve, a few days into underwriting=s review that automatically, boom, we miss Board posting. We can=t get it out.

We will do our best. But it is an unprecedentedly quick review time.

MR. OXER: Well, as you are obviously aware, this won=t be the first thing this Board ever took up for the first time. So we want to try to make this work simply because there is a need up there and there is a way to get this around. And it is okay, because there is still a fall back beyond this, too. But all due haste.

MR. DORSEY: Okay.

MR. OXER: Okay. All right. Everybody sit still and listen for a second.

The Governing Board of Texas Department of Housing and Community Affairs will go into closed session at this time, pursuant to 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 Act; to discuss certain real estate matters under Section 551.072 of the Act; and to discuss issues related to fraud, waste and abuse under Section 2306.039(c) of the Texas Government Code.

The closed session will be held in the anteroom behind us. The date is October 9, 2014. The time is 12:16. Let’s be back in our chairs here at 1:15.

(Whereupon, the Board recessed into Executive Session at 12:16 p.m.)

MR. OXER: The Board is now reconvened in open session at 1:16 p.m. We met in closed session, Executive Session. We heard Counsel, heard advice from our General Counsel; and took care of some details on fraud, waste and abuse. Okay.

On Item 3(b), Jean.

MS. LATSHA: 3(b), I think it would be more appropriate to table that until after Item 5, which are some appeals that have bearing on staff’s recommendation for 3(b).

MR. OXER: Okay.

MS. LATSHA: So I don’t mind handing it over to Cari on her next items, and let her go and then take up 5 and 3(b) if that is --

MR. OXER: Perfectly acceptable. Okay.
Cari.

No, there is no item up yet. That is okay. All questions are available. All questions. You can peel yourself off the wall over there.

Okay, Cari.

MS. GARCIA: Okay. Item 4(a) is regarding the request for a waiver of a rule. Specifically, the section related to mandatory development amenities in the 2012 QAP at tax credit development. And if the waiver is granted, then there will be subsequent land use restriction agreement, LURA amendments as well.

MR. OXER: Let me ask you to begin with, Cari. Are we taking these one at a time, or all at the same?

MS. GARCIA: A is one item encompassing all these --

MR. OXER: All of those particular --

MS. GARCIA: Yes. All of those properties. And then B encompasses all of the rest.

MR. OXER: Okay.

MS. GARCIA: This request involves six developments totaling 1,444 units in various locations of the state. They were funded in 2012 with 4 percent tax credits to rehabilitate the developments and also receive tax exempt bond financing from a private issuer.

In accordance with the 2012 QAP, under 50.4,
regarding mandatory development amenities, all developments that year were required to have exhaust vent vans that vented to the outside in bathrooms. Additionally, because this was a requirement of the application, that requirement was transferred over to each of the LURAs as well.

The problem is, these properties have been rehabilitated and they do not have exhaust vent fans in the bathrooms that vent to the outside. Therefore, the owner has requested a waiver of the rule. And as I mentioned, LURA amendments would need to follow if that is granted.

To provide some background on the request, the developments were originally constructed in 1995 and 1996, with the use of 9 percent tax credits. They were acquired by the current owner in 2012, which is DalCor Holding, LLC. And received an award of 4 percent tax credits and tax exempt bond financing.

At the time of the application, each of the principals of the ownership certified to the fact that all mandatory development amenities would be provided. In addition to the vent fans in the bathrooms, other mandatory development amenities include laundry connections in all units, blinds, window coverings, screens for the windows, phone cable in each room. Energy
Star rated refrigerator, lighting and ceiling fans, oven, range, central heat and air, and adequate parking spaces according to code.

These are typical unit amenity packages for most new multifamily rental developments. In 2012, rehabilitation developments were exempt from providing three of those amenities listed. Specifically, the phone cable in each bedroom, dining room and living room, laundry connections and then dishwashers, if they weren’t originally in the units.

The 2012 QAP also states that deviations for good cause by which one or more of these will not be provided must be approved prior to the award, and the request for such deviation must be included in the application. The owner did not anticipate the need for this request at the time of application.

Rehabilitation was completed in 2013. And cost certification packages have been submitted, received by the Department. They were submitted in December 2013, requesting approval for the release of 8609 forms for their tax credits.

It was only during the final inspection at one of the properties in early 2014 that the owner discovered through the maintenance staff that the property did not have exhaust fans that vented to the outside. After
further research, they discovered that none of the properties actually had vents, exhaust vents that vented to the outside.

All of the units currently have recirculating fans, all of the unit bathrooms. In the owner=s request for waiver, the owner indicates that they were originally under the impression that there were vents that vented to the outside, which is why they were able to sign the certifications.

They came to that conclusion by relying on statements from their General Contractor and Architect who reviewed as-built plans and stated that the exhaust fans that vented to the outside did exist. They relied on those representations and felt comfortable signing the certifications and doing the rehabilitation.

So here we are. All six properties have been rehabilitated and are occupied. It looks like most recently, in the low 90 percent occupancy rate. In order to correct the venting issue at this point, the General Contractor and Architects state that it would be -- it would require an extensive retrofit, since the buildings weren=t originally constructed with vent exhaust fans that vented to the outside.

MR. OXER: They were not. Is that what you are --

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MS. GARCIA: They were not originally constructed --

MR. OXER: Did the original tax credit availability require that they be so?

MS. GARCIA: I don’t believe so. Since they were originally constructed as a 9 percent deal, and it wasn’t.

MR. OXER: Right. In ’96?

MS. GARCIA: Yes. ’95 and ’96.

MR. OXER: Okay. And not only would it require extensive retrofit, but it would also include resident relocation, since they are all around 90 percent occupied. Their specific concerns are addressed in the individual letters that are within your Board book. But basically boil down to risks associated with the potentially unattractive look of fur downs concealing venting ducts and pipes, relocation of the residents in both cost and inconvenience, and whether the residents would even use this type of fan or care whether it vents to the outside or not.

And the potential for water leakage due to additional penetrations on water tight exterior walls.

The owner originally estimated the cost of going back now and retrofitting every unit at all six properties with this type of venting would be approximately $2.3 million.
for all six properties.

MR. OXER: Totaling 1,400 units?

MS. GARCIA: Yes. 1,444.

MR. OXER: 1,444.

MS. GARCIA: And so after extensive evaluation by Department staff and considering the intent of this requirement being the prevention of an accumulation of moisture which could lead to mold and other serious health issues associated with moisture contained in small spaces, staff communicated with the owner and encouraged them to try to identify and consider all possible options. The owner subsequently provided three alternatives to further the objective without having to reconstruct all 2,556 vents.

The first option was to add a dehumidifier to each bathroom, or a whole house portable dehumidifier to each unit. This alternative is estimated by the owner to cost approximately $325,000.

However, the option does require some resident maintenance, such as emptying the water receptacle periodically, changing the filter, not to mention the space that this type of portable device would take in the unit. And quite honestly, most residents would probably not care to have that type of thing in their unit, or do the maintenance that is required.
A second alternative is to correct the venting to the outside of all top floor units only. These units could be vented to the attic without requiring the residents to move out of their units.

The owner indicates there are 674 units, approximately 1,188 bathroom vents, which is 46 percent of the total vents that are the top floor of the six developments. The estimated cost of this would be a total of $625,470.

And then the third alternative is to provide monitoring and inspection of all units for moisture, mildew and mold. This would be provided by onsite maintenance staff who would perform quarterly inspections of all units.

A third party inspector would also be hired to inspect 100 percent of the units at all six properties on an annual basis for the 15 year compliance period. The approximate annual cost for this is $4,000 per development and it is already budgeted on two of the developments.

So the actual additional cost from what has been proposed is $16,000 per year. The total -- the owner estimates the 15 year cost of this alternative to be approximately $297,000, which assumes some additional work time for onsite staff and such.

The owner states that they do not have
sufficient financial resources to pay for retrofitting every unit, or for options one and two. And they request to implement only the third option, which is the monitoring and inspections.

However, in the owners own submitted 15 year performance, which are part of the Board book by reference, there appears to be sufficient annual cash flow at each of the properties to pay the additional $4,000 per development per year, for option number three. And pay the one time payment of $625,470 to vent the bathrooms on the top floors. In fact, all of the developments demonstrate positive cash flow in all years through '15, with most paying down deferred developer fee accounts between year six and year 13.

In addition, the development cost schedule submitted in each cost certification package showed operating reserve accounts that average around $600,000. These accounts may be available with limited partner approval for this type of work, for option number two.

So staff believes that requiring option number two and three, which is the venting all the top floors, which wouldn=t require residents to move, and conducting the quarterly and annual inspections is a reasonable albeit not perfect solution. One that will not require resident relocation or extensive reconstruction.
Therefore, staff recommends, has recommended, and you saw in the Board book that this request be partially denied and partially approved in that staff recommends that for all six developments, that the owner vent all top floor units with bathroom exhaust fans that vent to the outside. And that the LURAs be amended with the requirement to conduct quarterly unit inspections and annual third party inspections for moisture and mold through the end of the new extended use period.

(Pause.)

MS. GARCIA: I am available for any questions.

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: I am going to have a few interesting technical questions for the folks that about to sit up and talk. But I don’t have any for you.

MS. GARCIA: Okay.

MR. OXER: Okay. Motion to consider.

DR. MUÑOZ: So moved.

MR. OXER: Okay. Motion by Dr. Muñoz to approve staff recommendation on Item 4(a).

MS. BINGHAM-ESCAREÑO: I will second.

MR. OXER: I hear a second by Ms. Bingham. All right. It looks like we have got an interesting fan club that showed up for you here, Karen. We understand that it
is difficult folks. We try to make a little light out of it, just so you know. Cynthia?

MS. BAST: Good afternoon. I am Cynthia Bast of Locke, Lord. I am here representing DalCor, the owner of the six property portfolio.

We have representatives from DalCor with us. We also have representatives from PennCo Construction, which is the General Contractor, which can perhaps talk to some of those technical issues that you have, Mr. Oxer.

MR. OXER: I think those are going to come from the architect. I want to know who gave you the recommendation that it was okay to start with.

MS. BAST: Cari did a really great job describing this situation. And there are just a few things that she mentioned that I want to emphasize to you.

All of these properties were built under the tax credit program at a time when it was not required that exhaust fans be vented to the outside. But they do all have exhaust fans.

I think it is important to add that these properties have no record or obvious issue with any moisture problem. There were moisture tests done at the time of acquisition. There is no evidence that these properties are having any problem operating the way that they are currently constructed.
This was an honest mistake. A reliance by the owner on an understanding from the information that they had as to whether those exhaust fans were recirculating or vented to the outside.

Retrofitting does have its consequences. Even if you are retrofitting just the top floor, retrofitting involves then making penetrations in the existing outside walls of these buildings. And even to do just the top floor, we are talking about I think, over 600 penetrations.

And so every penetration you make could have that consequence of itself creating a moisture problem for a building, when that penetration was not designed to be there in the first place. So that is part of the concern here.

The other thing I want to highlight is that this is a preservation transaction that was originally proposed to make sure that these properties did not go through qualified contract process to have their LURAs lifted. So they are currently under their old tax credit LURAs.

And now, they are under new tax credit LURAs. Which is extending, not only their affordability but the renovations that were done were intended to extend the life of these properties in a meaningful way for both
economic viability and the best interests of the tenants.

I also want to point out what Cari mentioned to you with regard to the 2012 QAP under which this was built. It basically allowed -- it had this list of all of these mandatory items. But it said, you can deviate from this list for good cause, if you tell us in advance.

Well, you know what, had we known, we absolutely would have told you in advance. We would not have frankly, put this in the budget in the first place. Because based -- if you look at a development budget and what you have room for, particularly on a 4 percent bond deal, we would have looked and said, you know what, that is one change that could be made.

But there are other more beneficial chances. And if we only have a limited budget to work with, there are other things that make a lot of sense here, that we should be doing for these properties. So had we asked in 2012, I honestly feel like, there was good cause with the issues of the retrofitting that it very well could have been approved.

Another thing that you did not hear is that the 2015 proposed QAP eliminates this requirement for rehab deals. Now, I know it is not 2015 yet. And I know that that could potentially change. But I have to think that exhaust fans are not nearly so controversial as
elderly developments. Right.

DR. MUÑOZ: Change, or maybe not change.

MS. BAST: But the point is --

MR. OXER: Didn’t we have an echo of this discussion here a bit before?

MS. BAST: We did. But the point is your staff made this recommendation to make this change. Why did they make this recommendation? Maybe because this test case kind of brought it to their attention.

I want you all to understand how we got here. We asked for this deviation. And we asked for this to be excluded from our requirements.

Staff came back to us and said you have to give us alternatives. I don’t know that the rules necessarily require that, but I think they think their procedures requires some sort of substitution, some sort of making good for what happened.

And so in coming up with the alternatives, as Cari mentioned, there was concern about accumulation of moisture. What was this here for in the first place? Let’s be common sense about this.

Why do we have exhaust fans vented to the outside as a requirement now, at least for new construction in the QAP starting in 2015. It is not applicable to rehabilitation anymore. And it is to manage

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moisture, right. So what makes sense.

Well, what makes sense is, the good OM plan that will monitor moisture in this property. Dehumidifiers also could make sense. They can manage moisture.

The owner did offer up the alternative of venting the top floor to the outside, because that has a lesser construction impact. But still, as I mentioned, all of these penetrations. And not so desirable.

And I think what you really have to look at here is the reward versus the risk. What is the reward associated with an exhaust fan vented to the outside? Well, it can improve moisture. But you know what? It improves only to the extent those residents are using them. And I don’t know how many of you use your fans in your homes. But if the residents aren’t using them, then it is not doing anything for the moisture anyway.

But yet, under the -- when the staff asked for this alternative, the penetrations that they are asking for, those could have a moisture impact potentially. So I think as you are balancing this, you need to really look at it from a common sense standpoint of what makes the most sense for properties in this condition at this stage of their lives for this particular kind of equipment with
regard to this property.

And so our specific request for me to be clear, is that we would prefer our first request which is that you grant this deviation. That you understand that if we had asked for this in 2012, it would probably be -- it probably -- I think it would have been accepted.

If we asked for this in 2015, I think your rules would support you accepting it then. So what is the problem? I am standing here in October 2014 in the middle of this time warp here, between these two times, asking for this because our investors need their 8609s in 2014 to deliver their tax credits.

So I don’t have the luxury of kicking the can down the road, and saying I am just going to wait and ask the Board for this in 2015. I have to ask for this to obtain these 8609s by 2014.

So the preference is to honor this deviation request that has been made. We believe that there is authority for that. When you are talking about for instance, non-material LURA amendments, the Executive Director has authority for those.

But if you feel like something else is required, then certainly, the O&M plan is not a problem. The owner is happy to do that.

But they would prefer not to implement the
alternative of retrofitting all of the units on the top floor, because of the disruption to the tenants, because of the penetrations of the existing walls. Because of the costs of over $600,000.

That is a lot to ask for a situation like this, which was honestly a simple and honest error on the part of the owner. It is a whole lot to ask.

So that is the request. We are happy to answer questions. We appreciate your time.

MR. OXER: Okay. Any questions for Ms. Bast? Tom?

MR. GANN: One serious question is, what was in there all of the years before?

MS. BAST: The same exhaust fans that recirculate. Every bathroom has a recirculating exhaust fan.

MR. GANN: What --

MS. BAST: Charcoal.


MS. BAST: Charcoal.

MR. GANN: Okay.

MR. OXER: Okay.

MS. BAST: Yes.

MR. GANN: So I was just wondering, that would be a good alternative. I don’t know if they even make
them anymore.

MS. BAST: That is what we have now.

MR. GANN: That is what you have in there now?

MS. BAST: Uh-huh.

MR. OXER: Can you recharge the charcoal?

Sorry.

MR. GANN: It just recycles it. We use it. I am sure there is a better way to do now. That is what the problem is.

MS. BAST: Do you have any filters --

MR. OXER: Hold on.

MS. BAST: They replace the filters on a regular maintenance basis in these recirculating fans.

MR. OXER: Juan.

DR. MUÑOZ: Somewhere in my reading, or you might have said that -- sort of the question was asked. And the developers may have been misled during the remodel. That this was -- that these were either not required or they did exist.

MS. BAST: Uh-huh.

DR. MUÑOZ: Is that what you are contending?

MS. BAST: Yes, sir. And I don’t want to say misled, because the representatives of Pennco are here, and I am not wanting to throw them under the bus. There was a certification signed to the effect that all of the
mandatory amenities in the property were there.

DR. MUÑOZ: So who missed --

MR. OXER: Who signed that?

MS. BAST: That was signed by the architect, I believe.

MR. OXER: Is that something -- is that somebody that you --

MS. BAST: And I am happy for Pennco to describe what happened here. But I think that part of the issue is there were some limited plans available for review, and what was available had some indications that made people think that there was appropriate venting.

And I don’t know if they -- you know, if it was just a lack of available drawings or it was a lack of inspection or what it was exactly.

MR. OXER: Okay. Hold on then. Tom.

MR. GANN: It is my experience that that unit that I am talking about looks like a vent. That is what happened here. This looks just like a regular vent.

MALE VOICE: Yes.

MR. GANN: And you can’t really tell the difference unless you happen to know what I am talking about.

MR. OXER: You can’t tell the difference on just a primary visual inspection unless you take that vent
out and see where it is all going.

MR. GANN: You wouldn’t see it. If you look up, you see a vent.

MR. OXER: Yes.

MR. GANN: That is what really they are talking about.

MR. OXER: Okay. Any other questions from the Board for Ms. Bast?

DR. MUÑOZ: Well, I mean, just you know, the point I am trying to make is, you know, you sort of behave in good faith. You are under the impression you are compliant. And suddenly, you are blindsided with a $600,000 sort of corrective action.

I mean, if you have something that is reasonable believable that said you are in compliance, it just -- you know. It doesn’t seem to -- you know, it doesn’t seem to be consistent with the spirit of, you know, our activities to always advance affordable housing to burden someone.

Now, you know, if there is a health reason or some other statute that requires these penetrations, then so be it. But if there is perhaps some other way to address the deficiency in a way that Mr. Gann is describing it seems worth considering.

MS. BAST: Yes. And I think we do have

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existing exhaust fans. They are only so good as the
residents use them. But they are there for the residents.
And that is -- it is not like they weren’t there in the
first place.

And that is the point we are trying to make,
Dr. Muñoz, is that a $625,000 hit on a good faith item
that you know, we believe likely could have been addressed
up front in an affirmative manner. I mean, it just -- it
feels like some sort of quid pro quo that is excessive.

MR. OXER: Okay. I have a question. It is
going to be for somebody over here. So can the contractor
come up and speak with somebody? Don’t worry. It is
completely painless. As we usually are, here.

MR. GATH: David Gath and Mark Mikeiliff.
MR. OXER: Good morning. Or good afternoon and
welcome.

MR. GATH: Thank you.
MR. MIKEILIFF: Thank you.
MR. OXER: Okay. So you are the General
Contractor that did this. And you went in there and
started looking at the rehab. You found out, whoops.
This is not what we put down.

Who was it that told them that certified to
them? I assume that you are not the architectural firm?

MR. GATH: Correct.
MR. MIKELIFF: We are not.

MR. OXER: Okay. So for the folks over there that are still sitting down, this sounds like a serious E&O problem for the architecture firm: errors and omissions.

MR. GATH: None of us are with the architecture firm.

MR. OXER: I am offering that up as my perspective on it. Okay.

MR. GATH: And the as-builts that came with the property that were given to him from the sellers show that it was vented, so -- and that is -- these as-built plans that were given him show the exhaust vent being vented out to --

MR. OXER: Do we have that in our packet, Cari?

MS. GARCIA: Yes.

MR. OXER: Okay. I haven’t looked at every one of the pieces of these. So I have to admit that. So it did show in the as-built.

MR. GATH: In the as-built.

MR. OXER: In the as-builts. It is not the original drawing, but in the as-builts, essentially, which for a development like this, they wouldn’t have had any reason to do an as-built on the building and the units apart from -- only on the as-builts for the sort of
subsurface infrastructure like the water and sewer.

Okay. Did they spank your hand?

(Laughter.)

MR. OXER: Okay. You guys pointed it out them, and then they pointed it out to Cari. Right? Is that right, folks? Okay.

MALE VOICE: I need to withdraw my --

MR. OXER: Hold on. We are getting there. All right.

MR. GATH: Thank you.

MR. OXER: Is there any other public comment?

MR. DOTSON: I am Dale Dotson, one of the owners of DalCor. And there is a couple of things I would like to point out that haven’t been pointed out.

We did preserve six properties in six cities that were in the ’90s occupied and people didn’t lose their apartments. We did spend $25 million in rehab. I don’t want you all to think, well, we were worried about 600 grand. We spent $25 million.

There have been no mold problems. These are 19-year-old properties. We went back and studied every inspection report the State made on these properties from the time of construction to our buying them. None of this was ever mentioned, and there was no problems.

They said, okay. You did six properties, what
is 600-something thousand dollars? We have already spent over a million dollars doing things that the State asked us to do extra as they did their inspections. We are not against making everything right. We would like some kind of developer fee.

But the fact is there has been no mold problems. We have got people in these properties that have lived there the whole 19 years. We have owned them now two years, and we have not had one resident come talk to us about mold or mildew or any of those things.

So it just doesn't prove anything. I mean, I think it is very unnecessary. And we were very appreciative of how the State has treated us; we want to do more preservation deals. That is our model, is the lead properties in the program. But this just seems real excessive to us, in the end.

Thank you for taking the time.

MR. OXER: Appreciate your comments, Mr. Dotson.

Cari, do you have something you want to add?

MS. GARCIA: Just one thing.

I just wanted to clarify that I think how it came up that there wasn't venting to the outside wasn't by the GC. It is my understanding that it was during a TDHCA final inspection.
MR. DOTSON: Final inspection.

MR. OXER: After the rehab. Is that correct?

MS. GARCIA: And the maintenance man mentioned, oh, no, it doesn’t. And so I just wanted to clarify that.

MR. OXER: So this is not a final compliance inspection when Patricia has had her crew out taking a look at it. Right?

MS. GARCIA: Right. It was at one of the final inspections that we did. And we were walking that final construction inspections that we did. Not the UPCS inspection, the final construction inspection.

And we walked with the owner and maintenance man. And the discussion was about the vents, and the maintenance man said, No, we don’t have that. So I just wanted to clarify that statement.

And then also, just for clarification purposes, the gentleman mentioned that there were a lot of other things that we required them to do as well. And that is true, as part of the final inspection, we required them to meet all of the mandatory requirements that were in he QAP. And they did, you know, have to go back and make sure that they met every requirement.

Final inspections are complete. I believe the corrections have been submitted by the owner this week. So those haven’t actually been closed out yet, but they
are under review. Cost certifications are pretty much
done with the review.

But we can't issue 8609s without that final
inspection, and this is one item in that inspection but
not the whole item, not everything.

MR. OXER: Is this the only item you are
asking -- Mr. Dotson, this is the only item you are asking
for a waiver on?

(Feedback in sound system.)

MS. GARCIA: Okay. I know that was me. Sorry.

MR. OXER: Don't -- hey.

MR. DOTSON: Well, okay, I just had a heart
attack.

(General laughter.)

MR. OXER: Everybody in the building, rekick on
your pacemakers.

Are you okay? That sounded like it hurt, okay.

MS. BINGHAM-ESCAÑO: I know. Right.

Somebody -- let me give it a try. Okay. So I have a
question for Cari, just kind of procedurally.

The way that the recommendation was kind of
worded was interesting, right, that I know I hadn't seen
them worded that way.

And actually, when we were reading them pre-
meeting for homework, it almost looked like the parties
had gotten together and decided that that's right, because I mean, for staff to recommend that somebody set up an escrow account or that we approve part of it and not part of it is a little weird.

But so what I am thinking is, the parties really haven't agreed to do this escrow account and all of that.

The parties have said they would really like the waiver. And they would like the amendment to the LURA. And they are even willing to set up monitoring, if that would satisfy the spirit of the whole venting and reducing moisture and that kind of thing.

But the escrow was just staff=s best shot at trying to come up with some kind of reasonable compromise?

Is that how that happened?

MS. GARCIA: Well, when we were discussing. What happens is, we meet internally and discuss all material amendments, and this is a waiver. And we went back to them and said look. You know, just doing nothing, you know, it is hard for us to support, hey.

We just -- we can=t do anything because you know, we see the financials. You can -- you know, is there something. Have you looked at this or that? We gave them some options. Take a look at this.

The escrow account actually came up because, as
Cynthia mentioned, they need their 8609s this year. And so if it was to be approved, that they do need to vent the top floors, you know, they can=t do it like in a month. And to get this.

So an alternative to that, if it was recommended would be to set up an account and then you can get it done. But we could still issue the 860s.

MS. BINGHAM-ESCAREÑO: Okay.

MS. GARCIA: So that is kind of how that came about.

MS. BINGHAM-ESCAREÑO: Thank you for the clarification. That makes sense.

MR. OXER: Let me ask the contractors another question. Okay. You two guys, or one or the other of you could probably answer this.

On the top floor component, there is four of us or six, on the top floor, does this vent to an attic space, or is there a gable and an attic space in it? Or is there -- is it a flat roof?

MR. MIKEILIFF: There is an attic space.

MR. OXER: There is an attic space. So you want to actually vent that beyond the attic and then out each one of these. Okay.

MR. MIKEILIFF: Depending on the floor plans. Some may go out a side wall.

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MR. OXER: Right.

MR. MIKEILIFF: And some would hit the ceiling, just whichever is closer.

MR. OXER: Right. Off the end of the gable.

MR. MIKEILIFF: Right.

MR. OXER: Right. Okay. Having done as many of these as I have too, I am inclined to suggest that -- and I am offering this perspective, not a direction for vote.

But I can see a whole lot better ways for $600,000 to be spent, particularly if you haven’t had any mold problem. But I want to make sure we don’t have any mold problems in the future folks.

So the monitoring plan on this -- is Patricia here? That is all right. All I want to know is, is this particular, this particular set of projects, facilities, you know complexes, are they on a scheduled monitoring plan, compliance monitoring plan?

MS. MURPHY: Yes. All of our properties are on a scheduled monitoring --

MR. OXER: Well, that is the wrong question. I asked the wrong question. Are they scheduled to come up soon?

MS. MURPHY: I'm sorry. I don't know the next scheduled route right now.
MR. OXER: You wouldn’t know that. Okay. But they at least once every three years they get caught or not caught. But they have an option to --

MS. MURPHY: That is correct.

MR. OXER: An opportunity to be considered under the compliance --

MS. MURPHY: That is correct. Yes.

MR. OXER: Okay. So the likelihood is that they will be coming up.

MS. MURPHY: So if they just had their final construction inspections recently, yes. Then we will be doing their first file review very soon.

MR. OXER: The first file review, the first compliance monitoring would include potentially taking a look at this to see if there is any mold problems.

MS. MURPHY: We probably did the uniform physical conditions standards inspection at the same time as these final construction inspections. And then again, I'm sorry I don’t have those reports with me. And it would be very excessive mold that would come up in those, if there was any.

MR. OXER: Okay. That is what I wanted to know.

DR. MUÑOZ: We have a motion on the floor.

MR. OXER: Yes. I know. We are getting there.
Sorry. Are there any more questions from the Board?

MS. BINGHAM-ESCAREÑO: No. I don’t think so.

MR. OXER: Okay. There has been a motion by Dr. Muñoz and a second by Ms. Bingham to approve staff recommendation. Tom, did you second it?

MR. GANN: No, I'm sorry. I made a mistake. I didn’t second it.

MR. OXER: Motion by Dr. Muñoz, second by Ms. Bingham to approve staff recommendation. But it occurs to me that it might be useful to reconsider that.

DR. MUÑOZ: I withdraw my motion.

MR. OXER: Okay.

MS. BINGHAM-ESCAREÑO: I withdraw my second.

MR. OXER: Okay. Dr. Muñoz and Ms. Bingham have withdrawn in succession their second and vote. So now we have to have a motion to reconsider.

MS. BINGHAM-ESCAREÑO: Mr. Chairman, I make a motion to -- I may need a little bit of help, since we have the whole part and part thing. May I make a motion to approve the waiver and approve the LURA amendment?

MR. OXER: Approve the waiver and approve the LURA amendment with -- okay. Motion by Ms. Bingham to approve the LURA and approve the waiver and the LURA amendment for -- well, to my sense, the good cause includes protecting the housing stock and the quality of
that stock without having a material impact on the
livability and habitability of the units.

MS. BINGHAM-ESCAREÑO: I adopt that.

MR. IRVINE: And also, having experienced
leakage, I would be leery of putting 600 holes in a roof.

MR. OXER: I ain’t doing it. Okay. Do I hear
a second?

MR. GANN: Second.

MR. OXER: Okay. There is a second by Mr. Gann. Anybody else want to say anything?

(No response.)

MR. OXER: Right answer. Okay. Motion by Ms. Bingham, second by Mr. Gann to deny the staff
recommendation and approve the --

MS. GARCIA: I hate it when you say that.

MR. OXER: To approve the waiver and modify the
LURA as recorded. Is that correct? All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: Thanks, folks.

MR. GOURIS: Sorry to speak up. Did that
include the -- that did not include any inspections?

MR. OXER: Well, actually what I did, I wanted
to make sure that further inspection be there. But I want

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them to do the inspection also.

MR. GOURIS: Not through us. Just that they are --

MR. OXER: No. No.

MS. BINGHAM-ESCAREÑO: Through us, not through -- in other words, I did not -- my motion was not to include them being financially responsible for monitoring.

MR. DOTSON: We wouldn’t.

MS. BINGHAM-ESCAREÑO: But we will monitor it.

MR. DOTSON: As part of our --

MR. OXER: But I think that you would be well served by making --

MR. DOTSON: We are going to do it anyway.

MS. BAST: We are doing it anyway.

MR. OXER: I figured you would. Because if you don’t, and something happens, that is not going to be the best thing that you have had to present us.

MR. DOTSON: We will do that.

MS. BAST: We understand.

MR. OXER: Okay.

MR. GOURIS: Okay.

MR. OXER: Thanks, folks. Cari. It is rare enough when we go counter to staff.

MS. GARCIA: Now, I am sad.
MR. OXER: Don’t be.

MS. GARCIA: I am not sad. That is why I left a blank in the next one. Just for you guys to do that.

MR. OXER: The pain will recede pretty soon.

(Simultaneous discussion.)

MS. GARCIA: Okay. So Item 4(b) is the possible action on a requested material LURA amendments for seven developments in the El Paso area. If you will recall, actually, this item has been on our agenda the past couple of times. And then withdrawn. And then we had some lengthy discussion at the last Board meeting about that section of the Asset Management rule, regarding transfer to a HUB.

These LURA amendments have to do with the requirement to have a historically underutilized business, which is a HUB, in the ownership through the compliance period. And more specifically, they are requesting to delete that provision of having a HUB requirement and replacing it with the nonprofit requirement in the LURA.

This agenda item actually involves part of a larger portfolio of a total of 25 properties that are proposed to be transferred to new ownership. However, these seven are the only ones with the HUB requirement, that would require a LURA amendment for the transfer to occur.
All seven developments received 9 percent tax credits between 1995 and 2003, and received points in their application for having a HUB in some capacity of the ownership structure through the compliance period. And if they extended the compliance period, it is through that extended period.

For three of the developments, a change from HUB to a nonprofit would have resulted in a point loss. There was a table attached to your write up that hopefully you could see when I printed it out. It was pretty small, so I apologize. So it would have resulted in a point loss for three of those developments.

And in at least two of the three cases, the development may not have received an award of tax credits at that time. However, they would have gone to the next project in line. And in which case, one of them would have still gone to the same owner, another would go to the proposed new owner.

For four of the developments there would have been no change in total points, whether they had elected HUB or a nonprofit at the time of application. All of the developments are still within their respective compliance periods.

So as I mentioned before, we discussed this issue, this policy issue around HUBs in some detail at the
last Board meeting, where we received some feedback from you all on the HUB requirement at application, how long a HUB should be required to participate in this type of development as a result of receiving points, and in general, you know, what is the purpose of involvement of a HUB in the deal. And through that discussion, we ultimately revised that section of the Asset Management rule presented at that meeting to specifically address the situation that I am presenting today.

I could read that revised section, but I think you all probably know it. And this particular situation does -- would comply with the revision that is out for public comment. It is not a rule right now. It is the same issue we kind of discussed before. We are operating under the current rules. But it would comply if that rule is change.

MR. OXER: It would comply if that rule is changed to what we are predicting or expecting it is going to. Is that what you are saying?

MS. GARCIA: Exactly. What is proposed for public comment.

MR. OXER: Okay.

MS. DEANE: Cari, can I clarify something just real quick?

MS. GARCIA: Yes.
MS. DEANE: This is a little bit different from the situation earlier. I mean, we are talking about a rule that hasn’t come into effect yet.

The difference between the prior situations and this one is, that in the prior situations we have talked about today, there was a rule in effect that answered that question, and that required what needed to be done. In this case, there was of course, a rule about having a HUB involvement. But there was no guidance on what would happen if the HUB wanted to sell later on.

And the Board had gone both directions in terms of -- past Boards have allowed the sale to go through to a non-HUB and other Boards have required no, the sale needs to be to a HUB. So we are -- while yes, there is a new rule coming into effect.

This is a little bit different in that we are going, in this case we are going from a rule vacuum, where there was nothing speaking to this specific issue to a rule. And before, we were going from a specific rule to a specific rule, if that makes any sense.

So this is a little bit different. And that is why this is not exactly the same situation as we have talked about before.

MS. GARCIA: Thank you, Barbara. So just what Barbara said. The current rule in existence doesn’t have
a provision for this type of transfer. In the past, we have processed these and have not allowed transfer from HUB to nonprofit. HUB is usually replaced by another HUB.

I think there have been cases before the Board as several years ago, where it was allowed, but there were other extenuating circumstances such as a pending foreclosure, something like that. In each of the --

MR. OXER: Hold on, Cari.

MS. GARCIA: Yes.

MR. OXER: In the pending foreclosure, would that have been on the -- why would it have been allowed, if there was a pending foreclosure for a HUB to be replaced? Is that because there would not have been enough time to find another HUB or because the HUB was getting foreclosed on?

MS. GARCIA: It could have been because there wasn’t time to find another HUB. Also, it could have been the capacity of a nonprofit to come in and lift up that property out of foreclosure, and prevent the foreclosure.

MR. OXER: Okay.

MS. GARCIA: In each of these cases, the LURA is clear that there is a requirement for a HUB to participate through the extended compliance period. And because this is out for public comment, we received
feedback from the Board last meeting.

This is presented basically as a recommendation, as a neutral recommendation to allow you to make the decision, instead of denying my request. So I am open for questions.

MR. OXER: So what is our -- we have the rules out for public comment right now. Is that correct?

MS. GARCIA: Right. Through October 20th.

MR. OXER: Okay. Let’s imagine for a minute, we don’t decide. We come back in November and take a look at this. By then we would have gotten some public comment. We would have had the potential to address this rule ahead of this consideration.

MS. GARCIA: Yes. I mean, there is people here to speak on timing issues, I am sure.

MR. OXER: I know. It is the end of the year. Everybody has got timing issues.

MS. GARCIA: Yes.

MR. OXER: So the -- because I think part of what we talked about last time was, if the HUB or a HUB has been in there. And then you say that this one has the requirement for the HUB to be replaced with a HUB, as the guys in the extension -- the LURA requires that there be a HUB involved in the deal throughout the entire --

MS. GARCIA: Well, through the compliance
period, which is usually 15 years. But in most of these
deals, it was extended. So it is maybe 20, 25 in some
cases.

MR. OXER: Uh-huh.

MS. GARCIA: So usually in the past, if the HUB
wants to sell his general partnership, he looks for
another HUB. You know, I think the argument has been made
that in this case -- well, at least we have discussed.

I don’t know that the argument has been made up
here, that you know, there is not really a lot of other
historically underutilized businesses in El Paso. And the
purchaser being a nonprofit can achieve the same goals and
provide the financial capacity, supportive services,
things like that.

MR. OXER: So essentially, what we were doing
when we gave people a point benefit in the competition,
back when these were competed in the tax credit program,
they got a point competition for bringing a HUB into the
deal to be able to give that HUB some experience. To be
able to ultimately elevate their intellectual capital to
the point they were no longer historically underutilized.

And give them some training in the deal,
basically. Is that correct?

MS. GARCIA: Correct.
MR. OXER: Okay. And the LURA simply sais that when -- throughout the compliance period -- throughout the compliance period there would have to be a HUB in the deal.

MS. GARCIA: Yes.

MR. OXER: Okay. We still maintain the deal, the stock of housing by keeping the nonprofit into this.

MS. GARCIA: Yes. The developments will remain affordable under the same LURA.

MR. OXER: It sounds like that constitutes an opportunity to maintain the housing and staff in a location where we might be hard pressed to find somebody to step in. Okay. Staff recommendation is? Neutral. So we get to decide.

Okay. We have to have a motion to consider before we will take public comment. We also have the opportunity to table. In order to have public comment, this is a procedural thing, guys.

We have to have a motion to consider, whichever direction it wants to go. Then ask for the public comment. Depending on which way it goes, you may want to cough, speak, or not.

If it goes the way you don’t want it to go, you want to speak. And then we will have a consideration for an alternative. So with that, we need a motion to
consider.

MS. BINGHAM-ESCAÑO: Mr. Chair then may I make a motion to table? Will we still be able to accept comment after a motion and a second to table?

MS. DEANE: I guess until you actually vote to table, it is still a live item.

MS. BINGHAM-ESCAÑO: Okay. I will move to table.

DR. MUÑOZ: Second.

MR. OXER: Okay. Motion by Ms. Bingham, second by Dr. Muñoz to table this item. We have public comment.

MR. AINSA: Mr. Chairman, members of the Board, I am Frank Ainsa. I represent Investment Builders. Of course, I am referring back now to the discussion we had on September 4th.

And the language that was presented to the Board and was adopted for publication in the Texas Register was a joint effort. I think everybody remembers that.

And the criteria was that a HUB could be replaced by a nonprofit if the selling HUB is acting of its own volition, the participation by the HUB is substantive and meaningful, enabling it to realize not only the financial but the other benefits acquired by ownership and operation of affordable housing. And
finally, the proposed purchaser meets the development standards for ownership transfers.

The issue in this case, and I am going to speak to the tabling motion here in just a second. The issue in this case is that we have a HUB, Investment Builders that meets all of these criteria, has entered into contract, subject to TDHCA approval, to replace the HUB with a qualified nonprofit organization that has been organized by the Housing Authority. And its name is Paisano Housing Redevelopment Corporation.

This is part of this larger transaction of 25 parcels. It has been in the mill for quite a long time. And there has been considerable effort to try to get this transaction closed. We have to deal with lenders. We have to deal with syndicators. And everybody is waiting to see what the decision is on this particular component.

Mr. Cichon from the Housing Authority, the Executive Director, he is here, along with Mr. Monty. And I would just ask you this much.

Even though the rule has not -- the comment period on the rule has not expired yet. And you haven't received comments, nonetheless, it seemed to me that at the last Board meeting, there was a consensus that these criteria would be the criteria this Board would certainly
look with favor on.

I simply can=t tell you, you are going to absolutely adopt it. But you would certainly look with favor on it.

This transaction is critical for the 25 projects to close. And so right now, there is a vacuum. There is no rule dealing with this. And you could apply these criteria if you chose.

You could apply these criteria to these seven applications, which is what I am asking you to do. And not wait until the public comment period has expired.

Because these criteria seem to be valid, well thought out criteria that everybody agreed to. Staff and IBI and the Housing Authority. And so you have an option here that doesn=t require you to wait for the public comment period to expire. So I would ask that you do that.


MR. MONTY: Ike Monty, Investment Builders.

MR. OXER: I know what you are doing.

MR. MONTY: And I would ask that the Board consider our request. Thank you.

MR. OXER: Okay. Noted. Okay. There has been a motion by Ms. Bingham, second by Dr. Muñoz to table this item. Would you consider withdrawing those?
MS. BINGHAM-ESCAREÑO:  I would consider withdrawing those.

MR. OXER:  Dr. Muñoz?

DR. MUÑOZ:  I as well.

MR. OXER:  Well, Dr. Muñoz withdraws his second. Ms. Bingham withdraws her motion. This sounds like something we should consider doing for the betterment of the State to make sure this works. Okay. Now, we will have a motion to reconsider.

DR. MUÑOZ:  Motion to reconsider.

MR. OXER:  Okay. I am going to put words in your mouth, Dr. Muñoz. It is a motion to approve the -- state the motion for us. Motion to approve the LURA, the waiver, the change, the amendment to the LURA.

MS. GARCIA:  Right. It is a material amendment for all seven properties. Material LURA amendment. To approve the material LURA amendments for the seven properties listed.

DR. MUÑOZ:  Motion to approve the LURA, the material LURA for all seven properties.

MS. GARCIA:  Amendments. Yes.

MR. OXER:  He takes direction pretty well. That is okay. So okay. Motion by Dr. Muñoz. Second by --

MS. BINGHAM-ESCAREÑO:  Second.
MR. OXER: Second by Ms. Bingham. Anyone else care to say anything?

(No response.)

MR. OXER: Okay. Motion by Dr. Muñoz, second by Ms. Bingham to approve the material amendment to the LURA. All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. Congrats.

MR. MONTY: Mr. Chairman, the staff was really helpful in this. So I want to thank the staff. Thank you.

MR. OXER: I appreciate you noting that, Ike. Because we rely on them heavily. And we expect them to be everything that you expect them to be also.

MR. MONTY: Absolutely. Thank you.

MR. OXER: Thanks for coming up.

MR. AINSA: Thank you.

MR. OXER: Okay. Jean, you want to finish your last one?

MS. LATSHA: Yes, sir.

MR. OXER: It sort of makes your head swim, doesn’t it?

DR. MUÑOZ: You know, hey Jean, before you get
on. You know, I just want to say something.

You know, sometimes we read these sort of voluminous reports. And you understand them, and your staff and Tom and Cameron you know, with a different degree of nuance, right. And so I know for me, often, I think I sort of understand. And the testimony from the developers and what have you give us a different degree of understanding.

And then we do our best to adjudicate all of the information and reach a position that always takes into consideration our charge to affirmatively advance affordable housing in the State of Texas. So you know, I hope that you all understand that you know, we are in the role of trying to balance these disparate, not always in conflict pieces of information and then ultimately try to reach a decision that is equitable and defensible.

And again, consistent with our charge. So I just -- you know, for me, it is helpful to balance what we have received from the staff as well as often some of the feedback from the other side that gives us you know, a more enriched understanding of the issue.

MR. OXER: And to just step in here, Jean. Cari, was there a 4(c) that you wanted to do?

MS. GARCIA: No. But I forgot to say that that item was dropped.
MR. OXER: That is what I thought you had told me earlier. So for the record, for the agenda, 4(c) has been withdrawn. Okay. All right. Jean.

MS. LATSHA: Yes, sir. I appreciate that, Dr. Muñoz. I don’t envy your position and appreciate everything that you all do.

Jean Latsha, Director of Multifamily Finance.

So I think on the agenda, I don’t have it front of me actually, but 5(a), I have two appeals; Sulphur Springs. And those have both been withdrawn, unless somebody changed their mind. No. Okay. So we can move on to El Paso.

MR. OXER: So 3(b) has been withdrawn essentially?

MS. LATSHA: Yes. Sorry. I didn’t have my actual agenda in front of me.

MR. OXER: 5(a).

MS. LATSHA: Right. 5(a) is withdrawn, so we can move on to 5(b). Right.

MR. OXER: You have not yet addressed 3(b), as I recall.

MS. LATSHA: That is right.

MR. OXER: Are you coming to that last?

MS. LATSHA: 3(b) will be last, because it depends on the decision on 5(b).
MR. OXER: On 5. Okay.

MS. LATSHA: Right. So this is technically appeals to underwriting reports. So which begs the question why I am standing here. Right.

So what we are really talking about is a program rule. And this is specifically 11.4(a) of the QAP. This is the $3 million cap rule.

I think you are all familiar with it. But it prevents us, not just by rule, but by statute from awarding any Applicant more than $3 million in tax credits for a single program year.

So we have four applications that were submitted by the Housing Authority of the City of El Paso, three in the at-risk set-aside and one in the regional allocation. So they were for $800,000, $875,000, $1,355,000, and then another for $1.5 million. So any combination of more than two of those applications would have violated the $3 million cap.

So I am going to skip ahead a little bit to talk about where that rule intersects with how these deals are underwritten. And so what Brent=s division does -- and he is going to come and talk about this a little bit more later -- is they take the lesser of three numbers.

They take the program limit method, which is basically figuring out eligible basis, how many credits
you are eligible to receive. Then they have a gap method, where they basically figure out how much equity you need from those tax credit proceeds to complete -- to make your deal whole.

And then they take the amount requested by the Applicant, which is where I come into play. Right. They take the lesser of those three amounts.

So when you look at the Tays application, the original request was $1,355,000. And you will see that the most recent underwriting report actually reflects an amount based on that request.

So the original underwriting report indicated those three numbers that I just talked about. One was 1.336 million. That was their program limit. One was 1.358 million. That was the gap method.

And then the Applicant request was listed in that initial underwriting report as $1,322,000. That being the lower number, that was what the initial underwriting report indicated.

So I see this published. Right. And I see, that looks strange to me. My log has consistently said that their request was $1.355 million, not 1.322 million, and so we start to take a look at it. And what happened was this, and it's a little bit lengthy, and this detail isn't in the Board book. But should I wait.

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MR. OXER: Hold on, Jean. Stand by just for a second.

(Pause.)


(Pause.)

MR. LYTTLE: Those of you who are here today, and have had such a good time, you would like to come back next month, we will be meeting on November 13th in this same room. So I just thought you all might want to know that.

Actually, we will be meeting in this room until the session starts, at which point we will be kicked out of this room, and have to find another location.

(Pause.)

MR. OXER: Okay. Everybody is going to have to be patient for a couple of minutes.

Dr. Muñoz is dealing with a legal issue that popped up sort of suddenly. So we will be here.

(Pause.)

MR. OXER: Okay. Let the record reflect that Dr. Muñoz has returned, and our quorum is now restored.

Okay, Jean.

MS. LATSHA: So just to back up a little bit. We have three numbers that underwriting is looking at. One generated by the program limit method, gap method, and

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then the Applicant request.

So that initial report reflected a recommendation of 1.322 million that was largely based on the RA Division=s understanding that that was the Applicant=s request. So how that happened was this.

So our program staff sent a deficiency stating the funding commitment letter from the Housing Authority of the City of El Paso does not indicate that the $1 million in financing is in the form of a grant, as described in the financing narrative. Please provide evidence that the $1 million in financing is in the form of a grant. This is the only documentation.

There were some other things that were requested in this deficiency, but this is the only one related to the financing. So the response to that was a letter indicating, not only was that in the form of a grant, but it had been increased to $1.5 million, which reduced the permanent financing, reduced the construction financing they needed. Reduced some of their financing costs.

So on top of the requested information, also what was submitted was a revised development cost schedule and a revised request. So our staff inserted those revised exhibits into the application file. Didn=t really acknowledge the fact that the request had been lowered,
because they hadn=t asked for that information.

So it wasn=t really -- it wasn=t really
reviewed again, because it hadn=t been requested in the
first place. But that $1.322 million request gets
inserted into the application file. We finish our review.
Forward it on to Real Estate Analysis.
So when they are doing their review, they see
that number. And that is what generated that report. So
we caught that pretty quickly. When we caught it, in less
than two days, issued another report that was based on
those three numbers. But the Applicant request number now
correctly reflected $1.355 million.

So in turn, what happened was now, you have
four applications. A revised underwriting report for one
of them. That was essentially giving the Applicants what
they wanted. The other three were recommendations for the
requested amount of credits and then this one was for a
slightly less than that $1.355 million. It was 1.351
million.

So you would think that the Applicants would be
happy with this. But they were not, because they were
still violating the $3 million cap at this point. So
another set of appeals.

So this set of appeals started a discussion
about costs, which I think Brent will speak to more
eloquently than I could. My only comment to that is, you know, I think that if you started to look at any deal, anywhere a little more thoroughly, nine times out of ten, it is going to get more expensive, not less expensive.

I don’t -- I know that is how all mine worked. So I wasn’t really that surprised when I found that the REA Division decided that there were some more costs in there that maybe they didn’t catch the first time around, after looking at these deals again. And that is exactly what happened with a couple of them.

So now we are to the point where we have two recommendations that were exactly what the Applicant asked for in the first place. And two recommendations, actually, not recommendations. Basically, two determinations that two of these applications are not financially feasible.

So going back to the one recommendation. Just remember that they are -- the Applicants are couching this in a way that they are asking for less credit for one of these. But by asking for less credit, they are really asking for more credit. They want their third deal.

They want to get under the $3 million cap. And I really do think that that is where these appeals started. And I think that is where they end as well. And Tim, did you have something?
MR. IRVINE: Yes. To me, the real heart of it is in the statute. It is 2306.6708. And it says, except as provided in Subsection B, an Applicant may not change or supplement an application in any manner after the filing deadline.

And B says, that this section does not prohibit an Applicant from, at the request of the Department, clarifying information in the application or correcting administrative deficiencies in the application. And the issue here is, we issued an administrative deficiency which certainly entitles the Applicant to respond to that administrative deficiency. But we believe that they went beyond that, and in effect, amended the application.

MS. LATSHA: So in general, staff recommends denial of the appeals. And unless you have any other questions for me. They have something to say about it.

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: We will have to have a motion to consider before public comment.

MS. LATSHA: And Brent, did you want to add anything to that for now, or are we going to --

MR. STEWART: Brent Stewart, Real Estate Analysis. I think she did a great job, kind of encapsulating the issues.

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There is a lot of detail behind what happened here. There are some issues that occurred on our side, on the underwriting. There are some issues that occurred on their side of the underwriting that kind of collided into this whole thing.

And we can certainly go into all that detail if you would like to. But otherwise, I think Jean did a pretty good job in outlining the issues.

MR. OXER: Well, at the heart of it, the crux of the issue is, it is a material change that was not requested in an administrative deficiency. Or responding to one.

MR. STEWART: Yes. That is way outside of the REA. That is outside of our spot. That is the program.

MR. IRVINE: That is why the program side presented it.

MR. OXER: Okay. We will have to have a motion to consider before we allow public comment.

MS. BINGHAM-ESCAREÑO: I move to approve staff recommendation to deny.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation.

MR. GANN: Second.

MR. OXER: And a second by Mr. Gann. We apparently have public comment. Hi, Sarah.

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MS. ANDERSON: All right. Sarah Anderson. I am here to represent the developer. And you know, it has been two glorious years that I have not had to come before you.

MR. OXER: We have missed you.

MS. ANDERSON: Well, you know. I wish I could say the same. It is more fun being back there. It is nice to see you, but it is not fun to be up here.

And I wanted to thank staff. I think that they gave a pretty good overview. And I am just going to fill in maybe some of the details that I think might be some mitigating factors. Also, we are talking about four deals here.

So I am hoping we get a little bit of leeway on the time as we go forward. As we are going to be discussing all four at one time. So I don’t know if I am in a three minute rule, if I could ask for a little bit of leniency on that.

MR. OXER: We will give you some latitude, but don’t waste much time.

MS. ANDERSON: Thank you. I won’t. I will do my best. So what Jean says is correct. But ultimately, I think there are two issues that we would like to bring forward that we would like for you to opine on.

And the first one is, yes, the $3 million cap.
But I think separate of that is the issue that we believe -- and I know you are never going to hear this from another developer: We believe that we frankly have just been issued more credits than we are supposed to get and that that brings in the question of whether or not there is a violation of the Department statute to not give more credits than a development needs.

Secondly, we also really believe that the two deals that were found to be infeasible are not infeasible. And that if we could have a full discussion and sit down and back and forth, with underwriting, we believe that both of these issues would be addressed and mitigated.

Now, Jean talked to you about how we got here. But I think what is missing from this puzzle is that we have not had what is considered a normal review by underwriting. And I am going to give you a little bit of background about how that has happened.

And it is not the program=s fault. It really is this weird confluence of things that happened. So when Jean talks about that we submitted something and it turned out not to be germane, we haven=t appealed that. Because we agree that there was a mistake that we tried to fix.

And when we discovered this mistake, there were two avenues that we could go through. The first one is to deal through the program deficiency process, which is the
one that we eventually were told didn’t work.

The second one would have been through underwriting back and forth, where we would have talked costs, and realized specifically that we had some costs in there that were not eligible for eligible basis, that would have lowered our credit request at that time. And that we did not articulate an issue that we had a nonprofit contractor involved. And that, the reason why our costs were lower than the Department’s were this sort of behind the scenes -- it wasn’t something that we brought forward.

These are items that if we could have the discussion now, I believe we would end up with fewer credits. And the reason why we ended up in this strange no mans land is that well, when we put forward our deficiency with the program, that was done back in March.

We got our underwriting reports one week before the July Board meeting to award the credits. And the day after the underwriting reports were issued is when we found out from program that they were not going to accept that information.

So the problem is, the second that the underwriting report is issued, you are in appeal land. You are not having a back and forth discussion anymore.
And so the second avenue that we would have followed, had we found out in March that this was not accepted, we would have spent the next three months with underwriting going through the costs and explaining things. And we believe that had we been able to have that back and forth, we would be in a different place right now.

The other thing, again, it is not underwriting=s fault that some of these issues didn=t necessarily come up. When they were doing the review, I understand that some of that back and forth about costs doesn=t exist unless your credits are going to be cut.

So at some point, staff makes the decision, we don=t agree on costs at all. We are going to go with our costs. But because it is not going to cause them a loss of credits, we are not going to have that dialogue. And that is what happened.

And so we never really talked about why our numbers don=t match. And at the end of the day if we went with our numbers, and we agreed, then they would de factor have to have cut the credits.

So I mean, we are in this weird place. I was trying to -- my husband and I were talking about this last night. I am like, how do I explain this. It is like a Russian novel; it is long, complicated and tragic.
But at the end of the day we feel that this was a mistake that in the normal course of underwriting would have -- new information would have been allowed. And I believe the statute that Tim has talked about is true when it comes to the program side.

But underwriting always opens up the door for new information. And had we been able to go through the normal process, we believe not only would we have received fewer credits, but we also believe that the deals would have been found to be financially viable.

Barry Palmer is going to go over some of the legal aspects. I don’t know if anybody has any further questions for me?

MR. OXER: Any questions from the Board?

(No response.)

MS. ANDERSON: Okay. Thank you.

MR. PALMER: Good afternoon. Barry Palmer with Coates, Rose. And we represent the Housing Authority on this transaction.

And there are a lot of complicated issues related to these four applications and the underwriting. But I think REA and their writeup summed it up best; that it really boils down to the issue of the sales tax exemption.

And we had structured this transaction as many
housing authority transactions are structured; so that the project would qualify for a sales tax exemption. If you have a 501(c)(3) that is devoted to affordable housing act as the master contractor, you get a sales tax exemption on affordable housing development.

And that is 8 percent on materials. Materials are often times half your contract price. So, there is probably rough numbers of 4 percent discount on your construction costs, having a sales tax exemption.

So our numbers that we submitted in our application assume the sales tax exemption. Now, we didn’t say anything in the application that -- we are taking a sales tax exemption, and that is a mistake on our part. Although, there is no where in the application that asks you if you are getting a sales tax exemption either.

But our numbers were then compared by REA to the Marshall and Swift indices. And they determined that their numbers were more than 5 percent higher than ours. So they used the Marshall and Swift numbers. Marshall and Swift of course, assumes you are paying full sales tax.

If they had taken into account the sales tax exemption, then they would have used our numbers. We would have had a lower eligible basis. And the credits would have allowed for three allocations instead of two.

There has been some discussion about you can’t
bring in new information after the application deadline. And we understand that in the context of the application. But in the context of underwriting, as Sarah touched on before, underwriting is an ongoing process that continues through the application process, post allocation, the cost certification, 10 percent test.

Underwriting is always looking at new information to determine the most accurate picture of the deal. And in fact, in the rules, it provides that if in underwriting, that if your application is deemed infeasible, that the Executive Director can waive that, and let me read from the rules.

That the Executive Director may waive the determination of infeasibility if documentation is submitted by the Applicant to support unique circumstances that would provide mitigation. So that to me, if you are allowed to submit documentation to show that you are not infeasible, you know, that is treated to me differently than the application itself.

But rather, the underwriting, that you are allowed to introduce additional information to show that you are not infeasible. And that is what we are doing here. We are introducing the information that we have got a sales tax exemption, that the Housing Authority is in position to provide additional soft financing to the two

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projects that were determined to be infeasible.

So with that, I will turn it over to Gerry Cichon from the Housing Authority, to talk about it further. Unless there are any questions for me.

MR. OXER: Any questions?
(No response.)

MR. OXER: Okay.

MR. CICHON: Good afternoon, everybody. Gerry Cichon, Housing Authority of the City of El Paso. I want to say thank you for allowing us to be here. Also, I want to say thanks to staff. Even though we disagree on this, we had a very robust conversation back and forth. And they were very pleasant in order to sit and have long conversations regarding these issues.

One thing I would like to start out by saying is that we won. Okay, the points that we were allocated, we won. And so you are really looking at the cap of the 3.03 million; 3.03 million. That is the difference we are talking about here.

And so this is not an application that is not a winner. This is an application that is a winner. You are just looking at the cap that now stops us from getting this award.

And so the timing of this, based upon how this has been processed, being so late in the game didn’t avail
us the opportunity to really have the discussions to show that being a governmental entity, having nonprofits that were entitled to that sales tax exemption which would have lowered us below that 3.03 cap, which would have then been a winner. And so the fact that this happens often and that this 3.0 -- that the $3 million cap has now more or less stopped us from being able to have that conversation. Because we were then surpassing the amount that was available. We believe in effect denies us that right of past practice where this routinely happens with other underwriting discussions. And so there were issues on both sides here.

It is not just the Housing Authority saying we did something wrong. There were issues on both sides of this, that ended up with the confluence of us ultimately being where we are today.

And so with that, we see that as mitigation. We see that as the ability for us now to bring it forward, have these discussions in order to fix this particular issue itself.

Now, the other thing that was being discussed is the fact that yes, we do have soft money. When you talk about the infeasibility of this particular -- these particular issues before the Board, those particular tax credit applications, we have the money to put into the
deal to make them feasible. And so the infeasibility is something that could be easily rectified on a couple of different levels, whether it be the tax abatement itself, or the soft money being able to be contributed by the Housing Authority.

That being said, the reason why it is so important to us, is as you know, with the grant transaction that we are going through, with the 6,000 units that we are bringing forward to you, with the 15 4 percent tax credit applications that are coming forward, and the limitation to no more than five years to complete the construction, these deals are so important to us, to address now. Because we don’t have time to address them later.

And so we are asking for all of this to be considered as the mitigation, to allow the Executive Director to sit with us to iron out this $30,000 issue. Because that is what it really comes down to. It is a $30,000 issue, which would then allow us to receive the awards that we rightfully won, based on the scoring. Thank you.

MR. OXER: Okay. Any questions for Gerry?

(No response.)

MR. OXER: Any other public comment?

(No response.)
MR. OXER: Anything else to say, Jean?

(No response.)

MR. OXER: Brent? Either one of you?

MS. LATSHA: You know, I could speak to a couple of points that were made. You know, I will go back to Sarah's comment about having -- they thought they might have acted differently in their discussions with the REA Division had they known that we hadn't accepted their change.

But my response to that is that there was no indication that we ever accepted that change, since every single log -- and there were almost a dozen of them that were posted throughout the summer -- reflected a credit request of 1.355 million, right up until July 31.

So I don't think that staff ever really indicated that that change was accepted. Whether or not that would have changed their discussions with REA Division when they were really talking about costs, I can't really say.

You know, there was a comment made about, if the application is found infeasible, that could be waived by the Executive Director. I don't want to speak for Tim, but I think the denial of the appeals at the Executive Director would -- it's basically serving that same purpose.
I think the appeal process itself actually does open a door for all of this discussion that supposedly wasn’t had. It gives the opportunity for the Applicants to state their case. We take those appeals very seriously and review all of that documentation.

And then there is still some back and forth after that as well. So I don’t think that there was ever -- you know, that there was not an opportunity for the Applicants to discuss these applications pretty thoroughly with staff.

You know, this really is -- I think the other comment about being able to put additional soft money into this deal, I think that every Applicant out there that thought that they were this close to an award would tell you that they could get go some more soft money. And I think these guys -- I think this Applicant can.

But that is not really the point. That needs to be represented that way in your initial application. So I think those would be my only responses there, unless you have any other questions for me or Brent.

MR. OXER: Did you have anything to comment on the appeals process, Tim?

MR. IRVINE: (No audible response.)

MR. OXER: Good. Okay. So there were three deals, as Gerry says. They were winners. They were over

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by 30,000.

MR. OXER: By 30,000.

MS. LATSHA: Yes, sir.

MR. OXER: That is 1 percent off the top of this. Even if you knocked one of them out, there are going to be two that will work. What happens?

MS. LATSHA: So as it stands, they already have two awards, for Tays and Haymon-Krupp. As the underwriting reports are reflected right now, if we were to award Westfall Baines, they would be over the $3 million cap unless we would --

DR. MUÑOZ: By 30,000.

MS. LATSHA: Right. By 30,000. We have had --

DR. MUÑOZ: How many units in the third project?

MS. LATSHA: I am not sure off the top of my head.

MR. PALMER: Westfall Baines is probably 130 units.

DR. MUÑOZ: You are talking about holding up 130 units for 30,000?

MR. OXER: No. No, we're not. Hold on.

MS. LATSHA: No.

DR. MUÑOZ: Okay.

MS. LATSHA: No, so right. So to continue, so
when we don’t award that, we awarded the next at-risk
development in line, which by the way would be awarded
anyway. It was a very large development; it was a $2
million award.

So the award of Westfall Baines wouldn’t have
been enough to get to the entire at-risk set-aside. So we
are going to get to that deal no matter what. Right. And
so we did get to it.

MR. OXER: You are going to get to the next
one.

MS. LATSHA: And we already awarded it.

MR. OXER: Irrespective of what happens.

MS. LATSHA: That is right. That is right. As
far as the at-risk set-aside is concerned.

MR. OXER: What about the one beyond that?

MS. LATSHA: And so then we start awarding all
of the regional applications --

MR. OXER: The regional collapse.

MS. LATSHA: -- which we did, for the most
part, in July.

So the credit that is remaining right now is
going to those regional applications and, yes, will be
used. So when we get to the next agenda item, what you
will see, that is staff’s recommendation, is reflecting
four more awards and then a remaining credit amount of
about $475,000. Right. Which likely -- which could be used by the end of the year. You know, we may or may not get some additional returns. But that $475,000, that is enough to probably fund some deal down the line. So if we were to award Westfall Baines instead, reduce those credit amounts to get them under the $3 million cap, one of those four awards that is now being recommended would no longer be recommended. And instead of having $475,000 in credit, we would only have $300,000 in credit left, because the Westfall Baines award is greater than the last that is being recommended in the other agenda item. I don’t know if that was clear.

MR. OXER: Actually, the surprising thing is most of us got it. Any other comments?

(No response.)

MR. OXER: Okay. Motion by Ms. Bingham. Second by Mr. Gann to approve staff recommendation which is to -- restate that again, Jean.

MS. LATSHA: To deny the appeals.

MR. OXER: To deny the appeals on this collection, which does not mean that two of them -- it only takes one of the deals out of the mix. Right?

MS. LATSHA: It does not change the status of their current award. They already have two awards. They
never had the other two.

MR. OXER: Okay. So it is only on the single deal that we are actually looking at an appeal of this one deal.

MS. LATSHA: They appealed all four underwriting reports. But the denial of those appeals would not affect their standing awards.

MR. OXER: Okay.

DR. MUÑOZ: And they have two standing awards.

MS. LATSHA: That is correct.

DR. MUÑOZ: The denial of the appeal would only affect the one.

MS. LATSHA: The third that they want. Right.

DR. MUÑOZ: The third one.

MR. OXER: Okay. And so as is the case, in every case, there is always a demand. Everybody needs the awards. Everybody needs the credits. But the credits are not going to go to waste.

MS. LATSHA: No, Sir.

MR. OXER: Okay. All right. We have a motion by Ms. Bingham. A second by Mr. Gann to approve staff recommendation on 5(a) as just summarized by Ms. Latsha. All in favor, aye.

(A chorus of ayes.)
MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. The appeal is denied.

MS. LATSHA: All right. So that can take us back to 3(b). All right. So Item 3(b) is awards of competitive 9 percent tax credit applications off of the waiting list.

And you probably skipped through all of the narrative, and get right to that chart that is in your Board book. And I am going to explain how we got here. So the 65 applications on July 31st.

MR. OXER: Hold on a second. Is this the supplement, versus -- what is this?

MS. LATSHA: It was a supplement. Yes, sir.

MR. OXER: Okay. I have got it.

MS. LATSHA: So July 31st, we awarded those 65 applications. We held back $1.7 million to resolve the issue that we just resolved. So we still have that $1.7 million.

So those go to the next underserved regions. The most underserved regions, resulting in awards to Constitution Court, and Villas of West Mountain. I will note, there were some conditions placed on the award to Villas at West Mountain by EARAC. My understanding is
that the Applicant didn't have any objection to those conditions.

So we are left with, after some additional underwriting reports, $138,000 in the statewide collapse. Then we received a return from Urban Region Six, about $1.4 million. Per the rules, that goes right back to that region.

And so we are recommending the award for Womens Home Housing Phase Two. That award was only about $1.1 million. So we added another $300,000 or so to the statewide collapse.

We received another return of $500,000 in Urban Region Three, which was not enough to fund the next application in that region. So that also got added to the statewide collapse. Then the most underserved region becomes Rural Region Eight, where we are recommending a $750,000 award to Bell Towers.

And so our balance -- we then received national pool as well. Because automatically, the statewide collapse. So our balance as of today, $473,647 in credits.

We will see if we receive some more returns in the next month or so. And if we don't, we will find a home for those 473,000.

MR. OXER: So they are highly unlikely to be

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wasted.

MS. LATSHA: Highly unlikely. And even if we don’t award all, we can use them next year. Yes. I'm sorry. I second guessed myself on that one.

MR. OXER: So we are essentially approving your distribution for the collapse.

MS. LATSHA: Yes, sir.

DR. MUÑOZ: So moved.

MR. OXER: Okay. Motion by Dr. Muñoz to approve staff recommendation on Item 3(b).

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. Do I hear any need for public comment?

(No response.)

MR. OXER: There appears to be none. Okay. Motion by Dr. Muñoz, second by Mr. Gann to approve staff recommendation on 3(b). All in favor, aye.

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. Okay. We are at the point in the agenda, where we accept public comment for those items to be added to future agendas. Do we have an item?

There are two items in the Board book that will

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constitute components of that, that we will assume for the record have been read into the record. Since they are in the Board book.

Are you sure you guys didn’t want to send in written comments? We could take them all this stuff. All right. Okay. Please, join us.

Let me just -- there is a housekeeping point I am going to have to take care of right here. All right. A quick question here.

If everybody just showed up and wants to talk. How many are talking about the same thing? Does everybody want to talk about -- are you adding weight to somebody=s comments or do each one of you want to speak?

VOICE: [inaudible].

MR. OXER: Okay. Well, the reason I am asking, and saying that, we are -- as you evidence here, we are short on a quorum -- we have a very tight quorum, and Dr. Muñoz is going to have to leave here in not too very long.

So if there is any way for you to shorten your comments. Keep them direct. If there is anything you want to say that has already been said, you don=t have to say it again. We actually hear pretty well.

So we will make sure it is recorded and we will take that into account. So if there is anything that has been said -- you have an opportunity. I would like to
offer you the opportunity to speak, but say what is new and add to the argument, if you would, please. Okay.

MR. CHAPA: Jay Chapa. I am Director of Housing and Economic Development for the City of Fort Worth. And I am here to speak about the 2015 QAP.

We understand that it is going to be addressed at the next meeting. But there is a couple of issues that we thought were important for the Board to hear about, that we have concerns about.

One, is the QAP scoring for the high opportunity areas has basically taken a tool out of our tool chest that allows us to do any redevelopment in areas that we have targeted for redevelopment. That is one of the concerns.

The other piece is the new recommendation for undesirable neighborhood characteristics for neighborhoods that are 35 percent or more poverty would be labeled as that. And it makes it much harder for developers to actually seek the tax credits.

MR. OXER: Mr. Chapa, I have to ask. Have you had an opportunity to present these comments? Because as we proceed with the QAP, all of the comments from every source and route coming in, public comments, website, written comments, letters, all of those come into the focus to be considered in this.

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There is something of such magnitude of importance that -- what we are really trying to do is add comments to build the agenda. We cannot act on anything you say today.

MR. CHAPA: Right.

MR. OXER: We are only accepting comments which in light of our tenuous quorum, I am only suggesting that it might be just as well for you to add these comments -- put these comments in written form, so we have them into the record.

MR. CHAPA: We have done so. And we have conversations with staff.

MR. OXER: Okay.

MR. CHAPA: Staff has basically responded that they don=t feel like they would make any changes. So we thought it was important that the Board understand the issue at least before you take it all on in one day and then try to decide.

MR. OXER: Okay. That is good.

MR. CHAPA: And that is why.

MR. OXER: You understand I am obliged to ask the question, given the circumstances.

MR. CHAPA: And I will be really quick. Some of the issues -- last year we had this concern. We did not come to the Board with a concern, because it was the
first time this was really being put into play. So we understand it is in response to the lawsuit.

But the reality of it is, we have seen that it has taken out any opportunities for redevelopment efforts to continue in areas of the city where we have a targeted redevelopment where the housing stock is very old. There is no market for new housing stock. And you need to start with some kind of new development.

And tax credit allows you to do that before you can step toward new improvements from developers. And eliminating that tool has basically left us with a big hole in our toolbox.

MR. OXER: You understand that we are getting ready to have a really big bar fight in January about who gets to determine that issue, right.

MR. CHAPA: Yes.

MR. OXER: We are going to have the argument up in D.C.

MR. CHAPA: I understand that.

MR. OXER: Okay. Just make sure that was clear.

MR. CHAPA: And so we understand that. We just feel that there is an opportunity here to either try to level the field by being very selective and targeted on the type of redevelopment efforts that are made, where you
have a real redevelopment effort, not just where it is an area that needs the development but we have a city wide redevelopment effort.

Either that, and or the further stigmatization of the areas where they are called undesirable also doesn’t help to attract developers to that area. So those are my comments.

MR. OXER: What we are going to do is, we are going to take as many comments as we can, until Dr. Muñoz has to leave. And then we are going to -- unfortunately. You are welcome to come back next time.

We will take your individual comments. Do what we can to make sure that everybody -- please consider the fact that they want to speak also.

MR. TRIBB: Absolutely. Thank you, Mr. Chairman, members of the Board. It has been a long day. And thank you for allowing me to speak.

We have created a high opportunity zone. I'm sorry. My name is Mark Tribb, and I am with the Renaissance Heights Initiative.

And we have created a high opportunity zone. But it happens to be within an inner city. It is four miles southeast of downtown. It was green space. It was an orphanage owned by the Masonic Home. They sold it.

We have over 300,000 feet of new retail,
including a really quality grocery store; Uplift Education has a facility, K through eight. They are building a high school on the property. We have a YMCA. We have ACH family services. We have Cook Children=s, who just built an 18,000-square-foot facility on the property.

And yet we are predisposed against an allocation simply because we are in an inner city area. And so we are asking for either a set-aside or a small change in the scoring just to make sure that it doesn=t all go one way, the pendulum swing this way completely, with nothing left for inner city, truly quality inner city revitalization efforts.

And that is what we have. So I will stop and let the next speaker go.

MR. OXER: Thanks very much. We appreciate your comments. All right.

MS. CHAPA: Hi. Veronica Chapa, City of Houston. Been a while.

MR. OXER: Nice to see you again.

MS. CHAPA: Good to see you. And I hope we can host you in March, because we can find a rodeo for you to attend after we have the meeting.

MR. OXER: I think that is a really good idea.

MS. CHAPA: You know, I might be able to swing getting a place for you.
MR. OXER: It will shut down my requirement. It won't be quite as much of a commute for me.

MS. CHAPA: There you go.

MS. DEANE: Mr. Chair, let me just also mention -- and I know it doesn't specifically say in our rule that, you know, general comments can't be made.

But it does indicate the purpose of public comment -- and this is also part of the Open Meetings Act as well, that the purpose of the public comment period at the end, you know, is to try to bring an issue up and get it put on the next agenda. And this is on the next agenda, or it will be.

The QAP will be on the next agenda. So I just hope everyone understands that the comments that you are bringing today, the Board can't really interact with you on any of those.

And I think there is a question as to whether or not it is even going to end up being in the record of the rulemaking, because it is not in one of the hearings related to the rulemaking. So I just want to make sure everyone is kind of clear on that.

And the Board -- like I said, Dr. Muñoz needs to leave, so we are going to lose our quorum.

MR. OXER: Yes. Dr. Muñoz is going to have to --
MS. CHAPA: I understand. I do.

MS. DEANE: It's what can the Board do for you today.

MS. CHAPA: I understand.

MR. OXER: Hurry.

MS. CHAPA: I do. I need to give you all a heads up.

MR. OXER: To reinforce that -- we will take the heads up, but to reinforce this, whatever you say today, make sure you write and send it to us.

MS. CHAPA: We will, and that is going to be, like my staff gave me a longer speech that had five recommendations and subpoints between each category. It comes down to two initiatives.

The first that we would like to do is get buy-in from TDHCA to offer parity to the City of Houston=s permanent supportive housing initiative that would give us the same sort of point scoring that we had in the rental demonstration 811 program that's produced in the QAP this year.

There are tremendous benefits to that, that TDHCA would be joining us in eliminating chronic homelessness by 2016. We are currently about 60 percent of the way there, but we need an additional cash infusion in the properties and investments in order to get us to
the finish line.

So this is going to happen. We have been recognized by the White House. We are becoming the national model for our approach to ending chronic homelessness. We would love to have you as a partner for the Tael [phonetic] 1.1.

The second piece is also what Fort Worth was having problems with; inner city revitalization and limitations in the QAP. So from the City of Houston, you will receive additional details asking if we could have special consideration for the disaster recovery areas. And all of you remember that we have revitalized these areas.

We have also gone through our own Fair Housing test and struggles. I know that Neil Radcliff, our Director wants to actually call Tim and have that discussion. Because our Fair Housing struggles have been the same. But our approaches are a little bit different. And yet, they meet the same end.

And to the extent that we can also use the investment from the QAP to help revitalize areas that are already in play, and to allow the affirmative furthering of Fair Housing, standard of racial and economic and social integration. We are ready to do that.

We are already becoming a best practices case.
study for how to use those disaster recovery dollars. So again, these are win-wins.

We are already going down the trail. We were meant to -- God put us up here to be successful. We just need the partnership and the funding to get there. So we look forward to giving you more next month.

MR. OXER: Appreciate your comments. Give our best regards to Mayor Parker.

MS. CHAPA: Will do.

MR. OXER: Next.

MR. SMITH: Thank you all. My name is Evan Smith. I am a community development advisor at Purpose-Built Communities. We are a nonprofit pro bono consulting firm. And we are proud to support the Renaissance Heights coalition.

Our experience is based off a revitalization in Atlanta’s East Lake neighborhood. And through a number of strategic investments and partnerships, the community was transformed from a place where, you know, crime and terrible school outcomes were the norm into a place that families were connected with programs and services and educational opportunities that allow them to thrive, all within a mixed income environment.

And so we work at the invitation of local leadership. And we are currently engaged with a few more
communities across the country, 45 in total, including others in Texas.

The approach being taken by the Renaissance Heights Coalition creates an environment that attracts families with choice and additional private investment while ensuring the neighborhood includes a pathway to prosperity for the lowest income families. Like you all, we believe that families deserve to live in a place that connects them with the resources and opportunities they need to thrive.

And given the range of high quality committed partners, you will hear from a few of them in just a moment, working together in this environment, we believe families living in a development located at Renaissance Square will have access to the resources and opportunities they need to achieve whatever they want to in life.

As such, I respectfully request that you all either modify the scoring criteria to recognize high opportunity areas created by inner city revitalization efforts. Those efforts that are connected to a whole scale transformative revitalization plan or set aside a portion of the annual allocation for such transformative initiatives. Thank you.

MR. OXER: Great. Thanks for your comment.

Next.
MS. McDougAL: Hi. I am Becky McDougal with Uplift Education, speaking on behalf of Renaissance Heights. Uplift Education is the oldest and largest network of free public charter schools in North Texas, with track records of success in underserved communities.

Today, we serve 12,000 students on 14 campuses and have two in Southeast Fort Worth. One of which is in the immediate area that Renaissance Heights is in.

Uplift right now has a network of 84 percent children that receive free and or reduced lunches, as much as 90 percent at most of our campuses. The success of our students is dramatic. 100 percent of our graduates were accepted to college last year. Our seniors won 67 million in scholarships and grants. We are really proud of our students.

Like I said, we have a campus right in the heart of Renaissance Heights. And another nearby. And Uplift is 100 percent committed to being a part of this revitalization effort. We would love to be able to open this next income housing as part of this, serving families in this community with our road to college program.

We are committed to provide preferential enrollment to the residents of Renaissance Heights. And we are partnering with the YMCA early learning program to
ensure that all those children in Renaissance Heights come into kindergarten well prepared.

A lot of other partners that are here will also be supporting that particular community. ACH is going to ensure that their families have access to critical social and emotional support.

Texas Wesleyan has committed to provide scholarship and reduced tuition to our graduates. Cook Children’s is within walking distance of our campus already, and is ensuring that our families have really wrap around support and health care.

So we believe that this is a high opportunity area, even though the tax allocation doesn’t account for that. And we respectfully ask that you give us the means to move forward with this initiative. It is a comprehensive community revitalization plan that we are 100 percent behind, and we ask that you would be as well.

Thank you.

MR. OXER: Okay. Thanks, Becky. I appreciate your comments. Next.

MR. TAYLOR: My name is Craig Taylor. I am with Communities for Veterans. Thank you for the opportunity. I want to address another matter that is in the QAP. It has to do with returning credits based on force majeure events. I want to applaud the fact that you
put that ability into your QAP and have given to staff and
Board the opportunity to do something with that. But I
have two things that I would like to bring up, and we are
submitting these same issues in writing. But I wanted to
do this personally as well.

The definition that you have for force majeure
is a very limited definition, pretty much basically
focused on acts of nature. But there are broader
definitions, legal definitions of force majeure that are
used in lots of documents.

And so I would encourage you to look at a
broader definition that would bring into account other
events that would also have outside of the developers
control an effect on the ability to complete the project.

The second thing though, is maybe even broader
still. Let’s say there is a 2013 project that is about
this time, and it hasn’t quite started. But it could
still be finished by the end of 2015.

The investors who are involved in that project,
at this point in the game, begin to get very worried that
what if any kind of scenario comes along that the project
can’t be finished in 2015. Even for one day, there is no
ability whatsoever to return, refresh the credits and
renew them.
So everything that is done is at risk, and therefore it puts a chilling effect on the ability perhaps to close and start projects.

And then the second thing is that if a project is closed and started and for any reason it is not able to be finished by the end of next year, it doesn’t seem to be prudent, in the best interests of affordable housing in the state of Texas, to have the developer, the residents, the investors all lose everything they have because a project is 75 or 98 percent completed, but doesn’t meet the mark at the end of the year.

That doesn’t mean that every project should be saved, but what we would plead for us an opportunity by the staff and the Board to look at some discretion at that point. And so if a project is in the last quarter and you can see it is not going to make it, then an opportunity, an ability would be able to come before this body and make an appeal, express the case, and perhaps get the credits washed and refreshed.

Thank you very much.

MR. OXER: Thank you for your comments. Great.

Good.

MR. TAYLOR: Yes, sir.

MR. OXER: Yes, ma’am.

MS. DAVIS: Good afternoon. My name is
Rasheema Davis, and I am representing the YMCA of Metropolitan Fort Worth. Many of my colleagues have spoken. I will keep my comments brief.

I just wanted to be on record to state that the YMCA of Metropolitan Fort Worth is committed to the Renaissance Heights initiative. As a why, we are about serving all, and especially in the southeast community. We serve approximately 1,500 youth and families from a predominantly low socioeconomic status.

And we are in the process now of building a $10 million facility in the Renaissance Square. And this facility will be bringing health and wellness programs, diabetes prevention programs, community wellness, et cetera.

And we ask that you recognize our commitment, as many of my colleagues have stated, that we want the desired results. And we ask that you give us the means to achieve that results as well. So thank you.

MR. OXER: Great. Thanks, Rasheema.

MS. TILLEY: Good afternoon. My name is Veronica Tilley. And I represent Cook Children=s Physician Network Neighborhood Clinics. Also with my colleagues, supporting the Renaissance Initiative.

Cook Children=s Neighborhood Clinics has been providing pediatric services to low income families for
the last 20 years in the Fort Worth area and, as of
recently, opened a clinic there at the Renaissance Square,
in which we are now providing dental services for the
first time.

We see over 90,000 visits a year. And we are
very encouraged with the collaboration that all of my
colleagues here are demonstrating. And so again, I just
ask and plead that you help us meet our goal of overall
health for the community.

And that starts with a good medical home. It
also means with a good permanent home in which they can
thrive as young adults and contributing to the community
that they live in.

Thank you.

MR. OXER: Great. Thanks, Veronica. Okay.

Last one?

MR. CLAIBORNE: Thank you, Shauna. My name is
Darryl Claiborne. And I work for ACH Child and Family
Services, an organization that has existed for 100 years.
It is right in the back yard of Renaissance Heights.

I just would share with you that also, I am a
product of a neighborhood very similar to Renaissance
Heights. ACH is one that is going to partner with these
other organizations to provide some wrap around services.
One of the programs that I would like to highlight is the Star Program. We have, as an organization, just in the last year, served over 3,500 clients; 30 percent of our focus is in this area, with this community.

The purpose-built project in this initiative is an outstanding one. I have had a chance to visit with a number of the organizations around the country that have provided such services.

And ACH is one of the services that will benefit the community, the family and the children of Renaissance Heights. Thank you.

MR. OXER: Thanks for your comment.

Shauna, did you want to say something?

MS. TRIBB: I am Shauna Tribb, and I am also working on the Renaissance Heights Initiative. And I will just give you a brief recap and overview of what we are trying to do here.

Purpose built communities was built out of the transformation that was done in Atlanta, because they got so much -- they had so much success and got so much interest in it, Warren Buffet and Tom Cousins and some other philanthropists started a philanthropic organization that provides consulting pro bono consulting services to other communities to try to replicate the success.

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They are providing services to us, to try to do this in the Fort Worth area. That is how this started. As you can see, we already have many well respected organizations who have spent their time, money, effort and leadership in the last year and a half to try to make this come to fruition.

The Y, the charter school, ACH, Cook Children’s, Texas Wesleyan University. And so we have Crayola College education. We have health and wellness. And the one piece we are missing is mixed income housing. And we can’t build those quality housing units without the 9 percent tax credits.

And the last piece that hasn’t been talked about is that we also are committed to having a nonprofit organization. We have got commitments for $250,000 to provide for the staffing expenses for at least the next two years, to have a dedicated staff who gets up each and every day and worries only about this community.

So we are trying to change this place. And right now, it is a place that doesn’t qualify under the rules of the TDHCA QAP. And we are asking that you could find some way for projects like this to get some extra points so that we will qualify. Thank you for listening.

MR. OXER: Great. Thanks for your comments. We look forward to seeing you again.

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All right. We have exhausted our agenda. We have asked for public comment. We are going to foreshorten the request from staff and anybody else. Is there any Board member who has another comment to make?

(No response.)

MR. OXER: Okay. Entertain a motion to adjourn.

MS. BINGHAM-ESCAREÑO: So moved.

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

DR. MUÑOZ: Second.

MR. OXER: There is a second by Dr. Muñoz. All in favor, aye.

(A chorus of ayes.)

MR. OXER: See you in a month.

(Whereupon, at 3:02 p.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: October 9, 2014

I do hereby certify that the foregoing pages, numbers 1 through 197, 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.

10/16/2014
(Transcriber) (Date)

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