TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

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

June 16, 2016
9:00 a.m.

BOARD MEMBERS PRESENT:

J. PAUL OXER, Chair
TOM H. GANN, Member
J.B. GOODWIN, Member
LESLIE BINGHAM ESCAREÑO, Member

TIMOTHY K. IRVINE, Executive Director

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(512) 450-0342
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EXECUTIVE SESSION none

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PROCEEDINGS

MR. OXER:  All right.  Good morning, everyone.
I'd like to welcome you to the June 16 meeting of the
Governing Board of the Texas Department of Housing and
Community Affairs.  We'll begin with roll call.  Ms.
Bingham?

MS. BINGHAM ESCAREÑO:  Here.

MR. OXER:  Mr. Chisum is not with us today.  
He's still recovering from a broken leg.

Mr. Gann?

MR. GANN:  Here.

MR. OXER:  Mr. Goodwin?

MR. GOODWIN:  Here.

MR. OXER:  Dr. Muñoz is not with us.  I am
here, and I guess there's four.  We have a quorum so we're
in business.  In honor of Mr. Tweety's -- Captain Tweety's
birthday, would you please lead us in the pledge of
allegiance?

(Pledges of allegiance and to Texas flag
recited.)

MR. OXER:  Okay.  Do we have any guests to
recognize here today?  Always happy to see legislators,
members of the government come join us today.  Anybody who
has an item to speak on, we'll be getting to that, but if
there's anybody here that we need to recognize?

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Michael, do we have --

MR. LYTTLE: No, sir.

MR. OXER: Okay. All right. That being the case, let's get to work. With respect to the consent agenda, does any board member care to pull any item?

Marni?

MR. IRVINE: And Mr. Chairman, yeah, Marni's got some items that the staff would like to pull.

MS. HOLLOWAY: Good morning, Chairman, officers, members of the Board. My name is Marni Holloway. I'm the Director of Multifamily Finance.

Item 1(b), Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits, we are pulling four of these items, Application 16411, for Charles E. Graham Apartments; Application 16412, Rio Grande Apartments; 16413, Judson Williams Apartments; and 16414, Father Carlos Pinto Memorial Apartments.

MR. OXER: The other one we'll consider on the agenda?

MS. HOLLOWAY: Yes.

MR. OXER: Are they being pulled completely or are they being brought to the action item or they're just pulled?

MS. HOLLOWAY: They're being pulled completely
for this meeting.

    MR. OXER: Okay. So we're still --
    MS. HOLLOWAY: We are --
    MR. OXER: -- have a point on the consent.
    MS. HOLLOWAY: Yes.
    MR. OXER: Okay. All right. Anything else?

Any others?

    (No response.)

    MR. OXER: Okay. With respect to the consent agenda less those items pulled by Marni or identified to be pulled by Marni, any other board member care to pull an item?

    (No response.)

    MR. OXER: All right. Then do I have a motion to consider?

    MS. BINGHAM ESCAREÑO: I move to approve consent of agenda.

    MR. OXER: Motion by Ms. Bingham.

    MR. GOODWIN: Second.

    MR. OXER: And second by Mr. Goodwin to approve the consent agenda. There appears to be no request for public comment. Motion by Ms. Bingham, second by Mr. Goodwin to approve consent of agenda as modified. Those in favor?

    (A chorus of ayes.)
MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. Okay. All right. Michael, I think you're up for the policy.

MR. LYTTLE: Yes, sir. Michael Lyttle, Chief of External Affairs, otherwise known as Captain Tweety.

Mr. Chairman and members, Item 3 is the Presentation, Discussion, and Possible Action on the Agency Strategic Plan for Fiscal Years 2017-2021.

As part of each state agency's required comprehensive strategic planning and budget process, all state agencies must submit an agency strategic plan for Fiscal Years 2017-21 to the Governor and the legislature. This document is designed to communicate our goals, our directions and anticipated outcomes over the next five years.

The end goal for each agency in this process is to be more effective in its long range planning and to maximize the use of its resources in the most efficient manner. Instructions from the Governor and the legislature have stressed the importance of agencies demonstrating accountability to the taxpayers as well as carrying out the respective missions of the agencies in a resourceful and transparent manner.

In April of this year we had received our
instructions on this project to complete the biennial
document. And of note, this time there was a slightly
different approach for agencies in that we were to
identify redundancies in regulations as well as other
elements of the Agency's administration that might result
in us not being as efficient as ideal.

Staff's worked very hard on the document before
you, and now we are having it before you for your
approval. The deadline to submit this is -- to the
Governor and our state leadership is June 24.

MR. OXER: Well, essentially what we're doing
is writing down what we're trying to do, giving a schedule
we're trying to do it, and making sure we're comparing
that to what everybody else is doing so we don't get too
much overlap and as much corroboration and collaboration
as possible. Does that make sense?

MR. LYTTLE: I think that's correct, yes.

MR. OXER: Okay. And by the way, this is a
housekeeping item here since we say goodbye to Ms. Bynum,
Penny, whose last meeting was last meeting. We'd like to
welcome Leslie here as our new recorder. Hi, Leslie.
We're very reverent and staid and diplomatic
here you'll find.

(General laughter.)

MR. OXER: Okay. With respect to this, is
there any -- is this a report item? Or we vote to accept --

MR. IRVINE: This is an action item.

MR. OXER: This is an action item, but we --

but the -- is to accept the action -- to accept the report as presented, is that correct?

MR. LYTTLE: That's correct.

MR. OXER: Okay.

MR. GOODWIN: So moved.

MR. OXER: Okay. Motion by Mr. Goodwin to approve.

MR. GANN: Second.

MR. OXER: Okay. Second by Mr. Gann. No request for public comment. Motion by Mr. Goodwin, second by Mr. Gann to approve staff personation on Item 2(a).

Those in favor?

(A chorus of ayes.)

MR. OXER: And those opposed?

(No response.)

MR. OXER: There are none. That was 2(b), is that correct?

MR. LYTTLE: No, actually that was Item 3.


Okay. Raquel, I think you're up.

MS. MORALES: Good morning. Raquel Morales,
Director of Asset Management. The first item I have for you today is Item 4(a) related to the Timely Filed Appeal for an Ownership Transfer Request for Sea Breeze Village Apartments.

Sea Breeze Village is a 72-unit multifamily development located in Port Lavaca that was awarded tax credits in 1998. In February this year, we received a request for approval to transfer this development in conjunction with a pending sale between the current owner and Hope Housing Foundation which is the entity that wants to acquire Sea Breeze Village.

As is required with ownership transfers, a previous participation review is conducted and identified Hope Housing Foundation as a Category 4 with reportable issues. The past issues of noncompliance include completion of renovations related to another tax credit property that Hope Housing acquired in early of 2015. And that is Rigid Trinity Apartments in Dallas, Texas.

Hope Housing acquired that property and began work to rehab the development in order to get it back into compliance with the Department and has previously committed to have the renovations complete by the end of last year. However, that has been extended several times and the renovations are yet to be completed.

The Department's Executive Award and Review
Advisory Committee met and considered Hope Housing Foundation's previous participation in Department programs along with additional information that was provided, and ultimately voted not to recommend approval of the previous participation because the committee felt that the entity had demonstrated a pattern of acquiring distressed properties and addressing findings of noncompliance except for the case of the Rigid Trinity which it's still trying to address.

Therefore, EARAC didn't want the entity basically to bite off more than they can chew by acquiring another tax credit property while they were still trying to resolve the noncompliance issues at the other.

MR. OXER: And you were saying they were having digestion issues?

MS. MORALES: Sure, that's another way to put it. As a result of EARAC denying the previous participation review, the Executive Director denied the ownership transfer request for Sea Breeze Village.

So we are here today now because Hope Housing is appealing that decision and asking this Board to approve their acquisition of Sea Breeze Villa -- Sea Breeze Village. Their appeal included information including a new expected completion date for the renovations at Rigid Trinity by August 1 of this year.
Staff continues to have concerns related to whether or not this entity has the capacity to take on an additional tax credit property before they've resolved the issues at the Rigid Trinity. So we are recommending denial of the appeal.

MR. OXER: Any questions from the Board?

MR. GOODWIN: No.

MR. OXER: Okay. All right. As we move, we'll have to have a motion to consider.

MR. GOODWIN: Motion to consider.

MR. OXER: Okay. Motion by Mr. Goodwin to approve staff recommendation on Item 4(a). Do I hear a second?

MR. GANN: I'll second.

MR. OXER: Okay. Second by Mr. Gann. All right. Do we have a request for public comment?

MR. JOHNSON: Good morning. My name is Alvin Johnson. I'm President of Hope Housing Foundation. Thank you for giving me this short opportunity. I appreciate the staff and everyone's concern about our ability to bite off more than we can chew.

As Raquel stated that we have been in the business of acquiring very difficult, distressed tax credit developments that have fallen by the wayside or that have been forgotten by other developers.
This development that we're seeking approval to purchase is in Port Lavaca, Texas. We have a property there in Port Lavaca, Texas, Sea Breeze Apartments -- I mean, Sea Greens Apartments. It's 110 units. When we purchased or acquired that development from Chevron back in 2012, we made some rookie mistakes there first taking it over, but one thing that we did do is we really changed the community.

The first day onsite I went out there, the grass was five feet high. Maybe I did forget to put my e-mail in the CMTS, and I understand how important that is today after having to sit before the EARAC Committee before. But as far as affecting the community and positively affecting the lives of the people that we serve, we went out and bought lawn mowers and put a management company in place to really make this place a place to live.

The development at hand today, Rigid Trinity Apartments in Dallas, was Loop 12 -- I mean, was previously called Trinity Trails Apartments. Prior to our purchase, that property had four armed guards on the site at all times. The property had 75 residents that had been living there in just total squalor, prostitution, drugs rampant in the community.

Today we hadn't had one police call. There are
no armed guards onsite. We've transferred the residents that live there today to new apartments that have been renovated, and we're just a couple of months behind on our renovation. We got four months behind in the very beginning as an opportunity to put in central HVAC components in every apartment.

And, you know, all of the documents that we provided to you show that. But what I did not include was an AIA contract and my draw schedule from Mutual of Omaha Bank that shows that we do have all the funds necessary to complete this. I didn't know that would be that important to make a decision here.

But all of the funds to complete this are there, but we went over and above to exceed everyone's expectations with this renovation. We hadn't borrowed any money from the State. We hadn't gotten any tax credits. We don't have anything at risk except ourself, our name, Mutual of Omaha's money, and my partners that support the division of Hope Housing Foundation.

So we picked up some pieces that everybody else has just kind of left laying around and really, really, really are changing the community one apartment at a time. So I think that the opportunity for us to acquire Sea Breeze Apartments that is not a distressed community -- it's only 72 units. It is less than two miles away from a
community that we've already acquired and have made a big
impact in Port Lavaca.

This city has about 12,000 residents every year
at National Night Out; 25 percent of that whole city comes
to Sea Greens Apartments to participate in the activities.
The mayor, the city councilmen, all the police
department, fire department, Coast Guard, you name it,
they're all Sea Greens Apartments because the grass is not
five feet high anymore, because we have 110 or 106
residents today that actually call this place home where
their kids run through the streets and play in the
playgrounds. So we've done that.

We've done a great job of taking developments
that nobody else has wanted, that everybody else got the
credits on and walked away from and left just laying
there. We've cleaned it up and now being a couple of
months behind should not prohibit us from continuing to
impact the lives of the people that we serve positively
not negatively.

So I thank you for this opportunity again to
address you guys. I believe that Hope Housing Foundation
is a very important component of what we're all here for,
and that's to provide safe, decent, affordable,
sustainable communities. And that's what we're doing, and
we're doing a good job of it. Thank you.
MR. OXER: Thank you, Mr. Johnson.

MS. BAST: Good morning. Cynthia Bast from Locke Lord representing the applicant. I don't know that I could have said any better how Hope Housing Foundation transforms these really troubled asset communities that they acquire. So I'm just going to focus on the lawyerly things of the rules.

I believe there's a clear path in the rules and appropriate policy reasons to allow you to grant this appeal so that Hope Housing Foundation can acquire the Sea Breeze Apartments. The biggest issue, of course, here is the Ridge and the fact that under the rules when you acquire troubled property that is in noncompliance you are supposed to put forth a plan for getting that property back into compliance.

And the Ridge needed to get back into compliance on two fronts. There were the file fronts, of course, with tenants in the units and then, of course, there were the physical conditions fronts. And, you know, all the things that Hope Housing Foundation could do immediately, they did. They did things like putting in affirmative housing, fair housing marketing plan in place and things like that. And then they set off to make these changes.

So the rules say that when you have this kind
of category, an applicant shall provide a written explanation along with proposing conditions and describing mitigations that are appropriate for your consideration in granting this ownership transfer. And we believe that the applicant has provided all of those things under the rules, primarily in my letter which you will find in the board book.

He has explained what happened at the Ridge with regard to the engineering of the HVAC system and the contracting. He has explained that the work continues. There is a deadline. There's a contractor under contract. There is money with Mutual of Omaha Bank that is all coming together to get to this August 1 deadline of completion.

We have provided conditions to this ownership transfer that HHF is more than willing to abide, things like weekly contact with TDHCA until the Ridge is done, weekly contact -- I'm sorry -- monthly contact with HUD which they've been having on the Ridge until this is done, so -- and all of the corrective items.

I would also note that there was a recent review on the Ridge property, and they did submit their -- all their corrective action within the corrective action period. So we think that these -- some of these conditions that have been proposed are appropriate for
this ownership transfer approval and are willing to consider other conditions if the Board and the staff believes that those would be needed.

We also believe that we have provided the mitigation that is worthy of consideration. Perhaps most importantly here, Sea Breeze Apartments is not a troubled property. It's about as benign as they come, 96 percent occupancy outside of the tax credit compliance period. It works. It will have synergies with another property that they own. So you put all that together and I think that is a reasonable mitigation.

Now it would be ideal to wait until August 1 when the proposed completion is scheduled and say, Let's just wait and see if they get it done. Honestly, we have been under contract for Sea Breeze for some time. We have an impatient seller. It's the investor at the end of the compliance period wants out.

We've extended and extended the purchase contract, and I don't think that additional extensions are available. And this is a contract that will expire at the end of the month.

So from a -- from a rules perspective, I think we're there. Briefly from a policy perspective, I think we should also be there. I think this is the kind of tax-exempt organization that we should all support in their
efforts to change communities and change lives, particularly these federally communities that have been disregarded and, you know, are at risk of waste.

So for all of those reasons, I believe that you can grant this appeal for Hope Housing Foundation. I hope that you will. I have worked with them over all these years. I have seen tremendous growth in the organization adding personnel, adding training, adding systems and things that help them make a difference. And I hope you will consider their appeal favorably. Thank you.

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

MS. BINGHAM ESCAREÑO: I think so, Mr. Chair. How about Mr. Johnson? Can I -- can I ask you a couple of questions?

MR. JOHNSON: Absolutely. Yes, ma'am.

MS. BINGHAM ESCAREÑO: Good morning. So the August 1 drop dead date, is that relative to the rest of the improvements that you need to make to Ridge?

MR. JOHNSON: Yes, ma'am. And --

MR. OXER: And Mr. Johnson, sorry I have to interrupt --

MS. BINGHAM ESCAREÑO: Sorry.

MR. OXER: No, no, that's okay. You just -- you have to identify yourself for the record when you --
MR. JOHNSON: I'm sorry.

MR. OXER: That's all right.

MR. JOHNSON: Alvin Johnson, President of Hope Housing Foundation.

MR. OXER: Right. There you go.

MR. JOHNSON: Yes, ma'am, it is, Ms. Bingham.

The reason that they got extended, let me -- let me back up since you called me back. We initially -- the property was a master-metered property that had a boiler and chiller system in it built in the '70s. Our initial plan was to go in and just replace the boiler and chiller with central HVAC systems.

MR. OXER: Is this a single building or is it a -- or is it --

MR. JOHNSON: It's 18 buildings.

MR. OXER: Eighteen buildings?

MR. JOHNSON: Yes, sir. So the property --

MR. OXER: Was it -- does it have a central physical plant for both?

MR. JOHNSON: It does.

MR. OXER: Okay.

MR. JOHNSON: It does. So after we, you know, wrote a contract, wrote the plan, and submitted the plan and this is how we're going to attack this, we got into the engineering phase of this and it's great to do a lot
of this on the front end. The engineer would not engage
with us without a $250,000 fee up-front. We could not do
a $250,000 fee up-front because the seller at that time
was -- well, I don't know if I can say that.

But anyway, they were trying to exit this
property and had several delays and delays and delays and
would not execute. Several other buyers wanted to come
along and buy it, but they all wanted to take it out of
the tax credit system completely and foreclose on the note
and wipe away all the affordable components. They
preferred to sell it to us because we wanted to keep it in
the program.

So back to engineering, we couldn't get the
engineering done until we actually closed. So once we
started the engineering of this new system, it was found
out that the underground wiring was not sufficient to
carry the load for the new HVAC -- HVAC systems.

Our budget was put together in a way to allow
for some overages and some contingencies. And we were
able to go in and do new underground electrical to support
these new systems.

Well, after we -- after we engineered that, the
engineer said, Man, you're doing such -- so much work, why
not just go ahead and individually meter these. It'll
only cost you about $50,000 more. Well, we did that. But
that additional engineering time took an extra 60 days or so. So here we are before we even started, we're four months behind.

So, you know, had we not had that time in the beginning delayed, we'd almost be done by now. So in being regard -- in regard to being completed by August 1, we were given 82 units or so a couple of weeks ago by the contractor completed. That's when we transferred those residents over and moved in a few more people.

They delivered us six units yesterday. So each day they are completing the building and doing that. The August 1 deadline gives us a little leeway in case we have some weather delays or some other -- some other problems that arise.

Every time we, you know, we get ready to finish a unit out --

MR. OXER: In case you have to take a boat to work like we did in Houston.

MR. JOHNSON: Yes, sir. Yes, sir. I mean we're finding cast-iron plumbing problems in units, you know, because these units have been vacant for ten years. And there's no way to test those things until you get people in them and start doing it. But our budget is --

was again --

MR. OXER: You can do an estimate -- a budget
estimate on a refurbishment, but you're really -- I mean
on doing a house or even -- anything like that, you really
never know what it's going to cost until you start tearing
some --

MR. JOHNSON: That's right.

MR. OXER: -- walls out.

MR. JOHNSON: That's right. And fortunately, we have not had any -- we've had a lot of savings that
allowed us to cover the things that were unseen.

MR. OXER: Yeah.

MR. JOHNSON: We had asbestos, and I think that may be why the previous owner walked away from it, like, Oh my God, what do we do? We've been able to abate that and mitigate those -- those problems there. And we're just on the tail end of getting this thing completed at this point.

MR. OXER: Okay.

MS. BINGHAM ESCAREÑO: You -- you may have problems, but money isn't one of them --

MR. JOHNSON: Yes, ma'am. That's correct.

MS. BINGHAM ESCAREÑO: -- at this point, right?

MR. JOHNSON: Yes, ma'am.

MS. BINGHAM ESCAREÑO: And just one more question. How has -- and I'll ask Raquel the same thing -- how's communication been between you and the
Agency as you've kind of asked for the extensions or experienced the delays?

MR. JOHNSON: On my side it's been really great.

MS. BINGHAM ESCAREÑO: Okay.

MR. JOHNSON: I mean I've talked to Mr. Gore several times --

MS. BINGHAM ESCAREÑO: Okay.

MR. JOHNSON: -- through this process. Colton Sanders is our asset manager, and he's been more than helpful. This is my first time meeting or talking to Raquel.

MS. BINGHAM ESCAREÑO: Uh-huh.

MR. JOHNSON: I've seen her before, but they haven't treated me badly and I hope that my communication with them has been --

MR. OXER: But your communication has been regular and consistent?

MS. BINGHAM ESCAREÑO: Pretty regular --

MR. JOHNSON: Yes, sir, it has.

MS. BINGHAM ESCAREÑO: Okay.

MR. OXER: Okay.

MR. JOHNSON: And then with HUD on that side because this is a layered property, we have a monthly meeting with the asset managers --

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MR. OXER: Right.

MR. JOHNSON: -- to make sure that we're on track. You know, this property has two HAP contracts that HUD was about to abate and just kick out. And because we came in with a plan to keep this in the program, they kept those ongoing. We've renewed one of them because it's an annual contract. And they have been pleased with our progress thus far.

The property had a moratorium on leasing prior to us purchasing it, which the City of Dallas has now lifted and they're starting to approve apartments for occupancy. So everything is working as planned. It's just delayed. And that delay --

MR. OXER: Okay. Hold -- all right. Hold your position. Cynthia, a quick question.

MR. JOHNSON: Yes.

MS. BAST: Yes, sir. Cynthia Bast.

MR. OXER: The contract to purchase this, what would you -- there was a deadline on this that was going to end the end of this month?

MS. BAST: June 30.

MR. OXER: That's the contract that they have to purchase from the existing owner.

MS. BAST: To purchase the property.

MR. OXER: You do not expect them to give an
extension or to get an extension?

MS. BAST: We do not. We're on our second or third extension.

MR. JOHNSON: Third extension at this point.

MS. BAST: Third extension at this point.

MR. OXER: They're a little antsy to get -- and it's largely because you're trying -- you dig up a little bit more and there's more floorboards you got to replace.

MS. BAST: Right.

MR. JOHNSON: Yes.

MS. BAST: And this particular property, Sea Breeze, is a pretty attractive property unlike the Ridge. I'm pretty sure they can find another buyer.

MR. OXER: Yeah. Well, I mean, I -- you know, just as a point of philosophy, Mr. Johnson, I applaud your efforts to take over these -- these distressed -- sounds like distressed would be a generous word term to --

MR. JOHNSON: Thank you.

MR. OXER: -- apply to this one, but take over these distressed properties and keep them within the portfolio of affordable housing for the state, so.

Raquel, if you can -- that's all right. Stay because we may have some more. All three of you stay up there right quick. Raquel, what was --

MS. MORALES: Yes, sir.
MR. OXER: -- is the EARAC position simply a matter of the delay?

MS. MORALES: Yeah. And -- and just making sure like we said, if we could -- if we could see that they could get through the end of the renovations and fix the noncompliance on the Ridge, we understand they have been communicating with us on a regular basis. That hasn't been an issue at all.

MR. OXER: So I hate to make it quite like this, Mr. Johnson. The lease is pretty short, right?

MR. MORALES: Right.

MR. JOHNSON: Yes.

MR. OXER: Okay. You guys are -- because this is a collaborative effort. We recognize that.

MR. MORALES: Sure.

MR. OXER: But we want you to recognize the effort we're making to try to make this work too.

MR. JOHNSON: We -- that is recognized and again, I appreciate the oversight. I'm not the smartest guy in the world, so all the --

MR. OXER: We're apparently not either because we're up here, but that's --

(General laughter.)

MR. JOHNSON: But I do. I appreciate everyone looking out for us to make sure we don't, you know, go
underwater because we've all seen things that have gone
sideways in this industry.

MR. OXER: Right. Okay. So the --

MR. GOODWIN: I've got a question.

MR. OXER: Mr. Goodwin?

MR. GOODWIN: Raquel, in here it says that HHF
did not provide EARAC with sufficient documentation to
mitigate the issues and concerns identified.

MS. MORALES: Uh-huh.

MR. GOODWIN: Can you tell us what would --

MR. OXER: What were you missing?

MR. GOODWIN: -- what was missing? What could
they have provided that would have satisfied EARAC?

MS. MORALES: I think what they provided was
they provided information that they previously provided to
EARAC when we considered it. You know, we considered it
several times, and there just wasn't anything that really
stood out other than, you know, we are working towards
getting the work done and we recognize that and appreciate
the efforts that they were making on that.

It's just that the delay in getting that done
and the outstanding noncompliance, there just wasn't
anything there for the committee to say, Okay, at this
time, yeah, we think it's -- it's -- it's okay for you
guys to acquire another property understanding you have
this outstanding noncompliance on this one. We really
just wanted to see that they could get through this
property, the Ridge --

MR. GOODWIN: Right.

MS. MORALES: -- and get through all of that
before they take on another tax credit property.

MR. GOODWIN: Were several communications back
and forth between HHF and EARAC or you and the
representatives?

MS. MORALES: Several members of staff --

MR. GOODWIN: And I've heard mention something
about a draw request and a letter stating financing was in
place. Surely --

MS. MORALES: I think that was -- I don't know
if that was something for us or if that was for their --

MR. OXER: I think that's what you said wasn't
it, Mr. Johnson.

MR. GOODWIN: Mr. Johnson said something about
that.

MR. JOHNSON: Oh. I did read in the board book
that there was not an AIA contract provided --

MR. GOODWIN: Right.

MR. JOHNSON: -- or any documentation to
support that. There is an AIA contract with a draw
schedule from Mutual of Omaha Bank that every line item
every time a draw is made is pulled from the budgeted
items on that list.

And our draw schedule that we have today, it
does still show that we have the sufficient funds to
complete the last remaining 80, 90 units that are there.
I just didn't provide that because I didn't know that that
would have made that much of a difference to the --

MR. OXER: Okay. And time is -- you know, the
clock is crunching down on you, so what this really gets
down to is -- Tom, you know the question I'm going to ask.

(General laughter.)

MR. OXER: The -- you got enough management
capability to pull this off or as we ask around here, you
got enough ass on your tractor to pull this?

MR. JOHNSON: Yes, sir. Yes, sir, we do.

MR. OXER: Okay.

MR. JOHNSON: I'll tell you we have -- you
know, again, starting from not knowing anything four years
ago to today having all of my staff trained by NCHM,
National Center for Housing Management, with
certifications. And we've participated with the
Department's tax credit training and I mean any book we
can buy, any training classes being provided, my staff
has --

MR. OXER: It's like you learned the way the
Marine Corps teaches you how to swim.

MR. JOHNSON: Well, yeah, just drinking water out of a firehose. But, you know, I believe it's been able to hold it thus far.

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

MR. GANN: I'm kind of curious about --

MR. OXER: Mr. Gann, you need a microphone, please.

MR. GANN: Would it make any difference if he presented that -- the paperwork on the money being in place on the decision?

MS. BINGHAM ESCAREÑO: -- and the draw schedule.

MR. GANN: Okay. Is --

MR. JOHNSON: I have access to it right now on my computer. I can -- I can e-mail it to anybody.

MR. OXER: The question, would it make a difference to you in the way it was evaluated, Raquel?

MS. MORALES: I think it -- it would -- I think it might help to -- just to help us see that, you know, that that is in place and there isn't a question that, you know, the funding's there. And moreover, just that they are continuing to do that, you know, the work to get to the new deadline --
MR. OXER: Right.

MS. MORALES: -- you know. We just --

MR. OXER: Well, I mean, this -- this is a remodeling project and --

MS. MORALES: Uh-huh.

MR. OXER: -- you know, tragically you can have all the plans you want, but like I said, you never really know how much it's going to take, how long it's -- much it's going to cost or how long it's going to take until you start ripping walls out and then -- I understand your point, Mr. Johnson, so. Any other questions?

MR. ECCLES: Just one quick one. Are there conditions or mitigations that EARAC was expecting that it did not see that would have led to its approval?

MS. MORALES: I -- no, I can't -- I mean I can't think of any that we did.

MR. OXER: So there were no -- there were no noncompliance items that were not identified in the trust? This is more specifically a funding and timing and delay problem?

MS. MORALES: Right. The noncompliance they are aware, we're aware of. And they've addressed how they're going to fix that, which I -- through the renovation that they're undergoing at Ridge.

MR. OXER: Right.
MS. MORALES: So does that answer your question, Beau?

MR. OXER: Does that answer your question, Beau? Counsel?

MR. ECCLES: Yes, it does.

MR. OXER: Okay. All right. Thank you all three of you. Any other questions? Mr. Gann?

MR. GANN: You know, these are things that we want to see happen.

MR. OXER: Absolutely.

MR. GANN: And I think that, you know, I'm -- I'm involved in the motion. But I'm -- I'm thinking that if we could have that presented at this meeting, for instance, and maybe we can come back after --

MR. OXER: You say you have that available in your --

MR. JOHNSON: Yes, sir. I can pull it up on my computer right now.

MR. OXER: Okay.

MR. GANN: Let them look at it, and then we'll make a decision later.

MR. OXER: Okay. Then we currently have a motion by Mr. Goodwin and a second by Mr. Gann to approve the staff recommendation on this item. What I recommend we do at this point is table the item until we come back.
You have a chance and we'll take a break. You
guys get a chance to get together and you'll come back and
report to us. Raquel, does that work?

MS. MORALES: Yes, sir.

MR. OXER: Okay. All right. So motion to
table. Mr. Gann?

MR. GANN: I move.

MR. OXER: Okay.

MR. GOODWIN: Second.

MR. OXER: Motion by Mr. Gann. Table to second
by Mr. Goodwin. We'll hold on this until we return to it
after a bit. And I approve -- since we're -- we'll do it
by acclimation. So Ms. Bingham and I have voted in favor
of the motion to table.

Okay. I think you're still up, Raquel.

MS. MORALES: Yep. The next item is Item 4(b)
which is Discussion and Possible Action regarding
forgiveness of the Department's Direct HOME loan for
Country Villa, which is a property located in Freer which
is southeast Texas.

As a bit of background, Country Villa was
awarded HOME funds back in 2001 in the amount of $571,000
to rehab 32 units. The HOME loan is subordinate to USDA
financing. And the terms of the Department's note for the
HOME funds included deferral of repayment during the term
of the note and reevaluation upon maturity to determine if
the loan could be restructured to be repaid or should be
forgiven.

The HOME note matured in 2009. And at that
time staff did evaluate and recommend to the Department's
Review Committee that the loan be extended for an
additional five years and then reevaluated at that time.
I believe that we've looked at this property twice now and
to determine if there was some form of repayment that we
could restructure with the owner on this home loan.

At this time the note is mature, and it is
considered due and outstanding. Their HOME loan was
effective April 2003, had a ten-year term and has
concluded as of April 2013. So staff did complete an
analysis of the property's financial position and has
concluded that the property has no capacity to support
additional debt service related to repayment of our HOME
loan.

The owner did provide documentation including
audited financial statements which reveal that the
property has been operating with negative cash flow since
2013 and that the property has been supported by capital
investments made directly by the owner. Their USDA
financing is current and they are okay on that. USDA
provides rental assistance on ten of the units, and the
rest of the units have tenants that receive Housing Choice voucher assistance.

According to the owner, the rental market in Duval County has seen a steady decline in the last 18 months. And as of January of this year, seven out of the 32 units were vacant. Given that the affordability period has concluded for this development and there are no events of default that have been documented pursuant to the HOME note, staff recommends forgiveness of the HOME loan for Country Villa.

MR. OXER: Any questions from the Board?

(No response.)

MR. OXER: Dennis, did you want to speak on this one?

MR. HOOVER: Not unless somebody's got a question.

MR. GANN: And a motion?

MR. OXER: Not -- yes, I understand that, but he's not up there yet, so. Okay. Then we'll have a motion to consider on Item 4(b)?

MR. GANN: I so move.

MR. OXER: Okay.

MS. BINGHAM ESCAREÑO: Second.

MR. OXER: Motion by Mr. Gann to approve staff recommendation of Item 4(b). Second by Ms. Bingham.
There are apparently no questions. Did anybody have a question? Now this is to approve staff recommendation.

MS. BINGHAM ESCAREÑO: Yes, sir.

MR. OXER: You good with that then?

(No response.)

MR. OXER: Okay. All right. That said, motion by Mr. Gann, second by Ms. Bingham to approve staff recommendation on Item 4(b). Those in favor?

(A chorus of ayes.)

MR. OXER: And those opposed?

(No response.)

MR. OXER: There are none. It's unanimous.

Okay. Next?

MS. MORALES: Okay. The last item I have is Item 4(c) relating to the Discussion and Possible Action regarding a waiver for Thomas Westfall Memorial.

Thomas Westfall was awarded tax credits last year out of the At-Risk Set-Aside based upon its proposal to reconstruct housing units owned by a public housing authority, which in this case is the Housing Authority of the City of El Paso, and receiving assistance under Section 9 of the National Housing Act of 1937.

As required by the 2015 QAP, the applicant originally proposed that 75 percent of the units would be financed with tax credits and the Rental Assistance
Demonstration Program or RAD. And the remaining 25 percent of the units would remain supported by a public housing operating subsidy.

However, in January of this year the applicant submitted an amendment request to the Department asking for approval to remove the 25 percent of units that would be supported by an operating subsidy and replace them with RAD. According to the applicants, they received notice in June of last year that HUD would not approve a RAD application where less than 100 percent of the units would be proposed for conversion.

The amendment requested by the Housing Authority would allow 100 percent of the units to be converted to RAD and enable the Housing Authority to include the development in its RAD portfolio. The applicant's amendment was approved by the Executive Director conditionally as a non-material amendment request in March of this year.

The conditions included, one, that the Housing Authority of El Paso confirm to the Department in writing that the development would continue to receive operating subsidy under Section 9 of the Act following completion of this rehabilitation. And two, that if the retained Section 9 subsidy was for less than 25 percent of the units, as was required in the 2015 QAP, that they would
seek a waiver from this Board for that requirement.

The applicant did provide written confirmation to the Department in April intending to meet the conditions described. However, the 25 percent rule requirement was not specifically addressed in the confirmation. Therefore, they are seeking a waiver of this Board -- from this Board of the 2015 QAP requirement to allow for full approval of the applicant's initial amendment request.

Based on the fact that House Bill 2926 amended the definition of At-Risk developments in a manner that expressly includes developments undergoing RAD conversion and that Bill became effective September 1 of last year, staff recommends approval of the request to waive Section 11.53 (d) of the 2015 QAP for Thomas Westfall.

MR. OXER: Any questions?

MR. GOODWIN: So moved.

MR. OXER: Okay. Motion by Mr. Goodwin.

MS. BINGHAM ESCAREÑO: Second.

MR. OXER: And second by Ms. Bingham to approve staff recommendation on Item 4(c). Barry, you want to say anything?

MR. PALMER: No, I'm good.

MR. OXER: Good. Okay. All right. Motion by Mr. Goodwin, second by Ms. Bingham to approve staff
recommendation on Item 4(c). Those in favor?

   (A chorus of ayes.)

MR. OXER: Opposed?

   (No response.)

MR. OXER: There are none. Okay.

MS. MORALES: Thank you.

MR. OXER: Marni?

MS. HOLLOWAY: Good morning again. I'm Marni Holloway, Director of Multifamily Finance. Item 5 -- let me make sure I have it -- Item 5(a). Before we get started, we are removing from the agenda Application 16168, Stonebridge of Whitehouse. We received an e-mail from the applicant yesterday afternoon that they are withdrawing their appeal.

   MR. OXER: So there's only one way to be -- we're --

   MS. HOLLOWAY: Right.

   MR. OXER: We would have considered them one at a time anyway, right?

   MS. HOLLOWAY: Exactly.

   MR. OXER: Okay.

   MS. HOLLOWAY: The other application that we are considering today is Presentation, Discussion, and Possible Action on Timely Filed Scoring Notice Appeals under the Department’s Multifamily Program Rules is
Application 16029 for Baxter Lofts. You'll recall that this is the item that was tabled at our last board meeting. The Board asked for some additional information prior to making a decision.

So at that May 29 meeting, staff presented its determination that the application was eligible for three points under Educational Excellence instead of the five points requested. And that a resolution from the local governing body identifying the development site as contributing most significantly to the concerted revitalization efforts was not received, leaving the applicant eligible for four points instead of the six requested.

Since that Board meeting, we have rescored the application and determined that pursuant to Section 11.9 (e)(6) Historic Preservation, the application scored three points under Educational Excellence and therefore is not -- is eligible for only three points under historic preservation.

There's a provision in the Historic Preservation Rule and it says if you have lower Educational Excellence points, you're only eligible to receive lower Historic Preservation points. And we can work through that as we're talking about this item.

So at the May 29 meeting, the Board tabled the...
appeal requesting further information from the applicant regarding the ability of students who will reside at Baxter Lofts to attend the Early College High School in Harlingen.

Since that time, staff has done a little more research regarding the early college education, and there's a couple of items in your board book that we've added from the previous Board meeting. We've also included the applicant's most recent appeal.

If you'll look at page 548 of your board book, that's the start -- the first page of the full application for the Early College High School. The applicant had previously provided the first page. This is the full application.

Students are asked to write several essays. Their teachers or counselors are requested to provide evaluations of the student application before it goes to the Early College High School.

Behind that item is a copy of a recruitment presentation that is on the Early College High School's website. On page 557 of your board book, that presentation says in the application process you will be notified of your acceptance or decline, which addresses questions regarding if there is in fact a selection process for students.
Page 554, which is also part of that presentation, in the section titled, Unique to ECHS, describes the maximum capacity of the school as 400 students, which speaks to the capacity question.

So in researching these items, there was some other information that I noticed that I wanted to bring to your attention. On page 524 of your book as part of the applicant's first appeal is the 2014-2015 school report card for the Early College High School.

Included in that report card is a section called Enrollment By Student Group. This speaks to three very specific groups of students that are tracked both at the school level and at the district level.

So economically disadvantaged students, 52.5 percent of the students at the Early College High School are economically disadvantaged, whereas at the district level, it's 73.75. English language learners at the Early College High School is 0.9 percent of the student body. Districtwide it's 14.4 percent.

Special education at the Early College High School student body is 1.6 percent of students are accessing those special education services. Districtwide it's 8.6 percent. I think that these variances in the composition of the student body speak to a selection process in a very specialized course of study. So that is
Regarding the Concerted Revitalization Plan, since the last board meeting, the applicant has provided a new resolution from the City of Harlingen identifying the development as contributing most significantly to the revitalization effort. You'll recall at the last meeting we talked about letters versus resolutions.

So we have received a resolution now. It was due on March 1 with the full application in order to be considered for the two points requested. The applicant has continued to contend that they followed their understanding of the requirement for this scoring item by providing the letter from the city manager.

Staff has included a copy in your board book at page 543 of this scoring item from the application. The applicant checked the box that says, Development is explicitly identified by the city or county as contributing most significantly to the concerted revitalization efforts of the city of county. A resolution stating such is provided behind this tab.

So the applicant acknowledged in the application that a resolution was needed. Staff has consistently applied provisions from the Multifamily Rules that do not allow applicants to add documentation to the application after the deadline. So we do not feel that we
can accept this resolution at this late date in order to award those two points.

Regarding Historic Preservation, this is 11.9(e)(6), it says in part, Developments that qualify for one or three points under Educational Excellence that has received a letter from the Texas Historical Commission determining preliminary eligibility for historic or rehabilitation tax credits and is proposing the use of historic rehabilitation tax credits whether federal or state, may qualify to receive three points.

So Historic Preservation is a five-point item if you're getting five points on educational excellence. If you're getting one point or three points on educational excellence, you can only get three points on historic preservation, so --

MR. OXER: I have a question on that.

MS. HOLLOWAY: Yes.

MR. OXER: Why is it that way? Why did we do that?

MS. HOLLOWAY: I am not able to answer that question.

MR. OXER: I understand that that's the rule. I don't --

MS. HOLLOWAY: It is the rule that we're living with. It certainly is something that we can take up and
discuss --

MR. OXER: Right. But it's still the rule. I understand that.

MS. HOLLOWAY: -- for next year's rules, yes.

MR. OXER: Right. So okay.

MS. HOLLOWAY: All right. Because the Early College High School clearly has a selective application process and has a limited capacity so that students are not assured the ability to enroll, staff recommends the Board deny the applicant's appeal of this item.

Further, because the application is eligible to receive only three educational excellence points, staff recommends the Board deny the applicant's appeal regarding historic preservation where they are limited to three points rather than the five requested.

Further, because the applicant has not timely provided the resolution required for two points under Section 11.9(d)(7)(a) Concerted Revitalization Plan, staff recommends denial of their appeal.

MR. OXER: So the staff recommendation that encompasses all of these points, I assume that --

MS. HOLLOWAY: Uh-huh.

MR. OXER: -- in the competitive nature that this program represents, any one of those losses puts them out of the winner's box.
MS. HOLLOWAY: I believe so.

MR. OXER: Okay. So there's no reason to take them up individually. It's up or down one way or the other.

MS. HOLLOWAY: Well, and I believe that the applicant has some folks here to address particularly the school issue.

MR. OXER: We'll get there. Okay. Any questions for Marni?

MS. BINGHAM ESCAREÑO: I just have a question, clarification. On the points for Revitalization Plan --

MS. HOLLOWAY: Uh-huh.

MS. BINGHAM ESCAREÑO: -- the resolution?

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: The 11.9(d)(7)(a), is that a two or nothing?

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: It's either a pass/fail; in other words --

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: -- two or none?

MS. HOLLOWAY: Concerted Revitalization is actually a six-point item in total. The applicant did provide the information that gained them four points.

MS. BINGHAM ESCAREÑO: Four.
MS. HOLLOWAY: But this is the extra two.

MS. BINGHAM ESCAREÑO: Gotcha.

MR. OXER: Okay. Any other questions for Marni?

(No response.)

MR. OXER: And before we have public comment, which we see a request there, we'll have a motion to consider.

MR. GOODWIN: I move that we consider.

MR. OXER: Okay. Motion by Mr. Goodwin to approve staff recommendation on Item 5(a) for Application 16029.

MR. GANN: I'll second.

MR. OXER: Okay. A second by Mr. Gann. Okay. There appears to be a request for public comment, so come up, state your name. Make sure you sign in. You got three minutes.

MS. BURCHITT: Sally Burchitt, Structure Development. Good morning, Board. Thank you for your time. I will be brief. We discussed last time the QAP asked for explicit identification from a city, lower case C. And we have a letter from the city manager, the Chief Administrative Officer.

The QAP also requires a resolution by the governing body that approved the plan. I put in the
resolution from the governing body that approved the plan.

It's not abundantly clear that that's what you were asking for. Furthermore, the City amended the original resolution recently and submitted it.

This project right now has 155 points, and Region 11 has $5.3 million. The top three spots together are $4.2 million. And should this project be competitive in nature, it would not affect any of the other applicants in Region 11.

MR. OXER: Okay.

MS. BURCHITT: Thank you.

MR. OXER: Thanks, Sally.

MR. BOZWELL: Good morning, Mr. Chairman and members of the Commission. My name is Chris Bozwell. I'm the mayor of the City of Harlingen, and I'm here to speak in support of the appeal this morning. The -- this project is of extreme importance to the City of Harlingen and has been for many years.

In fact, I stood for re-election last month in large part to make sure that this project gets done in our community. It actually became an issue in the election. I had three opponents and managed to win the election with 70 percent of the vote. And I say that not to brag -- I'm bragging a little bit; 70 percent has a nice ring to it.

(General laughter.)
MR. BOZWELL: But I say it primarily to let you know that the community is definitely behind seeing this project happen. It'll have an enormous impact on the core of our downtown, an enormous economic impact on our community.

It will have an impact on the standpoint of bringing people into that downtown area to reside, and that's what we want to see in our community. It'll provide the opportunities for people that don't exist today.

And so the substance of this is that this is certainly a top revitalization priority for the City of Harlingen and has been for many years. We see an opportunity now with this developer partner to realize a dream to restore a building built in 1927 which was the tallest building in the Rio Grande Valley for many, many years.

It's still the third tallest building in the Rio Grande Valley. It needs to have this application granted. Thank you.

MR. OXER: Thank you, Mr. Bozwell. Ms. Bast, you're busy this morning.

MS. BAST: I am. Thank you. Cynthia Bast of Locke Lord. We do represent the applicant on this appeal. And I will be very brief because at our last -- first of
all, I'd like to say that because the historic points come with or without the educational excellence, I don't know that they need separate consideration, but I think there may be some merit in looking at the educational excellence question and the community revitalization question separately.

As you'll recall, last time I addressed the educational excellence question. And again, focusing us on the rules, the language we're looking at is that in district with a districtwide enrollment, an applicant may use the rating of the closest elementary, middle, or high school which may possibly be attended by the tenants.

And so the argument here under this rule is that as to high schools because of the performance of the two zoned schools, this district has districtwide enrollment for the two high schools because any student can -- can enter any of the high schools including this Early College High School. And therefore, that is the one that should be considered because it may possibly be attended by the residents.

So we know that at the last meeting there were some very good questions -- I'm sorry Dr. Muñoz is not here -- about how this districtwide enrollment works, how the applications work, the accessibility of these programs, transportation.
Dr. Arturo Cavazos, the superintendent, followed up with a letter to you all that you will find in your board book at page 534 of the PDF. But no better way to address those questions than to have him here in person.

We appreciate that he's traveled here to talk to you about how he believes his district fits with this particular rule regarding districtwide enrollment. So I will yield the podium to him.

MR. OXER: Great. Thanks, Cynthia.

MS. BINGHAM ESCAREÑO: May I -- Mr. Chair, may I ask Cynthia a question --

MR. OXER: Sure.

MS. BINGHAM ESCAREÑO: -- just really quickly. So just so that -- since we'll be --

MS. BAST: Yes, ma'am.

MS. BINGHAM ESCAREÑO: We'll be down to brass tacks here in terms of points. Were you basically saying that because unfortunately it appears that some of the historic preservation points are tied up with the educational excellence, that you're choosing right now to not try to pursue that, that it kind of is what it is and --

MS. BAST: Right. I'm not saying that we don't want to pursue it. What I'm saying is --
MS. BINGHAM ESCAREÑO: Gotcha.

MS. BAST: -- we believe for educational excellence that those two points should be awarded. Thus, if those two points are awarded, the historic will come along with it, so we don't know that we need to independently argue that.


MS. BAST: Thank you.

MR. CAVAZOS: Good morning. I'm Art Cavazos, the superintendent of schools for Harlingen. I feel like I'm before the principal, you know, office and --

(General laughter.)

MR. CAVAZOS: -- now I'm being called to the principal's office.

MS. BINGHAM ESCAREÑO: That's right. Payback.

MR. CAVAZOS: I know. So --

MR. OXER: If they knew how many times I had spent time at the --

MR. CAVAZOS: Right.

(General laughter.)

MR. CAVAZOS: So I'm the superintendent of schools. This is my fifteenth year, finishing my fifteenth year in Harlingen. This is starting my fourth year as the superintendent of schools. Prior to that, I
was the deputy superintendent of transformation, and I am the brainchild of Early College High School and the School of Health Professions. And so who else to speak about our transformation than myself.

In 2010, the community came together and supported a bond election which resulted in us building a ninth-grade academy. And so any student -- we don't serve ninth graders at the high -- traditional high schools. We serve them at a ninth-grade academy. We have about 1,200 students there. We also built a School of Health Professions. In 2015, we passed our tax ratification election, again, a symbol of the community coming together to modernize all our schools throughout the district.

So a couple of points that I'd like to make and then answer any questions that you may have. We have been in a transformational journey in HCISD, individualizing our programs for students and really focusing on advising students as we move to educating them for college and workforce readiness.

I am in full support of the appeal being submitted. We have a very close-knit community. We take pride in the work that we do in our school systems. I mentioned the ninth-grade academy only to say that we are the only school district in the state of Texas that has a ninth-grade academy that feeds into two comprehensive high
schools. Normally you have one per comprehensive high
school, so it's a very unique structure.

We are in a transformational journey to
individualizing instruction. Early College High School --
I will make a point that was made earlier. Early College
High School does have a capacity of 400, but I can tell
you that we have applied and have been receiving Early
College High School designation districtwide. And what
happens is that when given a chance and an opportunity,
kids choose to stay at their comprehensive high school.

And so we are right in the mix of expanding our
program offerings at the Early College High School, which
means we will be building additional capacity with a
partnership with TSTC. I say that because Early College
High School is very unique. We offer five associate
degree opportunities for students. We try and target
students who are first-generation college graduates.

We started the program with a grant application
through the Texas Education Agency that allowed for the
partnership to be formed. So we're attempting to make
certain that we do our efforts to break the power of the
cycle, get first-generation college graduates through our
pipe system.

I am a first-generation college graduate.
There are six of us. At one time there were three
practicing superintendents from my family throughout the state of Texas. We take this work very seriously, and so I'm here to answer any questions you have about my dynamic school district.

MR. OXER: Thank you, Dr. Cavazos. Any questions?

MS. BINGHAM ESCAREÑO: Yes, sir.

MR. OXER: Okay. Ms. Bingham?

MS. BINGHAM ESCAREÑO: So Ms. Holloway brought up a few percentages, did some research, and kind of uncovered what looked like some disparities between what the general high school population looks like and then what Early College High School. And I'm going to do this poorly, and I wish Dr. Muñoz was here, because I'm sure he'd do a much better job.

But we could make some assumptions about that that there might be a little bit of weeding out, or you could tell us that that's not necessarily a huge surprise because students and families self-select, right. So the disparities could be reflective of weeding out, at which point we would want to know are you guys doing that. Or it could just be reflective of how many families and students are choosing to stay in a mainstream high school versus going to an Early College High School.

And that may be because you're still working on
kind of awareness and dispelling myths or it might be based on the course offerings and people choosing to either participate or not. Do you have any thoughts in general about the disparities that Marni brought up?

MR. CAVAZOS: So I'm going to try and address it two ways. Number one is it's a program-specific campus. It's to attain an associate's degree. Very often that is a dream for a lot of people, and it's hard to make that leap to it being a reality, number one.

Number two, it is self-selection. And oftentimes, people will shy away from going to a school separate and apart from their comprehensive high school. There's a lot of, you know, spirit at our comprehensive high schools.

For example, when we had this opportunity for people to go to another school as a result of this IR, I have over 1,800 students at Harlingen High School. I had a little less than 30 people, if I did my numbers correct, even choose to go somewhere else. And I had zero choosing to go to Early College High School because it's a specialty program, number one, in the sense that it's a very -- it's an associate's degree.

I am proud to say that we're going to expand that to add Certificate 1 and Certificate 2 programs aligned with our workforce needs. And so I expect that...
there will be more interest and more students and families choosing that.

But we also are ECHS designated at the high schools. So we also offer dual credit programming as early as ninth grade at our traditional campuses. And so parents choose to stay at the comprehensive high schools.

Here’s the key to every decision that’s made. We do everything we can to ensure that we’re providing advisement to every family as they’re making these decisions, because opening a transcript as early as ninth grade comes with some great opportunities but also comes with some risks.

And so our advisement and our counseling department as well as our administration plays a vital role as, you know, parents and students begin to determine what’s my journey in the Harlingen public school system.

MS. BINGHAM ESCAREÑO: I have one more question. So Ms. Bast quoted the language I think which was "may possibly be attended," I think. Was that it?

MR. ECCLES: Possibility for --

MR. OXER: Say it again. Quote the citation, Beau. Can't you do that?

MR. ECCLES: It's Section 11.9(c)(5)

Educational Excellence. An attendance zone does not include schools with districtwide possibility of
enrollment or no defined attendance zones sometimes known as magnet schools.

MR. OXER: One more time.

MS. BINGHAM ESCAREÑO: And maybe could Ms. Bast come back up? Are you guys quoting the --

MS. BAST: Yes, ma'am. Cynthia Bast. What is the question? I'm sorry.

MS. BINGHAM ESCAREÑO: Are you guys quoting the same thing? So you -- I thought I wrote down "may possibly be attended" --

MS. BAST: Uh-huh.

MS. BINGHAM ESCAREÑO: -- but Beau's reading something a little different. Are you guys reading the same thing or not?

MS. BAST: He's reading the first sentence. I'm reading the second sentence.

MS. BINGHAM ESCAREÑO: Okay.

MS. BAST: I believe, Beau. Right?

MR. OXER: But since --

MS. BAST: We're in the same place.

MR. OXER: Yeah, but since the rule has to be considered comprehensively, as I recall, Counselor. Read all of them together and not one at a time.

MS. BAST: So -- so -- so the point is that we're trying to make here is that because of the IR status
of the two zoned high school -- forgive me if I'm not using the correct phrase -- we have districtwide enrollment as to the high schools with all high schools being fully accessible with free transportation.

Thus, since it's districtwide enrollment by the second sentence I read, the Early College High School can be considered for its rating because this is all about the rating of the schools.

MS. BINGHAM ESCAREÑO: Let's try this.

MR. OXER: So --

MS. BINGHAM ESCAREÑO: Stay up there, Cynthia.

MS. BAST: Okay.

MS. BINGHAM ESCAREÑO: Thank you. Mr. Chair --

MS. BAST: I keep trying to run away.

MR. ECCLES: I think a duet's about to happen.

MS. BINGHAM ESCAREÑO: There you go. There you go. Okay. So I'm going to ask a question and then you guys tell me if I'm -- if it's the correct question relative to this -- to this requirement.

Superintendent Cavazos, is there any student that may not possibly attend Early College High School? Is there any student --

MR. OXER: Let me add -- and I understand your point --
MS. BINGHAM ESCAREÑO: Yes, sir.

MR. OXER: -- Leslie, because we came down last time if I recall this correctly -- it came down last time because of the limitation, there were only 400 on this and there was a limitation and there were criteria to get in on the selection process. And you're saying that was a self-selection process. Is there -- the question was did every student in the district have access to that ECHS?

MR. CAVAZOS: Every student in the district has access. I think the important part is this whole IR thing. As a result of the IR, upon apparent making a note that they would like to attend ECHS, then it is a transfer request to ECHS. Again, the key part there is individualized advisement, because they need to understand what that program is.

MR. OXER: Right.

MR. CAVAZOS: And I think the other question was is there districtwide enrollment. And so under the PEG Rules, which is the Public Education Grant Rules, that a parent cannot ask for a transfer to another PEG school. Does that make sense? Or Harlingen High School students cannot ask for a transfer to Harlingen High School South because it's also under IR status.

So that's why we're focusing on ECHS. I hope I didn't further muddy the waters, but I think that's --
MR. IRVINE: So if I'm living in this
development and I'm the parent of a student with perhaps a
learning disability and you would advise that student that
this would not be an optimal curriculum for them, may I
still as a matter of right enroll my student in that --

MR. CAVAZOS: As a result of the IR
designation, the answer is correct, yes.

MR. IRVINE: Okay. That's -- that's the thing
I wanted to know.

MR. GANN: Let me ask. I had one question too.

MR. OXER: Mr. Gann?

MR. GANN: Now, if all of them ask, you're
under a little pressure there, are you not? I'm asking
you that question. If all of them ask, you don't have the
capacity, but that's not what really happens.

MR. CAVAZOS: That's correct.

MR. GANN: Okay.

MR. CAVAZOS: And I think I can add to that.
The statute is very clear that if all of them were to ask,
then the district is required to accommodate to 100
percent capacity.

MR. GANN: Okay.

MR. CAVAZOS: Whatever we --

MR. OXER: You got -- basically you've got
surge capacity?
MR. CAVAZOS: That is correct.

MR. GANN: That's my second question.

MR. OXER: Okay. That's my --

MR. CAVAZOS: That is correct. And so --

MR. GANN: That's part of the plan.

MR. CAVAZOS: The statute is very clear to that. Now, again, that's why I offered the numbers. I have 1,800 -- over 1,800 students. I had 30 that requested, zero to ECHS, 30 to Harlingen School -- Harlingen High School South. Now, so I hope I answered your question.

MR. GANN: You did.

MR. CAVAZOS: That is -- that is the --

MR. OXER: You answered mine. Any other questions from the Board?

(No response.)

MR. OXER: Any other requests for public comment?

(No response.)

MR. OXER: You guys know where to sit if you want to talk, don't you? Geez. You're not rookies here. Thank you.

MR. CAVAZOS: Mr. Chairman, members of the Board, thank you for --

MR. OXER: You're quite welcome.
MR. MUSEMECHE: Good morning, Chair, Board members, Mark Musemeche. Unfortunately, I have to wear a black hat. We represent one of the developments that's competing in the region, and no doubt we'd be adversely affected if you choose to go with staff recommendation.

I guess listening to the conversation, my concern's really about the integrity of the rule, and it's not about the merits of Early College. It's not about the merits whether or not there's capacity or transportation. It's about our rule that exists today, and that rule clearly says you must use the school zoned to your site.

And so the problem that I see is is that if a child living in Baxter Lofts for whatever reason doesn't want to go to Early College, then they're going to go to Harlingen High School, because that's the zoned school to the site, and that's what our rules require. And so unfortunately, that's the problem.

And so until that school changes its MET standard rating or its index score, it's not competitive. It's not competitive under the program today. And so that's really the essence of the rule here.

Also, just to put it out there, there's 1,300 applications competing in Region 11. Twelve of the 13 had no problem finding sites that were high opportunity. Twelve of the 13 had no problem finding sites where all of
the schools zoned to those sites by right meet the full points for educational excellence.

So, in addition, there's other schools in the Valley that don't have MET standard ratings. They don't have index scores that meet the criteria. Other districts like McAllen and Brownsville with competitive applications have Early College curriculums.

So sadly it's not just an isolated hardship situation for Harlingen. There are opportunities down in the Valley. It's just this particular application's not competitive. So I ask you to basically please be consistent with your rules. It's a hard decision, but really here it's a black-and-white rule decision. And so I think when you're talking about policy, let's do it next year, but this year let's make sure rules are maintained.

Thanks.

MR. OXER: Thanks, Mark. Ms. Dula?

MS. DULA: Good morning.

MR. OXER: Welcome back.

MS. DULA: Thank you. Tamea Dula, Coats Rose.

I'm representing Mr. Musemeche. We heard about efforts to really improve the Harlingen schools, and the Early College High School sounds like a great one in the making. However, the issue that Mark brought up about following the rules also creates a question of the Fair Housing
implications of not following the rules.

We have these rules because of the desire to have the ability for any child in a project that is funded with the tax credits to by right go to a school that has met standards and in the Valley has an index score of at least 70 by right.

Now the Early College School is an optional school, and possibly students could go there if their parent applies or the student applies, if their counselors recommend them, if their teachers recommend them, if they write a good enough essay, if there are not more than 400 people or whatever the level of student population is going to be has not been met and if they maintain a GPA that is required for the program.

This is all set forth in the application and the educational materials regarding the school. That is last item in your packet under this requested appeal. So we are concerned that if you bend the rules here, which what you're actually doing is creating issues for other communities, for instance, Brownsville.

And we disagree with the comment that making this competitive by awarding five points wouldn't have any impact upon anybody else because the next project up would be Mr. Musemeche's in Brownsville. There are four projects or applications in Brownsville.
according to its ISD website, has seven high schools, all of them zoned high schools. Each one is an Early College High School.

So you have options here. If you follow the rules and if the next one up does get funded, then you've got a new community, a new project in the community where the children will by right go to high schools that have MET standards and where they will by right have the opportunity for the enhanced educational possibilities provided in the Early College system if they wish to pursue those.

The superintendent stated specifically that the schools in Harlingen feed into two comprehensive high schools, Harlingen High School and Harlingen High School South. That means that Early College is not a feeder school. It doesn't get the students from the lower grades, and it is an optional school. And we need you to recognize that and recognize that it does not meet the requirements in the QAP for these points. Thank you.

MR. OXER: So Tamea, your --

MS. DULA: Yes.

MR. OXER: -- the emphasis of your comment is that the -- in this case, the school that they're describing represents an option not a right?

MS. DULA: Correct. And it's an option that I
think the superintendent admitted that not every student's going to apply and --

    MR. OXER: Right. So it's an option, not a right, whereas the other high schools that you're -- each student has a right to be --

    MS. DULA: Right.

    MR. OXER: Okay.

    MS. DULA: And the student might possibly be at Harlingen High School or the student might possibly be at Early College High School, but they won't be at Early College High School unless they meet all the criteria.

    MR. OXER: Okay.

    MS. DULA: Thank you.

    MR. OXER: Another comment? Barry?

    MR. PALMER: Barry Palmer with Coats Rose. I just reinforce Tamea's comment that we believe that the rule is very clear on this that you get the educational points if you're zoned for a MET standard school. This does not qualify for the Baxter Lofts.

    And the interpretation that Ms. Bast put on the rule that if there's a possibility on a districtwide basis that you could go to a higher performing school, that would -- that interpretation would cause you to rescore every application around the state because there are a number of -- you know, in Houston you have districtwide
ability to go to the High School for the Performing Arts.

So every non-performing high school in Houston could come back and claim the points because there's a possibility that they could go to a other school within the district that met the standard. So I think the clear reading of the rule is that you don't get these points.

MR. OXER: Okay. Thanks, Barry. Any other questions from the Board?

(No response.)

MR. OXER: Any other questions, request for public comment?

Did you have something, Ms. Bingham?

MS. BINGHAM ESCAREÑO: Well --

MR. OXER: Microphone.

MS. BINGHAM ESCAREÑO: We spent a pretty good bit of time going over the interpretation of the rule. I guess maybe, Beau, would you be willing to weigh in on the dissenting comments?

MR. ECCLES: Well, I'm not going to weigh in and give a legal opinion that I express -- expect the Board to take. But perhaps Cynthia, if I could ask you a question.

MS. BAST: Yes, sir. Cynthia Bast.

MR. ECCLES: Cynthia, there are attendance
zones in Harlingen, and those would be the comprehensive high schools, Harlingen High and Harlingen South?

MS. BAST: Correct.

MR. ECCLES: And the development is slated to be put in one of those primary attendance zones?

MS. BAST: Correct.

MR. ECCLES: So is it your contention that the rule, when it mentions districts with districtwide enrollment, includes districts that have attendance zones?

MS. BAST: I understand your question, and I think the reason why we believe this fits as districtwide enrollment is because we have a very unique situation here in Harlingen only. You only have two zoned high schools, and both of them are IR. And so if both of them are IR and we're only using the zoned high schools, then you're not going to have competitive applications in Harlingen in the first place.

But with both zoned high schools being IR, that creates the situation that anyone zoned to those two high schools may now choose these other options that creates the districtwide enrollment on the high school level. We're not arguing there's districtwide enrollment on the elementary school or middle school level.

That's how we see it different than for instance the argument about Houston, that in Houston with
all of your zoned schools, you have some that meet
standard and some that don't. And for those that don't,
you do have options. And that's true, but we don't see
that as a true districtwide enrollment because in Houston
there are zoned schools that meet standard.

In Harlingen, you don't have a zoned high
school that meets standard. And that's why we believe in
this -- these facts apply to this rule indicates that
Harlingen therefore as district has a districtwide
enrollment for their high school. And I'm happy to let
Dr. Cavazos address any other facts of the district that
would be appropriate.

MR. OXER: Tim?

MR. IRVINE: May I pose a slightly different
question? Okay. As I understand it, if you are in the
attendance zone for your primarily zoned school, even if
it's over capacity, you have the right to go there, is
that correct?

MS. BAST: I will defer to the expert.

MR. OXER: Dr. Cavazos, I'll have to tell you.
You have to announce -- say who you are on the record.

MR. CAVAZOS: Art Cavazos, superintendent of
schools for Harlingen.

MR. OXER: There you go.

MR. CAVAZOS: I'm sorry.
MR. OXER: It's okay.

MR. CAVAZOS: Can you repeat your question?

MR. IRVINE: So if I'm in the attendance zone for Harlingen High School even if it's over capacity, do I have the legal right to go to that school?

MR. CAVAZOS: If I'm in -- if you're in the attendance zone at Harlingen High School --

MR. IRVINE: Right.

MR. CAVAZOS: -- and it's over capacity, do you have the -- yes.

MR. IRVINE: I have the legal right to go there?

MR. CAVAZOS: Uh-huh.

MR. IRVINE: If the college -- what's it called --

MR. CAVAZOS: Early College High School.

MR. IRVINE: -- Early College High School has the capacity of 400 and I'm going to want to go there, I'm going to apply to go there and it's at 450, do I have the right to go there? Or does -- on the other side, does the Early College High School have the right to tell me, We are over capacity; we cannot accept you.

MR. CAVAZOS: Let me see if I understand your question. So if I were to do a comparison of what you asked about Harlingen High School, if it's at capacity and
I still want to go there, by law I would let you go there, right --

MR. IRVINE: Right.

MR. CAVAZOS: -- or by district policy.

MR. IRVINE: Right.

MR. CAVAZOS: And so the reverse, if I want to go Early College High School and I am at 400 -- first of all, it would be great problem to have.

MR. IRVINE: Sure. Yeah. We're talking theory, not reality.

MR. CAVAZOS: Yeah. So we have not -- we are -- we have not encountered that issue. And so to answer your question, I don't see a capacity issue. However --

MR. IRVINE: Okay.

MR. CAVAZOS: -- the answer to that is at whatever point we determine we're 100 percent, by statute, we do not have to accept you.

MR. IRVINE: Got it.

MR. CAVAZOS: That's the answer. Any other?

MR. OXER: Any other questions?

(No response.)

MR. OXER: Is there any other request for comment?

(No response.)
MR. OXER: Apparently not. Okay. Marni, come
give us a quick -- just restate this. Restate the staff recommendation, please.

MS. HOLLOWAY: Certainly. Staff recommendation -- I'm Marni Holloway, Director of Multifamily Finance. Because the Early College High School clearly has a selective application process and has a limited capacity so that students are not assured the ability to enroll, staff recommends the Board deny the applicant's appeal of this item.

Further, because the application is eligible to receive only three educational excellence points, staff recommends the Board deny the applicant's appeal regarding historic preservation where they are limited to three points rather than the five requested.

Further, because the applicant has not timely provided the resolution required for two points under the Concerted Revitalization Plan item, staff recommends denial of their appeal.

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

(No response.)

MR. OXER: All right. With respect to Item 5(a) Application 16029, the motion by Mr. Goodwin, second by Mr. Gann to approve staff recommendation which is to
deny the appeal?

MS. HOLLOWAY: Yes.

MR. OXER: That is correct. Right? Motion by Mr. Goodwin, second by Mr. Gann to deny staff -- or to approve staff recommendation to deny the appeal. Those in favor?

(A chorus of ayes.)

MR. OXER: And those opposed?

(No response.)

MR. OXER: There are none. It's unanimous.

All right. We've been at it for a while. We're going to take a short break. It's now 10:25. Let's be back in our chairs at 10:45 and get started again.

(Whereupon, a brief recess was taken.)

MR. OXER: All right. Let's get back to work. Let's see, 5(a) we've taken care of. Teresa?

MS. MORALES: Teresa Morales with Multifamily Finance. Item 5(b) involves the issuance of multifamily revenue bonds by the Department for the acquisition and rehabilitation of two properties, Fifty Oaks Apartments in Rockport and Edinburg Village in Edinburg.

The financing structure is one that we've done before, most recently in February with Chisolm Trace and Cheyenne Village both in San Antonio. It involves an FHA 221(d)(4) loan, whereby the Department will issue a single
series of short-term tax-exempt fixed-rate bonds that will be collateralized with the proceeds of the FHA taxable mortgage loan for each property.

The bonds will remain outstanding through the rehabilitation period, estimated to be 13 months, and will then be paid off leaving only the FHA mortgage loan, while there will be one master trust and, to ensure there will be separate loan agreements, a bond regulatory and land use restriction agreements and deeds of trust specific to each property.

Staff held a TEFRA public hearing for both properties, and there was no one in attendance at those hearings. And no public comment has been received for either property. Staff recommends approval of Bond Resolution Number 16-017 in an amount not to exceed $7.4 million and determination notices of 4 percent housing tax credits in the amount of $157,918 for Fifty Oaks -- which is a correction to the amount stated in your board materials -- and $263,065 for Edinburg Village Apartments, both of which are subject to the conditions noted therein.

MR. OXER: So it's a pretty bread-and-butter deal straight up the fairway?

MS. MORALES: Correct.

MR. OXER: Okay.

MR. GOODWIN: Move for approval.
MR. OXER: Okay. Motion by Mr. Goodwin to approve the staff recommendation on Item 5(b). Is there a second?

MS. BINGHAM ESCAREÑO: I'll second.

MR. OXER: Second by Ms. Bingham as she shakes her head telling me yes. All right. No request for public comments. Motion by Mr. Goodwin, second by Ms. Bingham to approve staff recommendation of Item 5(b). Those in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. It's unanimous. Okay. Thanks, Teresa.

MR. IRVINE: 5(c) has been pulled from the agenda.

MR. OXER: 5(c) is pulled. Okay. Andrew, good morning.

MR. SINNOTT: Good morning.

MR. OXER: Welcome to the spot.

MR. SINNOTT: Good morning, Chairman Oxer, members of the Board. My name's Andrew Sinnott, Multifamily Loan Programs Administrator. This item would allow the application acceptance period for the 2016-1 Multifamily Direct Loan Notice of Funding Availability to
be extended through August 31, 2016.

To date, we've received applications requesting more than what is available in the NOFA; 30 million requested, approximately $23 million available. Of those requests we have awarded a little over to $2 million leaving nearly $21 million available. Applications that are currently under review are requesting a total of $20.3 million leaving over $500,000 -- potentially leaving over $500,000 available.

Assuming real estate analysis, staff makes downward adjustments to a few of those requests, which it sounds like they will, we could end up with approximately $2-1/2 million in funds remaining available. To help ensure that applicants have time to apply for those funds should that amount be available, staff is recommending the application deadline be extended through August 31.

MR. OXER: We're just allowing a little more latitude for folks to get in because you said there were $30 million --

MR. SINNOTT: Right.

MR. OXER: -- that was requested and 23- that was available --

MR. SINNOTT: Right. And --

MR. OXER: -- so where's that -- where's that discrepancy coming in?
MR. SINNOTT: So the applications that are currently under review are requesting a total of $20.3 million, which there are several applications that are not prioritized for review. You'll see in the application log.

MR. OXER: Okay.

MR. SINNOTT: So those are all -- those are several 9 percent layered applications.

MR. OXER: Okay.

MR. SINNOTT: So if we have -- if, you know, the downward adjustments that REA sometimes makes to these requests happens, we're anticipating that $20.3 million requested number or recommended number to move down potentially to a little under $19 million.

MR. OXER: So you got maybe --

MR. SINNOTT: $2-1/2 million --

MR. OXER: -- five-four, five-eight percent that REA knocks off occasionally --

MR. SINNOTT: Sure.

MR. OXER: -- or just adjust downward as opposed to --

MR. SINNOTT: Exactly.

MR. OXER: Okay.

MR. SINNOTT: So yeah, we're looking at potentially $2.5 million in funds remaining available.
MR. OXER: So this is just extra money that's going to be available out of a note that was previously presented and you need some more time to make sure applicants have a chance to apply for it.

MR. SINNOTT: Correct. And especially given the commitment expenditure deadlines that we're up against --

MR. OXER: Sure.

MR. SINNOTT: -- in coming years.

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

MS. BINGHAM ESCAREÑO: Motion to approve.

MR. OXER: Okay. Motion by Ms. Bingham to approve staff recommendation on Item 5(d).

MR. GOODWIN: Second.

MR. OXER: Second by Mr. Goodwin. No request for public comment. Motion by Ms. Bingham, second by Mr. Goodwin to approve staff recommendation of Item 5(d).

Those in favor?

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none. It's unanimous.

MR. SINNOTT: Thank you.

MR. OXER: All right. Before we get to --
Marni, you're going to have the next two items because we want to -- all right.

Raquel, I think you've got the next one, because we -- have you had a chance to meet with Mr. Johnson?

MS. MORALES: Yes, sir. Raquel Morales, Director of Asset Management. Yes, we did have a chance to meet up outside, and he did pull up the information that he had with respect to the AIA contract; you know, looked through that to see that, you know, he does have the funding there available. I believe he showed me that 12th or 13th draw, so we know that that work is progressing.

It would have been helpful -- you know, it could have been helpful to have that information, you know, previously.

I don't know that it would have had any bearing or, you know, it could have had a bearing on the committee's decision. But I mean, I did review it. I don't know if you have questions about it or --

MR. OXER: No, I just wanted to make sure, because we had tabled this until he had a chance --

MS. MORALES: Sure.

MR. OXER: -- to talk with you, and --

MS. MORALES: Sure.
MR. OXER: -- we wanted to hear that you -- you're satisfied that he has the financing to make this work.

MS. MORALES: Yes, he did show me that.

MR. OXER: Okay.

MS. MORALES: He does have that in place.

MR. OXER: So then it's a question of, this being a renovation project, he's got in there and found a few things. So it sounds like he found a few things, tore down a few walls, and there were some more things he had to do --

MS. MORALES: Right.

MR. OXER: -- which is, you know, fairly predictable in a renovation project. So he's behind about four months, but he's caught up some?

Is Mr. Johnson here?

MR. JOHNSON: Yes.

MR. OXER: Okay. Is there any -- does any other Board member have any other questions?

MR. GANN: Does it change our recommendation?

MR. OXER: Would the -- now the question is from you, Raquel, does the information that he presented change your recommendation or change what you -- hold on a second. Let me get this right. You right now represent EARAC. Tom Gouris is dragging his tractor up to the ranch
here.

(General laughter.)

MR. OXER: You're welcome.

MR. GOURIS: Tom Gouris, Deputy Executive Director. I mean without conferring with the rest of the EARAC members and having a meeting of EARAC, we'd be hard pressed to speak on their behalf. And certainly, you know, as a member of EARAC, it would have had an influence on my own personal position on it, but I'm just one member.

MR. IRVINE: I think I could actually sort of foreclose the EARAC discussion. The statute assigns to me the responsibility to approve or deny an ownership transfer request, and it says I may not deny it if -- unless there's a good cause to deny it. To me this information would sort of address that good cause concern, and if I'd had all this information, I believe I would have approved it.

MR. OXER: Okay. That's the answer I was looking for.

MR. GOODWIN: I'd like to withdraw my motion.

MR. OXER: Okay. The motion -- let's back this up here for a second, because there was a motion by --

MR. IRVINE: This is Item 4(a) on the agenda.

MR. OXER: Right. Item 4(a). There was a
motion, a second by Mr. Gann, a motion by Mr. Goodwin.

MR. GANN: I withdraw my second, too.

MR. OXER: Each withdraw their activity. So we are now back to considering Item 4(a). Is there a motion to consider? Since the table is now clear, we start over with Item 4(a).

MS. BINGHAM ESCAREÑO: Yes, sir. Mr. Chair, I would like to make a motion to approve the requested ownership transfer of Sea Breeze.

MR. OXER: Okay. A motion by Ms. Bingham to approve -- this is -- because this is opposed to the staff recommendation, and --

MS. BINGHAM ESCAREÑO: I just don't like to word it that way. I think -- I mean, sorry.

MR. OXER: I know. We have -- that's fine.

MS. BINGHAM ESCAREÑO: Sorry. Yeah. Just I think staff was trying to use -- EARAC was trying to use its best judgment to not --

MR. OXER: On the information that it had.

MS. BINGHAM ESCAREÑO: -- you know, put our funds and our responsibility at risk. But I think that we've heard mitigating reasons to reconsider. Therefore, I don't like saying to oppose staff's recommendation.

MR. OXER: I understand that. The reason I state it that way is because --
MR. IRVINE: I recommend it.

MS. BINGHAM ESCAREÑO: Okay. Oh, okay.

MR. IRVINE: I'm recommending approval.

MS. MORALES: That's is right.

MR. IRVINE: Okay, good. Can I revise my motion?

MR. GOODWIN: Second.

MR. OXER: So staff recommends -- at this point staff recommends approval as modified.

MR. IRVINE: Yes, sir.

MS. BINGHAM ESCAREÑO: Okay.

MR. OXER: Okay. That's the right answer, because staff recommendation we have to state why there's a mitigating purpose us opposing --

MS. MORALES: Yes, sir.

MR. OXER: -- staff recommendation. Is that not correct, Counselor?

MR. IRVINE: That's correct.

MR. OXER: Okay. All right. Staff now recommends approval of staff recommendation on Item 4(a).

Ms. Bingham so moved.

MS. BINGHAM ESCAREÑO: Yes, sir.

MR. OXER: Do I hear a second?

MR. GOODWIN: Second.

MR. OXER: And there's a second by Mr. Goodwin.
Okay. I don't see anybody wanting to talk. So motion by Ms. Bingham, second by Mr. Goodwin to approve staff recommendation as modified in conference during this meeting. Those in -- nice timing on the ring there -- those in favor?

(A chorus of ayes.)

MR. OXER: And those opposed?

(No response.)

MR. OXER: There are none. Congratulations, Mr. Johnson, and thank you for the work that you do.

MR. JOHNSON: Thank you so much.

MR. OXER: Okay. Now we've swept that little item. Marni, I think you've got the last one.

MS. HOLLOWAY: Yes, I do.

MALE VOICE: Main course.

MR. OXER: We've left you all afternoon to talk about this.

MS. HOLLOWAY: I don't think it'll take that long.

(General laughter.)

MS. HOLLOWAY: It might, but it won't be me doing the talking. So Item 6 is report and discussion regarding a number of specific policy objectives that will be used for the development of the proposed draft of the 2017 Qualified Allocation Plan, the QAP, and the proposed
draft of the related rules governing the administration of multifamily programs.

So as we've discussed previously, we've been going through this process of meeting every month and talking with the development community and talking with stakeholders about the next QAP. The report item that we're presenting today starts to gel some of those ideas.

I need to make it very clear this is not a staff draft.

This is not -- you know, we're not saying that this is the language that's going to go into the QAP. This is topics that we would like to have the Board's input and have the community have an opportunity to have that conversation also.

MR. OXER: So there's no action expected of the Board on this, and this is for a policy discussion?

MS. HOLLOWAY: Yes.

MR. OXER: Okay.

MS. HOLLOWAY: Absolutely. So there are three broad topics to be discussed today. One of them is opportunity and choice; the second is dispersion; the third is educational acceptability and educational excellence.

So starting with opportunity, in recent years, the QAP has had sort of a three-pronged approach to high opportunity areas, and we've been looking for high income,
low levels of poverty, and high quality schools. One of
the ideas that surfaced that we'd like to discuss today is
moving away from this three-pronged approach to a larger
menu of items that can be used to describe areas of high
opportunity.

The other question that's coming up is how to
measure those areas. We haven't been using census tracts
for income and poverty levels but also recognize that that
census tract line doesn't necessarily limit the
opportunity to that area, and people may not live and work
in the same census tracts. People travel back and forth, and there's a chance for that opportunity to be accessed
even if you don't live in that census tract.

So we've talked about using clusters of census
tracts. We've discussed public use microdata areas, which
is something that we're exploring. We may need to invest
in some other technology in order to effectively use that
source, or radius measurements have also been discussed.

So there is a list of opportunity items that we
have been tossing about that's in your board book, and
I -- we can go through that list. I don't know if you've
had an opportunity to review, if you have any comments or
questions regarding those items, anything else that you
would like to see us add, anything that doesn't make sense
to you.
MR. OXER:  I'd like to see you have just for the purposes of building a record in addition -- we understand this is in the board book --

MS. HOLLOWAY:  Uh-huh.

MR. OXER:  -- and it adds to record on the discussion, but is there a summary that you can make on each of those items?

MS. HOLLOWAY:  On each of these?  Well, there's a list.

MR. OXER:  I know.

MS. HOLLOWAY:  A summary on each of them, not so much.  We can just go through the list and discuss what's there.  So number one is a census tract in the first quartile of income for --

MR. OXER:  Let's do this.

MS. HOLLOWAY:  Okay.

MR. OXER:  All right.  Everybody that's out there in the community that wants to speak, is there anybody out there in the community that wants to speak on this item, contribute?

Everybody has had an opportunity, as I gather, to participate in these workshop discussions.

MS. HOLLOWAY:  Uh-huh.

MR. OXER:  And you've had six, eight, too many?

MS. HOLLOWAY:  Six I believe at this point.
MR. OXER: And everybody who wants to speak on this or any of these topics get up here and get in the front row. Golly, you're all so shy. I had to ask you to come up here.

(Pause.)

MR. OXER: Okay. Are there any questions from the Board about this item?

Tim, did you have any comments that you wanted to add to Marni's discussion?

MR. IRVINE: Sure.

(General laughter.)

MR. OXER: It's not like I don't offer you an opportunity to speak or you don't have one.

MR. IRVINE: One thing I would say is that there are a lot of great ideas in concept, but the devil is always in the details. And it comes down to can you define this particular element with enough clarity and supporting public data that anybody can access that there's no ambiguity as to whether you meet the point item or you don't meet the point item.

And some of these are real simple, like I can tell if there's a full-service grocery store by cruising the neighborhood and seeing if there's a full-service grocery store. Some of them are a little harder. For example, I can't tell you if a particular area is
undergoing a certain level of job growth or not.

So I think this is a plea for ideas for
objective publicly available data and good measurements
that define these things. The other thing I'll say is I
did a little bit of driving in areas that we would all
regard as high opportunity areas, and I tried to look for
recurring characteristics in those areas. You know, what
sorts of things were there?

And the list that you see at the end of this
exhibit is a lot of those things. I mean it's no secret,
for example, that there are certain national retailers
that choose sites for very specific reasons. And the fact
that one of those retailers has plunked one of their
establishments down there says something pretty strong
about that area.

MR. OXER: Sounds like somebody did the
homework for us.

MR. IRVINE: Yeah. Exactly. Kind of like back
in the '70s, you know, if you were going to put a branch
bank in Texas, you wanted to find the nearest McDonald's,
you know. It was that simple.

So anyway, we're trying I think to see if the
idea of a broader list of attributes of opportunity makes
sense. We're I think also really concerned that the
concept of the census tract is a little bit limiting
especially when you look at the fact that, you know, if there's a new census tract right across the street, that shouldn't you really take that into account and doesn't it really make more sense since the vast majority of tax credit folks have transportation mobility, you know, that you'll look at a reasonable radius where people would look for things.

There's some things that you expect to be very close, you know, like a grocery store. There are some things that I think it's highly desirable that they maybe not be right next door but they be within a few miles.

For example, I think it's great to be within a few miles of a hospital. You know, if I have something happen, I want that --

MR. OXER: I think Ms. Bingham would concur with that.

MS. BINGHAM ESCAREÑO: I think that's --

MR. IRVINE: -- an ambulance to get there quickly, but I really don't want it right in my neighborhood.

You know, this is just the beginning of a kind of an in-depth, I hope, discussion of some of these ideas and the solicitation of improvements. And, you know, if somebody has legitimate concerns that this is going a bad direction, explain what your concerns are.
MR. OXER: Okay. This is a policy discussion, and I'll remind everybody that this is a discussion. This is not a draft. This is not a -- there's some things we're exploring, so your position pro or con, whatever it is, doesn't negate the possibility of this being added to redacted from whatever comes out of this year's QAP for next -- for the 2017 version of the QAP.

Okay. Does anybody have any questions for Marni? Anybody on the Board?

(No response.)

MR. OXER: Okay. Then have a seat, Marni --

MS. HOLLOWAY: Okay.

MR. OXER: -- and we'll see what everybody else has to say.

Janine, you're up first.

MS. SISAK: Hi, good morning everyone. I'm Janine Sisak. I'm here today on behalf of the TAP QAP Committee. And I have attended most of the roundtables that staff has had, and I really appreciate just the extra, first of all, the early start on the policy discussion and the extra meetings we've had on a subject-by-subject basis that really allows us to kind of dive deeper into the issues than we -- we've been able to do for the last couple of years.

So I appreciate that, and I really appreciate
staff's willingness to consider more of a menu item approach to high opportunity, because in I think most people's opinions that that work under this QAP, this kind of three-pronged approach which looks at income, poverty, and schools just really isn't nuanced enough for the state of Texas because of our diversity of communities and really a lot of kind of economic -- huge economic diversities within the region.

So we really appreciate kind of an open mind to a different approach and really appreciate Tim's time because I know that you have done a lot of thinking on this and drafting yourself. Specifically, you know, the TAP QAP Committee has come up with a concept that's similar than this, but it's kind of a two-pronged concept because, you know, we see two big problems.

One is that the census tracts, it's so black and white in terms of what can score competitively and what can't that a lot of developers are flocking to the same census tracts, and that's driving up land considerably and just making that whole process super competitive even before you start the super competitive process of applying for 9 percents. So that's one problem.

And then the other problem is, you know, that developers are finding sites kind of more on the outskirts.
of town that aren't connected to existing infrastructure
in terms of sidewalks, stores, banks, you know, just kind
of keeping people connected in the place where -- in a
place where multifamily development is appropriate.

So kind of seeing those as two problems, our
approach was more kind of a two-pronged approach, which
was looking at the income and poverty rates just as kind
of a threshold level of opening up some census tracts to
the competition and then nuancing those points based on
kind of real estate attributes.

And we came up with a list that has some
overlap with the list that's in the board book, but we
really focused our list on items that would really --
would focus more on educational enrichment.

So a lot of our menu items had to deal with,
you know, being their higher ed in addition to having a
good elementary school. That was definitely one of the
items, and it was actually a kind of required item for
general housing in particular.

But public libraries, public parks, you know, a
bike-share program, a farmer's market, you know, real
stuff that could, you know, maybe had an educational
component or being their technical school or having a day
care with a Head Start Program. So our list was really
focused on that.
And looking at the list today, I mean I think there's a lot of overlap, but as Tim said, the devil's in the details. I mean I just kind of disagree with some of them, but I know that it was -- you know, you have to pick three out of five. So we don't need to be by a golf course. I just, you know, golf course doesn't really seem like an -- I know it's an indicator of a high opportunity area, but it doesn't seem like something a typical tax credit resident would use, not to generalize.

So we're happy to continue the discussion. We need to dive into the details. And some of this stuff with regard to educational -- you know, where you're looking at educational excellence, some of those concepts in there I think are good concepts, but we didn't talk about them in the roundtable.

So I hope there's another opportunity to talk about some of those ideas because there are some new ideas in here that I think are worth talking about but we haven't had a chance yet even though we've had a whole roundtable in educational excellence. So those are my thoughts. I'll sign up and move on. Thank you.

MR. OXER: Thanks, Janine. Next?

MR. DUNCAN: Good morning, Board. My name's Charlie Duncan. I'm with the Texas Low Income Housing Information Service. Thanks, Tim, for inviting me to this
and bringing this to my attention. I just flew back in from the Valley, so I haven't really had a chance to prepare comments. But I have been participating in the roundtables that we're referencing right now, and we've also been working with Janine and TAP and other tax credit developers to address some of our -- some of the concerns that have come up at these.

One thing that I, you know, I want to make sure if always, you know, the foremost priority is making sure that we're benefitting the eventual tenants of these tax credit developments. A lot of these tax credits go to general developments with families with children.

And so given the given the placement of a lot of tax credit properties currently which tend to be in lower -- higher poverty, lower opportunity areas and given that the tax credit program is the only producer really right now of affordable housing in the state, it's very important that we insure those properties are going into high opportunity areas and affording a good education and good opportunities to all of those residents. I don't think there's any dispute about that.

Now, there's talk about adjusting the opportunity index. And as it is now, I hear a lot of the concerns that there's just too few areas to pick from to develop in, and I think there are some adjustments that
could be made, small adjustments that can be made now with the current rules afforded the Agency to help with that.

I would caution against rocking the boat too much, however. I think one of the biggest issues that needs to be overcome that we've all acknowledged is the input of local elected officials and local governments and neighbor organizations and their influence on the placement of these properties. And I believe in the upcoming legislative session there may be some opportunities to make some changes to that that are really going to help open up a lot of existing high opportunity areas to tax credit development.

And because of that and hoping for the best there in the next session, I would like to -- and certainly other fair housing advocates as well would like to -- caution against making too many big changes to the opportunity index as it currently stands. And I think there are some things that we've already discussed among us in the roundtable that we can all adopt and can all agree on that will afford -- open up some extra areas to tax credit development and hopefully make everybody happy for the next tax credit cycle.

MR. OXER: I appreciate your comments, Mr. Duncan. I would add that given what we're dealing with --

MR. DUNCAN: Uh-huh.
MR. OXER: -- I am less than confident in our capacity to make everybody happy.

(General laughter.)

MR. DUNCAN: You are right. I'm too optimistic.

MR. OXER: I appreciate your optimism and your pursuit of that excellence, but it's a contentious program.

MR. DUNCAN: It is very much so.

MR. OXER: Yeah.

MR. DUNCAN: That's why we -- that's why we get together and talk every year.

MR. OXER: If it was easy, anybody could do it. That's why they got us, right?

MR. DUNCAN: That's right.

MR. OXER: Thanks for your time.

MR. DUNCAN: Uh-huh. Thank you.

MS. STEVENS: Good morning, Chair, Board. I'm Lisa Stevens, and I'm here this morning on behalf of the Texas Coalition of Affordable Developers. I first want to echo Janine's comments. We really appreciate getting started early this year, having the workshops. They've been meaningful. There's been a lot of discussion.

I also appreciate staff putting this whole process together on paper. It's the first time we've kind
of seen a written summary of comments, and there's been a lot of comments. And so getting this out early is really helpful to help formulate future comments and policy discussion from here. So I really appreciate staff's work on that.

One of the things I wanted to talk about is that this three-pronged approach that we have sounds really good -- it's education, schools, and poverty -- income and poverty -- but it does have some unintended consequences. And what we are seeing is that one of those unintended consequences is that it does tend to push us a little farther out sometimes. And we wind up being on the borderline of that mile and a half for a grocery store, that mile and a half for services because that's where we can hit the income target and we can hit the poverty target, but maybe it's pushed us further from jobs.

And so that's an area where we think that broadening some sites that have availability, looking further than just in a census tract and looking in general areas. How we define that is the difficult part. The commercial enterprises that you mentioned fortunately aren't constrained by a QAP, but they abide by good real estate practices. And as an affordable housing developer, sometimes our QAP prevents us from necessarily looking at good real estate practices and by default, we wind up in
locations where it might not be the optimum location.

So we're excited to see this list. We're excited to work on it. We think that opening up some more sites, more opportunities is a valid point. We've made some incremental steps last year to do that, and we're looking forward to furthering that this year. Thank you.

MR. OXER: Thanks, Lisa.

MR. ALCOTT: Hi. I'm Tim Alcott with San Antonio Housing Authority. I've been here before, and you know, and I have attended all the QAP roundtables. They're very good. I'll echo everyone else's comments. And I read the Board Report. I thought that was very well written. This person should be an author. It's very well done.

I would say that as you're looking at this, please don't forget choice developments, promised developments are a different beast, you know, because we as do the current scoring, you look at the development as it currently is. What we do is something different. It's different than anyone else is doing. And that is we have people housing in neighborhood dollars, wherein actually changing the neighborhoods.

So by looking at the scoring at this very moment, at this very point in time, goes against what we are doing because we get as a grantee the developments
because they say this is a poor area, this needs a lot of
dollars and so we're going to give you this grant. But
they also expect us to get the 9 percent tax credits. And
the tax credits the way they're currently scored don't
allow for both.

And so if we could get on the same page, it
would be wonderful. And I've provided before at other
board meetings, many other states that their QAPs allow
for such opportunity, so I'd ask you to consider that
again.

MR. OXER: Layered financing.

MR. ALCOTT: Yep, thank you.

MR. OXER: Great. Okay, thanks. Say that
again, Peggy?

THE REPORTER: Did they sign in?

MR. OXER: Hey, did you sign in?

THE REPORTER: Everybody should sign in.

MR. OXER: Did all of you guys sign in?

MALE VOICE: I did.

MALE VOICE: No, I didn't.

MR. OXER: Okay. Well, everybody that --

MALE VOICE: I'll print it and I'll sign.

MR. OXER: -- get back up here and sign in. I
got my hawk down here watching you guys, okay.

MR. IRVINE: I'll penalize you two points next
year if you don't sign in.

(General laughter.)

MR. OXER: Lisa, you know better.

MS. STEVENS: I do, I do.

MR. OXER: Joy, you can start while they're getting their paperwork in order. Yes, and you'll sign in too, right?

MS. HORAK-BROWN: Well, I have to sign in, too --

MR. OXER: Absolutely.

MS. HORAK-BROWN: -- so let me do that.

MR. OXER: Leslie's new. She doesn't recognize everybody's voice yet.

MS. HORAK-BROWN: Hello. I'm Joy Horak-Brown.

I'm the CEO of New Hope Housing in Houston, Texas. And I'm here today to talk to you about the inner city. You know that I live in the inner city, and I love the inner city and its diversity and its importance.

And I'm very happy to say that there are advocates in Houston today who are working in areas such as Sunnyside and Acres Homes to help lift those neighborhoods up and not to simply abandon what have been historic minority neighborhoods and what is by the way a majority minority city, Houston, Texas, where more languages are spoken than anywhere else in the United...
So we have a very diverse and rich culture, and I am very pleased to be a part of enriching the fabric of that. And any way that we can find in the QAP -- and I understand that it may take several years to do that -- that we can see to it that we are not effectively negatively redlining vast swaths of the fourth largest city in the United States is something that I would welcome being a part of.

I know that just now the City of Houston is looking at data to see, you know, how incomes are changing, how jobs are moving, how the entire city is shaping and morphing because I want to tell you something. Putting tax credits in the ETJ is not putting them in the city of Houston any more than putting them in Sugar Land is putting them in the city of Houston, and that is of real concern to me.

MR. OXER: Yeah, the ETJ for Houston, it's down around Waco anyway.

MS. HORAK-BROWN: Well, there you go. And it's certainly -- I mean I never go there unless I'm on my way here. All right. I'm an inner city girl. But one of the problems that we have, of course, is the schools in the inner city.

And one of the ways that that could be looked
at would be in a bit of a broader way. Houston is a choice district. I'm not talking about charter schools. I'm talking about any schools. It simply is a choice district. It's a one-page form.

You've heard me say this before, and there are lots of schools with lots of capacity. So perhaps there could be a circle for a certain number of miles where there would be more than one school that would be available. It's something that's done frequently. The transportation is there. These are not the problems. The problem is that we need to broaden a bit, at least in my view we do.

And I'm fortunate enough today that I've met Kristi Rangel recently. She's here to speak, and she is going to talk to you -- she has worked much in the inner city herself -- about the impact that this has on real lives. It's not a matter of drawing lines and counting data. When it comes right down to it, it's a matter of real children and the way they live. So thank you.

MR. OXER: Thanks, Joy. Hi, Kristi, and welcome.

MS. RANGEL: Hello. Thank you.

MR. OXER: Your first -- your first time with us I can tell.

MS. RANGEL: First time here, a little bit
nervous, but I'll get over it.

MR. OXER: It gets easier.

MS. RANGEL: Okay. Hello. Good morning. My name is Kristi Rangel, and I am currently the Public Health Education Chief for the City of Houston Health Department. I currently lead an initiative that stems from Obama's National Initiative called My Brother's Keeper.

MR. OXER: Let me offer you something here.

MS. RANGEL: Yes, sir.

MR. OXER: I see you bending over that mike. Lift the microphone up so that you're comfortable standing.

MS. RANGEL: And My Brother's Keeper is an initiative that has been developed to address the plight of boys of color in their communities. Currently in Houston the Health Department is working in the Fifth Ward Kashmere Gardens, Trinity Gardens, and the Scarborough feeder patterns. This areas are the three poorest areas of our city.

Prior to this current assignment, I worked 20 years in Houston ISD as a teacher, as an instructional coordinator school-based and districtwide as a school improvement facilitator, and then I ended as a principal at Kashmere High School -- I'm sorry -- at Kashmere.
I am here today to talk about the concept of the current language that really puts at-risk areas like Fifth Ward and Kashmere Gardens and Trinity Gardens, areas where people have lived for generations. They choose to live there, but unfortunately, housing and other amenities have not been afforded to them.

I'm going to talk about an experience that I had with Gulf Coast Apartments, which was a tax credit facility, as an elementary school principal at a school with a 35 percent mobility rate. And what does that mean? That means that from August through the end of the school year, a little bit more than 75 percent -- I'm sorry -- 65 percent of my kids were the same; 35 percent of the kids tended to move.

And I tell people, it wasn't like the Jeffersons. They weren't moving on up. They were moving from one crisis to the other, from one slumlord to the other, from one bad situation to the other. And when Gulf Coast opened, my council member Jerry Davis gave me a call, and he said, Kristi, we're going to build this beautiful development with over 200 units that will have 100 kids that are zoned to you. And we were elated.

We worked with the developer, and we did things like storytime during the day for the moms who were there.
with their kids. We had resource fairs with the Health Department. We had Workforce Solutions come out, and it was an excellent experience.

And one family that really comes to mind is a mother with mental health issues. She had five children. Three of them attended my school. It was their first year there. I was the third school for this family because of the mobility issues and mom's issues. She was lucky enough to get into Gulf Coast. We were able to get crisis counseling for the family because right before they moved into our area, they witnessed their father being killed in the driveway. So we were able to get crisis counseling for them at school and also in Gulf Coast.

MR. OXER: That's okay. Take your time.

MS. RANGEL: So I would urge this committee to really consider their current rules and to really take into account how schools that may be IR can use these bright spots to pivot and really take hold of assisting the families and also the accountability factors that they're up against.

MR. OXER: So I have a question or at least a comment. Perhaps it is a question. Your perspective as a school administrator suggests -- and your comments suggest that schools -- and this is something we've found to be consistent too -- but schools in addition to the programs
that are available in some of these LHTC programs amplify each other. They're better in concert than they are individually. They provide more when they provide together.

MS. RANGEL: Correct. They do because our work with Gulf Coast and it's still going on included city departments, nonprofits including the Barbara Bush Foundation, Collaborative for Children, the City Health Department, a lot of other kind of social service efforts along with the developer so that in an area with the highest crime -- most pedophiles and sex offenders -- in the city of Houston, we were able to guarantee our partners that they had a safe place to come and deliver those services. And the families and kids could take up the opportunity to benefit from those services.

MR. OXER: One of the questions that we continually have with respect to the educational component of the tax credit program is -- and the high opportunity program -- one of the -- in searching for better opportunities, the higher opportunity includes the opportunity to improve their educational outcome.

And so one of the questions that continually comes up is why don't we look at improving the schools. Do you have a perspective on how any programs that we might add to or amplify in the tax credit program would
add to the capacity for an IR school to improve its outcome?

MS. RANGEL: Well, if I tell you that I have a 35 percent mobility rate and you add affordable housing that's stable and safe and parents live there and their kids can attend a school for more than one school year without worrying about the instability of housing, just that bare bones helps the school, because then you can go --- for instance, this summer through my initiative, we are actually working in two housing developments all summer with enrichment activities but also to right before school starts we're partnering with the neighboring schools and we're doing kindergarten assessments so that that data can go with the kids when they go to school and they can start day one with a better assessment about where they are --

MR. OXER: So you --

MS. RANGEL: -- and we can build a better plan.

MR. OXER: Any other Board member have a question or a comment?

(No response.)

MR. OXER: Okay. I --

MS. RANGEL: Okay. Thank you.

MR. OXER: I have a couple more, but --

MS. RANGEL: Okay.
MR. OXER: -- your point would be then that having the mobility offered by a tax credit program or the availability of low income housing adds to the opportunity for the school to improve by stabilizing the parents' emotional investment and community investment in the school so that it has a higher probability of getting out of its IR status; is that correct?

MS. RANGEL: Correct. Research shows that if a kid switches schools twice in this K through fifth grade continuum, that they have a smaller chance of being academic -- of being successful and finishing high school. So the fact that you reduce mobility means that kids have a chance to stay in the same learning community. Those educators know that student. They can address learning disabilities. They can help support families better and build a stronger foundation for those students and their families.

MR. OXER: Good. We like to think that's going to happen. I'd like to see the -- I personally would like to see these -- I don't want to -- I'm not looking for IR schools to build next to, but --

MS. RANGEL: No.

MR. OXER: -- I like -- I'd like to think that the idea that adding stable housing provides an improvement to the school and vice versa, if that makes
sense.

MS. RANGEL: No, it does. I mean it goes hand in hand. I mean actually in terms of Gulf Coast, that partnership and relationship continues now. There's summer programming there now in an effort to make sure that we address summer reading slide and those issues. And we're also working to help parents in terms of their own GED and college attainment also.

MR. OXER: Well, if it hasn't been evident, one of the things that we struggle with the most here is the educational excellence component of allocating these tax credits. So anything we -- any more perspectives we can add to that, I'm always anxious to have.

Thanks, Kristi.

MS. RANGEL: Thank you.

MR. OXER: Dennis? And do sign in.

MR. HOOVER: All right. My name is Dennis Hoover, and I work in small towns a lot, and I want to address some of the same things that Janine Sisak has addressed about what I call the doughnut hole problem.

And looking at a lot of small towns and two of them that we worked in, you know, this application cycle -- one of them Marble Falls and one in San Saba -- to where I think it's the second tie breaker that it's relating to -- to poverty would cause you to -- or tempt
you to pick up from a great piece of property right in the middle of downtown and go to the edge of town in order to get a lower poverty census tracts.

And it's a problem not just there. It's a problem in other places and particularly in the small towns I guess. You know, the whole county may be, you know, just two census tracts. There's a town and there's the whole census tract, and the census tract with all the ranchers outside of town is just a little bit lower poverty rate.

And, you know, the whole idea of a high opportunity index is to put the thing in the best possible place, but the rules themselves would cause you to pick up from a great place and go to a lousy place without utilities, probably even a higher -- in our experience, you know, the Housing Authority or the city was trying to basically give us the land or sell it at a very low deal, so.

And I know it's been discussed a lot in the committee that I've been to, but that's, you know -- the options need to be expanded to take care of that problem.

MR. OXER: Good.

MR. HOOVER: Thank you.

MR. OXER: Thanks. Barry?

MR. PALMER: Barry Palmer, Coats Rose. I'd
just like to pick up a little bit on some of the comments from Joy and from Kristi and look at going forward whether we could -- we all agree I think on the 9 percent credits that there needs to be and there is points in the QAP to encourage people to go into high opportunity areas.

But we're also seeing particularly on the 4 percent side is what Joy mentioned about rules that tend to redline vast portions and neighborhoods of some of our major cities, particularly Houston. And when we're looking at 4 percent deals whether we should look at them differently than 9 percent deals that are competitively either going to be awarded here or here, either maybe in a high opportunity area or not.

But so many of the 4 percent deals that have substantial funding from the big cities that make up the difference, they're either going to be done where they're applying or they're not going to be done at all. And as you know, the 4 percent program is tremendously underutilized and we're not building housing sometimes when we could be because of rules that are prohibiting deals from going into certain areas like Gulf Coast that Kristi talked about.

Under today's rules that project couldn't get done even as a 4 percent deal. So I think we really should take a look at whether particularly in the school
side where there -- the rule being that all three of your schools have to be up to MET standards.

We're working on putting together a map in Houston of just how much of Houston that will effectively eliminate from the program, and I think you'll be surprised when you see it. That we need to take another look at that.

MR. OXER: So how would you choose to address the school excellence issue? I mean we've got to allocate these in some mechanism, and I understand your point. There's vast regions of real estate that get knocked out if you don't have the schools up there.

But the schools in the high opportunity areas are focused on jobs and education, okay, so if that education -- if we have those areas that are not optimum performing schools, how do you see that -- how do you see putting something in there that represents a high opportunity?

MR. PALMER: Well, you know, Joy mentioned if there are schools that they have any opportunity to go to that are within a reasonable distance or not necessarily having --

MR. OXER: Not within their zoned like we were talking --

MR. PALMER: Right.
MR. OXER: -- about earlier?

MR. PALMER: Yeah.

MR. OXER: They're zoned right to entry.

MR. PALMER: Right. And, you know, I think there's a difference between giving points for being zoned to a high opportunity school versus saying you can't do the deal at all if you're not zoned to a high opportunity school.

MR. OXER: So you're suggesting or I'm interpreting that you're saying that on a 4 percent deal, it shouldn't necessarily be limited to only those areas that have three schools that are high performing?

MR. PALMER: Right.

MR. OXER: Okay.

MR. PALMER: And that we look at the efforts by cities to redevelop areas that we not, you know, abandon areas of the city like the Fifth Ward when at the same time the city is putting a lot of their resources into the Fifth Ward, and maybe it hasn't all caught up yet, but that's a gentrifying area. You know, if you don't go and do affordable housing the Fifth Ward, now they're not going to be able to do it ten years from now, just like what happened in the Fourth Ward in Houston. It's all going to be 400- and $500,000 townhomes. So to not do a deal, affordable deal now in the Fifth Ward makes no sense
MR. OXER: You're saying -- are you saying that -- take the example of the Fifth Ward in Houston, so that's obviously a place that needs the housing. Put a 4 percent deal there, you know, we're under -- we're still midway in some litigation that's addressing that whole high opportunity issue.

MR. PALMER: But I've never read that lawsuit to say anywhere that every deal you do has to be in a high opportunity area, that, you know, you look at what you're doing as a whole. And you're certainly encouraging in the competitive process for projects to go into high opportunity areas and many of them are.

That doesn't mean that you can't -- at least that, you know, Tim's a lawyer. You've got your own lawyers to tell you what the case means, but I've never read it to mean that you can't do deals in the inner city where there's revitalization efforts going on.

MR. OXER: Nor have I. I'm just asking if that's -- see the high opportunity to me -- right now there's a high opportunity in the Fifth Ward. That opportunity exists in ten years. If you build it now, we have a real estate specialist -- we have a couple of them, okay. You don't buy real estate for what it is now. You buy real estate for what it'll be five to ten years from
now which makes a lot of sense in the perspective that you're offering.

To put housing available in the Fifth Ward now when the property's available at a reasonable price makes a whole more sense than trying to buy it ten years from now when the rates have gone up.

MR. PALMER: Right.

MR. OXER: Plus it has the capacity to be -- but that is immediately countered to -- nor does -- and I'm not saying all of these deals would have to go that direction, but it's immediately countered to what constitutes a high opportunity area so we're back into our devil in the details.

We're back into the first admonition that I was ever given on this too that every decision you make is going to piss off somebody. That's -- you know, it's part of it.

Tim, do you have a --

MR. IRVINE: I also think that --

MR. OXER: -- comment?

MR. IRVINE: -- you know, this is a whole discussion that's way more complex, and it involves yin and yang. You've got the whole concept of what constitutes opportunity, but then I think that the discussion you were pointing to is what are the threshold
requirements which would apply to all deals including bond deals.

And, you know, as I look at the sort of magic bullet formula, it's promote development that is dispersed throughout all appropriate areas so that people have choice. Include areas of high opportunity, but don't include inappropriate areas for housing.

So the real crux of that threshold discussion to me is are there special rules that might obtain for the use of 4 percent bond deals in areas that might otherwise be viewed as inappropriate.

MR. OXER: So what we've been trying to do is follow the same set of rules for the 4 percent and the 9 percent. And there's some of the 4 percent deals, those are not going to be the case.

MR. PALMER: Right. Yeah, and what I --

MR. OXER: Is that -- that's your point --

ME. PALMER: That's -- that's my point.

MR. OXER: Okay. Thanks, Barry. I appreciate your comments. All right. Any other comments from the Board?

(No response.)

MR. OXER: Any other comments from the community?

MS. BINGHAM ESCAREÑO: Mr. Chair, I mean I just
want to express my appreciation for all of the energy and
the thoughts that everybody's putting into it. I
appreciate looking at it earlier in the year. And I know
some of these problems that just don't have an easy
solution, that it's a work in progress.

But I'm really grateful for the feedback,
because I do believe we are all trying to accomplish the
same thing. And I struggled with it, so I mean we've been
struggling with it I think as a Board for the last several
years. So just grateful for the feedback.

MR. IRVINE: And this is an open invitation
that this dialogue doesn't have to end with this board
meeting. Obviously, if you have an application in the
round, we can only talk with you at our offices, but we
invite you to -- you know, I would invite you.

I got other people who are real busy
administering a tax credit round, but if you want to come
talk about some of these ideas, give me a holler. And if
you don't have a deal in the round, give me a holler. You
know, we'll go out for coffee or you can come over to my
house and we'll have a glass of wine and talk about it.

MR. OXER: And the discussion gets really lucid
after a couple of those glasses of wine, too, so --

MR. IRVINE: Well, it's something --

MR. OXER: We can solve many more of the

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problems after a couple of glasses of wine.

MR. IRVINE: Well, it's something where we really do just need to sit down as friends working for common objectives and figure out the best way forward.

MR. OXER: Okay. Any other comments on this item?

(No response.)

MR. OXER: All right. We have reached the point in the agenda where we invite public comment on matters other than items that were posted as agenda items. This is for the purpose of building the agenda for future meetings.

I would advise everybody we're in the high season -- the hot season for the tax credit programs, so we're going to have meetings here every two weeks for the next couple of months. I just can't wait until August, I have to tell you.

But, Tim?

MR. IRVINE: If I could go back to Item 6 for just a second. We --

MR. OXER: Sure.

MR. IRVINE: -- really didn't have any discussion about the other two points in there. One is whether it would be meritorious to consider crafting a scoring item simply to promote dispersion, remembering of
course that it would be coupled with a good set of threshold criteria.

And, you know, we'd just like to see tax credit development that's offering more choice and --

MR. OXER: Yeah. We don't want every developer chasing down the same census tract.

MR. IRVINE: And then as a couple of people noted, there were some brand-new ideas that I've thrown in there on the concept of education.

MR. OXER: And by the way, whoever made the comment, whoever wrote up this item ought to be an author. Tim should be actually, so your English major is paying off.

MR. IRVINE: Credit always goes to the program.

MR. OXER: Exactly. All right.

Marni, got a thought?

MS. HOLLOWAY: I do not. I think that particularly, as we've presented some new ideas here, that at the next QAP planning meeting, which will be before the late June board meeting, we will take up these discussion items, you know, amongst the group. Educational excellence has come up at every single meeting, and it's a really thorny difficult thing to work through, you know, particularly when the available data is not always what we would like it to be, so --
MR. OXER: What if the available data is not available?

MS. HOLLOWAY: Yeah, right. And then we'll have very quickly as TEA moves to a new rating system, then we'll need to figure out how to transition to that. And it's -- it's --

MR. OXER: Let me -- let me --

MS. HOLLOWAY: -- going to be great.

MR. OXER: I have a question with respect to TEA and, you know, Kristi pointed out a minute ago that the mobility issue helps address the issue of the IR with the school.

MS. HOLLOWAY: Uh-huh.

MR. OXER: Okay? There is at least a relationship there?

MS. HOLLOWAY: Uh-huh.

MR. OXER: Okay, stability in one adds to stability in the other, which compounds each other. Is there any -- are we doing anything or is there any outreach that we have or any sort of involvement that we have with TEA to be able to request data from them to help support what we're trying to do? Because I'm -- and I'm not even sure where that is, what that data would be.

MS. HOLLOWAY: Right. So Teresa and I actually went over not too long ago and met with some folks at TEA...
in their accountability section, whatever it was called. with just these kinds of questions that we've been dealing with. You know, if the school has an IR rating now, how do we know it will be at -- what do we look at to know that or have some comfort level that it would be at MET standard by the time, you know, kids are going there.

MR. OXER: Because the IR is a snapshot. What you really want to know is the direction it's going.

MS. HOLLOWAY: Right. So we discussed a couple of the other indexes. I don't recall a conversation about mobility rate there. We gained some good insight into, you know, what's going on at TEA as they shift to this new rating system that they haven't designed yet. And it seems like right now that what they're really focused on is that.

Mobility, I don't recall coming up. We talked about Index 2 which is about progress rather than the Index 1 that came up quite a bit.

MR. OXER: Because our evaluation -- our "rating system" for tax credit deals, for example, includes something on the school rating.

MS. HOLLOWAY: Yes.

MR. OXER: We have nothing that suggests the school rating involves anything that addresses available housing or even relates to quality of their programs
through the availability of housing?

    MS. HOLLOWAY: No.

    MR. OXER: There's a link in there somewhere, and we haven't been able to put our finger on it yet.

    MS. HOLLOWAY: Exactly. You know, and it could well be that some measurement that looks at the school, you know, and pairs that data with, you know, availability of affordable housing, you know, within the area could yield some results. I don't know. That's -- I mean that's a new thing to think about.

    MR. OXER: Yeah. If anybody's listening out there and not in the room here, if anybody's listening out there, there's a whole research project for somebody in a graduate degree program that can help us figure this out.

    MS. HOLLOWAY: Right. Exactly. Yeah, so the school ratings, one of the thoughts that -- that we're kind of headed towards because of the diversity in Texas is going to something that looks at the ratings within the educational service centers -- so there are 13 of them I believe across this state -- and using that as the scale rather than saying it's this magic statewide -- whoops -- statewide median because that is not necessarily a valid measure across all regions.

    So that's something that we're looking at. And then there's some discussion items here that talk about
looking at trends, you know, across those ratings as much as we can --

MR. OXER: Uh-huh.

MS. HOLLOWAY: -- if we have some assurance that they're remaining consistent.

MR. OXER: Tim?

MR. IRVINE: But I think that the point of the discussion is we're here to provide good housing in appropriate places.

MS. HOLLOWAY: Uh-huh.

MR. IRVINE: And I think the intersection of this mobility issue and the school issue may really better find its place in, you know, if the school districts can show that stabilizing a significant portion of their population will contribute to their success in promptly achieving MET standards, develop that case.

MS. HOLLOWAY: So potentially it would be a mitigating factor in --

MR. IRVINE: Absolutely.

MS. HOLLOWAY: -- an undesirable neighborhood rather than a scoring item --

MR. IRVINE: Right.

MS. HOLLOWAY: -- under a QAP? Yeah. Which is -- the undesirable neighborhood around schools is something that we've been struggling with quite a bit
MR. OXER: Yeah, this whole issue of education, you know, as Ms. Bingham accurately pointed out, we've been dealing with this -- I mean, it's going to constantly be an item, a work in progress, but we've been dealing with this essentially asking this same question for the entire time I've been here --

MS. HOLLOWAY: Uh-huh.

MR. OXER: -- which, you know, it's just now a matter of do we point at it from a different direction and look at it and color it differently --

MS. HOLLOWAY: Right.

MR. OXER: -- and put a different hat on. But it's the same question every time it comes up. Is that essentially right, Leslie?

MS. BINGHAM ESCAREÑO: Yeah.

MR. OXER: Okay.

MR. IRVINE: You know, another discussion that we have a lot among the staff is what really contributes to a really high performing school. And it's my belief that a big component of that is that it's in a community of high expectations. And you typically don't find a community of high expectation unless it's got at least some stability.

Maslow's hierarchy of needs, is it going to say
we're not going to focus on that until we're at least secure?

MR. OXER: And the high expectations is not only high income.

MS. HOLLOWAY: Well, the Early College High School Program that we discussed earlier today is a great example of what can happen when there's that set of high expectations for students; you know, that they can achieve tremendous things.

MR. OXER: Right. Well, it's an answer -- a question we won't answer here today, and I'm happy to see it being addressed deeply and intently.

Any other comments, thoughts? Tim? Any other comments from anybody else on Item 6?

(No response.)

MR. OXER: Okay. Now we've addressed Tim's issue with the remaining two items. Did we get both of them?

(No response.)

MR. OXER: Okay. All right. Thanks, Marni.

MS. HOLLOWAY: Thank you.

MR. OXER: All right. Now we're back to talking about items that anybody wishes to speak about to build our agenda for future meetings, and we'll have a meeting two weeks from today.
Any other member of the staff have a comment to make or a question? Anybody on the dais?

Tim?

MR. IRVINE: Yeah. We will have more policy discussions like this at future board meetings, and I would invite anybody who's got some specific idea that they would like to see treated in this fashion, give me a holler.

MR. OXER: It's a continuing state of evolution. This is not going to be something that will ever be solved finally. I don't anticipate that it will. So every new idea we need to air it out and vet it out and see if we can make it work and continue to improve and buff and polish this stone until we've got a jewel out of it, so.

Okay. Any other questions or comments?

Comments from the members of the Board?

(No response.)

MR. OXER: Okay. Being the Chair, I get the last call. It's a good thing we do here. I appreciate the contribution that everybody makes. We have two more -- three more board meetings and one more in June on the 30th and then two in July on the 14th and 28th and one on August 25.

Those will be the ones for the summer casual.
I'm glad to see everybody got the memo; it's hot out there folks. So with that, I'll entertain a motion to adjourn.

MS. BINGHAM ESCAREÑO: So moved.

MR. OXER: A motion by Ms. Bingham to adjourn.

MR. GANN: Second.

MR. OXER: And a second by Mr. Gann. Those in favor?

(A chorus of ayes.)

MR. OXER: See you in two weeks, everybody.

(Whereupon, at 11:52 a.m., the board meeting was adjourned.)
CERTIFICATE

MEETING OF:       TDHCA Board
LOCATION:         Austin, Texas
DATE:             June 16, 2016

I do hereby certify that the foregoing pages, numbers 1 through 131, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

06/26/2016
(Transcriber)       (Date)

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