TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

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

June 29, 2017
9:00 a.m.

MEMBERS:

J.B GOODWIN, Chair
LESLIE BINGHAM ESCAREÑO, Vice Chair
PAUL BRADEN, Member
SUSAN THOMASON, Member
ASUSENA RESENDIZ, Member
LEO VASQUEZ, Member

TIMOTHY K. IRVINE, Executive Director

ON THE RECORD REPORTING
(512) 450-0342
INDEX

AGENDA ITEM                              PAGE
CALL TO ORDER                          10
ROLL CALL                             
CERTIFICATION OF QUORUM                  
CONSENT AGENDA

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

EXECUTIVE
a) Presentation, discussion, and possible action on Board meeting minutes summaries for March 23, 2017, and April 27, 2017

LEGAL
b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Garden Gate Alvin (HTC 92176 / CMTS 1089)

c) Presentation, discussion, and possible action regarding the adoption of Agreed Final Orders concerning related properties, Eban Village I (HTC 95047 / CMTS 1354) and Ridge at Trinity f/k/a Grove Village (HTC 04608 / BOND 04608B / CMTS 4198)

d) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning The Palms on Lamar (HTC 09159 / Exchange 15090009993/ CMTS 4684)

SINGLE FAMILY OPERATIONS AND SERVICES
e) Presentation, discussion, and possible action authorizing extensions to Amy Young Barrier Removal ("AYBR") Program Reservation Agreements

f) Presentation, discussion, and possible action authorizing extensions to Neighborhood Stabilization Program 1 ("NSP1") Contracts and Program Income ("NSP1-PI") Reservation Agreements and Neighborhood Stabilization Program 3 ("NSP3") Contracts and Program Income ("NSP3-PI") Reservation Agreements

ON THE RECORD REPORTING
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HOUSING RESOURCE CENTER

g) Presentation, discussion, and possible action on the final 2017 State of Texas Consolidated Plan: One-Year Action Plan

HOME AND HOMELESS PROGRAMS

h) Presentation, discussion, and possible action on awards for the 2017 HOME Investment Partnerships Program ("HOME") Single Family Programs Homebuyer Assistance ("HBA") and Tenant-Based Rental Assistance ("TBRA") Open Cycle Notice of Funding Availability ("NOFA")

2017-1007 City of McKinney TBRA
$200,000.00 3 City of McKinney

2017-1008 Buckner Children and Family Services, Inc. TBRA
$102,000.00 12 Midland County

2017-1009 Buckner Children and Family Services, Inc. TBRA
$160,000.00 5 Angelina and Nacogdoches Counties

TOTAL $462,000.00

I) Presentation, discussion, and possible action on awards for the 2017 HOME Investment Partnerships Program ("HOME") Single Family Programs Single Family Development ("SFD") Open Cycle Notice of Funding Availability ("NOFA") Development ("SFD") Open Cycle Notice of Funding Availability ("NOFA")

2017-1500 Community Development Corporation of Brownsville
$500,000.00 $0 11 Cameron County

2017-1501 Community Development Corporation of Brownsville
$500,000.00 $50,000 11 City of San Benito

2017-1502 Adults and Youth United Development Association
$394,650 $50,000 13 City of San Elizario

TOTAL $1,394,650 $100,000
MULTIFAMILY FINANCE

j) Presentation, discussion, and possible action on Determination Notices for Housing Tax Credits with another Issuer

17408 Brooks Manor Apartments West Columbia

k) Presentation, discussion, and possible action on Inducement Resolution No. 17-021 for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Applications for Private Activity Bond Authority on the 2017 Waiting List

17602 Springs Apartments Balch Springs
17603 Crosby Plaza Apartments Crosby
17604 Casa Brendan Stephenville
17605 Nuestro Hogar Arlington
17606 Casa, Inc. Fort Worth
17607 Albany Village Albany
17608 Bastrop Oak Grove Bastrop
17609 Bay City Village Baytown
17610 Burk Village Burk Burnett
17611 Castroville Village Castroville
17612 Electra Village Electra
17613 Elgin Meadowpark Elgin
17614 Evant Tom Sawyer Evant
17615 Hondo Brian Place Hondo
17616 Hondo Gardens Hondo
17617 Lampasas Gardens Lampasas
17618 Lantana Gardens Beeville
17619 Pflugerville Meadows Pflugerville
17620 Round Rock Oak Grove Round Rock
17621 Saltgrass Landing Rockport

ASSET MANAGEMENT

l) Presentation, discussion and possible action regarding Material Amendments to Housing Tax Credit Applications

14103 The Women’s Home Houston
15135 Renaissance Square Fort Worth
15228 Northwest Apartments Georgetown
16184 Reserve at Hagan Whitehouse

m) Presentation, discussion and possible action regarding Material Amendment to the Housing Tax Credit Application and Ownership Transfer prior to IRS Form 8609 issuance or construction completion

16256 Chapman Crossing Houston

n) Presentation, discussion and possible
action regarding an increase to the Housing Tax Credit Amount

13600 Waters at Willow Run Austin

o) Presentation, discussion and possible action to consider a Waiver of 10 TAC §10.406(f)
03140 Park Meadows Villas Lubbock
04057 Stone Hollow Village Lubbock
060058 Park Meadows Apartments, Phase II Lubbock

COMMUNITY AFFAIRS

p) Presentation, discussion, and possible action on the Federal Fiscal Year ("FFY") 2018-2019 Community Services Block Grant ("CSBG") Application and State Plan and awards for submission to the U.S. Department of Health and Human Services ("USHHS")

q) Presentation, discussion, and possible action on approval of the Federal Fiscal Year ("FFY") 2018 Low Income Home Energy Assistance Program ("LIHEAP") Application and State Plan for submission to the U.S. Department of Health and Human Services ("USHHS") and approval of the associated 2018 LIHEAP awards

r) Presentation, discussion, and possible action on the selection of an Eligible Entity to administer the Community Services Block Grant ("CSBG") to provide services in Dallas County (PULLED)

s) Presentation, discussion, and possible action on an award for Federal Fiscal Year ("FFY") 2017 Community Services Block Grant ("CSBG") Discretionary Funds for education and employment services to Native American and Migrant Seasonal Farm Worker populations

RULES

t) Presentation, discussion, and possible action on an Order adopting the repeal of 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, and an Order adopting new 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, and directing that
these be published in the Texas Register

u) Presentation, discussion, and possible action on Orders adopting a new section §5.2014, VAWA Requirements to 10 TAC Chapter 5, Community Affairs Programs, and a new section §7.2007, VAWA Requirements to 10 TAC Chapter 7, Homelessness Programs, and directing their publication in the Texas Register

v) Presentation, discussion, and possible action on Orders adopting amendments to 10 TAC Chapter 7, Homeless Programs, §7.1002, Distribution of Funds and Formula, and directing its publication in the Texas Register

w) Presentation, discussion, and possible action on an Order adopting amendments to 10 TAC Chapter 1, Subchapter A, General Policies and Procedures §1.13 concerning Adjudicative Hearing Procedures, and directing its publication in the Texas Register

x) Presentation, discussion, and possible action on an Order adopting amendments to 10 TAC Chapter 6 Community Affairs Programs, including the 1) amendments in Subchapter A, General Provisions, of §6.2 Definitions, §6.4 Income Determination, and §6.5 Documentation and Frequency of Determining Customer Eligibility; and 2) amendments in Subchapter C, Comprehensive Energy Assistance Program ("CEAP"), of §6.308 Allowable Subrecipient Administrative, Program Services Costs, and Assurance 16, and §6.310 Household Crisis Component; and directing that they be published for adoption in the Texas Register

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:
a) Report on Appointment of Board Committees
b) TDHCA Outreach Activities, June 2017 B July 2017
c) Report on an award in response to the Request for Proposal ("RFP") for

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organizational assessments and technical assistance related to Community Affairs programs

d) Report on 2018 Qualified Allocation Plan ("QAP") Project

ACTION ITEMS

ITEM 3: REPORTS
Quarterly Report on Texas Homeownership Division Activity

ITEM 4: INTERNAL AUDIT
a) Internal Audit review of the Low Income Housing Tax Credit Program

b) Report on the meeting of the Audit and Finance Committee

ITEM 5: FINANCIAL ADMINISTRATION
a) Presentation, discussion, and possible action on the FY 2018 Operating Budget

b) Presentation, discussion, and possible action on the FY 2018 Housing Finance Division Budget

ITEM 6: SINGLE FAMILY OPERATIONS AND SERVICES
Presentation, discussion, and possible action on the proposed 2018-2019 State Housing Trust Fund ("HTF") Biennial Plan

ITEM 7: ACCOMMODATION REQUEST
Presentation, Discussion, and Possible Action on Appeal of Denial of Requested Accommodation by the Executive Director under 10 TAC §1.1(c)(4)(E), relating to Application #17069, Arlinda Gardens Supportive Housing

ITEM 8: MULTIFAMILY FINANCE
a) Presentation, discussion and possible action on the draft 2017 State of Texas National Housing Trust Fund Allocation Plan and directing that it be published in the Texas Register

b) Presentation, discussion, and possible action on an Amendment to the 2017-1 Multifamily Direct Loan Notice of Funding Availability

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c) Presentation, discussion and possible action on staff determinations regarding Application disclosures under 10 TAC §10.101(a)(3) related to Applicant Disclosure of Undesirable Neighborhood Characteristics

17188 EaDo Lofts Houston
17336 Westwind of LaMesa LaMesa

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17305 Payton Senior Killeen
17315 Provision at North Valentine Hurst
17322 Provision at Wilcrest Houston
17327 Legacy Trails of Lindale Lindale
17331 Westwind of Killeen Killeen
17356 The Acacia San Antonio
17363 Residences of Long Branch Rowlett
17368 Cielo McAllen
17372 Sunset Trails Bullard
17376 The Bristol San Antonio
17388 West Pecan Village McAllen
17390 Las Palomas McAllen

f) Presentation, discussion, and possible 108 action on timely filed scoring appeals under 10 TAC §10.901(13) of the Department’s Multifamily Program Rules relating to Fee Schedule, Appeals and other Provisions *(WITHDRAWN/POSTPONED)*

17056 Mariposa at Meagan Street Waxahachie
17138 Highpoint Seniors Dallas
17159 Pflugerville Meadows Pflugerville
17161 Round Rock Oak Grove Round Rock
17305 Payton Senior Killeen
17356 The Acacia San Antonio

g) Presentation, Discussion, and Possible 108 Action to Issue a list of Approved Applications for Housing Tax Credits ("HTC") in accordance with Tex. Gov't Code §2306.6724(e)

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

EXECUTIVE SESSION --
OPEN SESSION --
ADJOURN 122
MR. GOODWIN: I call the Board meeting for June 29 of the Texas Department of Housing and Community Affairs to order, and we will start with roll call.

Ms. Bingham?

MS. BINGHAM ESCARENÓ: Here.

MR. GOODWIN: Mr. Braden?

MR. BRADEN: Here

MR. GOODWIN: Ms. Reséndiz?

MS. RESÉNDIZ: Present.

MR. GOODWIN: Ms. Thomason?

MS. THOMASON: Here.

MR. GOODWIN: Mr. Vasquez?

MR. VASQUEZ: Here.

MR. GOODWIN: We have a quorum.

And we will begin, Tim, if you will lead us in the pledge. Please rise.

(The Pledge of Allegiance and the Texas Allegiance were recited.)

MR. GOODWIN: Thank you, Tim.

Michael, do we have any special guests that we need to recognize?

MR. LYTTLE: Not at the moment, sir.

MR. GOODWIN: Okay. We will start with our consent agenda.
MR. IRVINE:  Mr. Chairman, we would like to pull item 1(r) and take that up at a future meeting.

MR. GOODWIN:  Okay. Anything else anybody on the Board would like to pull? Anybody on staff, any other consent agenda items that you'd like to pull?

(No response.)

MR. GOODWIN:  If not, do I hear a motion to approve the consent agenda?

MS. RESÉNDIZ:  So moved.

MR. GOODWIN:  Moved by Ms. Reséndiz.

A second?

MR. VASQUEZ:  Second.

MR. GOODWIN:  Second by Mr. Vasquez.

All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN:  All opposed?

(No response.)

MR. GOODWIN:  The motion carries.

So we jump into the consent agenda report items.

MR. IRVINE:  No action needed.

MR. GOODWIN:  No action is needed on those.

Action item reports, we start with the quarterly report on the Texas Homeownership Division activities. Cathy.
MS. GUTIERREZ: Good morning, Chairman Goodwin. New Board members, welcome. And our TDHCA team. I am Cathy Gutierrez, the director of Texas Homeownership, and I am here to report to you on item 3, our quarterly report on homeownership activity.

I’ll start off today by acknowledging June as National Homeownership Month. As you may be aware, National Homeownership Month is always held in the month of June and began as a presidential initiative to support and expand homeownership opportunities for Americans. The timing of today's is perfect in the way of providing a pictorial of TDHCA's recent efforts and focus on homeownership, adding to our National Homeownership Month theme, "TDHCA Paints a New Picture for Texas First-Time Homebuyers." The theme goes along well with our approach to bring home buying into focus by identifying a structure that benefits first-time homebuyers through an expanded borrower base and low mortgage rates and our industry partners through faster processing time.

A quick overview for our new Board members. The responsibility of the Texas Homeownership Division is to create, oversee and administer the Department's non federal and non general revenue homeownership programs. These programs are designed to assist low to moderate income individuals and families with an opportunity at
achieving the dream of homeownership.

As described in this Board writeup, three different homeownership options are available to eligible first-time homebuyers. The consumer can choose a 30-year fixed market rate mortgage loan that includes down payment and closing cost assistance through the My First Texas Home Program. This option is attractive to potential homebuyers who have the income and credit to support a mortgage loan but do not have funds needed to meet the minimum investment requirement of most traditional loan products. With this option we have various levels of assistance the borrower can consider to help in affordability of their mortgage loan.

For borrowers who are not in need of assistance with a down payment but would like to take advantage of benefits or incentives offered to first-time homebuyers, the option to participate in the Department's Texas Mortgage Credit Certificate, MCC, Program is available. Through the MCC Program borrowers have access to an annual income tax credit of up to $2,000. The tax credit, referred to as a mortgage interest credit, is calculated at 40 percent of the annual mortgage interest paid and can be applied for the term of the mortgage loan as long as the property remains the borrower's primary residence. The MCC as a stand-alone product is simply used as a companion
to conventional or government first mortgage loan.

To further expand the opportunity at affordable homeownership, qualified borrowers can take advantage of our third option, what we call the combo option. This option provides both the low 30-year fixed rate mortgage loan and assistance available through our My First Texas Home Program and the tax credit benefit available through the Texas MCC Program.

The reports presented to you today represent loan purchase and MCC issuance activity through May 31, 2017. Added to this report is a new graph showing a monthly comparison of loan and MCC reservations from fiscal year 2013 to fiscal year 2017. And if I may ask, if you could please refer to the first graph, the third page under item 3, and that way you can look at the actual chart to see what we're talking about.

As you can see, the graph paints a compelling picture in illustrating the success of our recent efforts to continue to provide the best possible product and structure to Texas first-time homebuyers. Over the past four years the programs were doing well, keeping a pretty steady amount of activity, serving on average 2,800 homebuyers on annual basis. In fiscal year 2017, you can begin to see a significant increase in activity with combined monthly loan reservations escalating to just
under $160 million. It's quite a bit of an increase.

Through May 2017, the program has already provided the benefit of a low rate first mortgage, down payment and closing cost assistance, and/or a mortgage credit certificate to just under 3,700 homebuyers.

Some notable changes that have contributed to the growth in activity. In 2016, TDHCA re-procured for the services of a master servicer which resulted in a new partnership with a state housing finance agency, Idaho Housing and Finance Association. In addition to the similar goals and mission of Idaho HFA aligning well with TDHCA, the new partnership has also assisted in expanding homeownership opportunity by added savings to the borrower through a lower cost structure and flexible underwriting guidelines allowing for a change in the credit score requirement, providing the homeownership opportunity to those borrowers with lower credit scores without any added cost or penalty to the interest rate.

The transition was smooth and the change has been well received by our lender partners. Improved turn times, electronic file submission are just some of the efficiencies lenders have experienced with this change.

On the financial side, through the hard work and creative efforts of our Bond Finance Division, arrangements with the Federal Home Loan Bank and our
newest public-private partnership with Wood Forest National Bank have provided added value to our program structure. The hope is to continue to build on these partnerships and focus on any opportunity at cost savings that can be passed along to the borrower.

Enhanced efforts on our marketing side have also generated awareness of the homeownership options available through TDHCA. In March 2016, TDHCA launched the Texas Homebuyer U as an online tool to provide potential homebuyers an understanding of the home buying process and to inform and prepare them for successful homeownership. And we're really excited to say that we've had over 7,100 homebuyers participate in that class and receive a certificate of completion, so that's quite a bit in just over a year. In addition to the launch of Texas Homebuyer U, staff has continued outreach efforts and provided training opportunities for housing counselors through the Texas Statewide Homebuyer Education Program.

And another new and exciting initiative was launched for our Texas Realtor partners. In March 2017, we introduced the Texas First-Time Homebuyer Specialist designation. This designation is obtained through completion of our TREC approved one-hour continuing education course. The class is free and provides Texas Realtors with information on affordable loan products that
can be offered to qualified clients. This shining new
designation has been well received by both our Realtor
partners and our lender partners who can participate by
hosting a class for their Realtor partners, with over 150
Texas Realtors already completing the course, receiving
the designation, and many, many more classes scheduled for
this summer.

In evaluating other outreach efforts, focus was
put on our online presence which resulted in redesigning
and repositioning our Google ads to refine search results
for the consumer. We continue to strengthen efforts and
re-engaging past and previous lenders and providing
continued support and communication to our current
participating lender partners. And most importantly,
continuing with our efforts and having a public presence
by participating in homebuyer fairs and speaking
engagements across the state.

Staff has been really busy participating this
summer in events, just to name a few, in Houston, Weslaco,
San Antonio, Lufkin, Beaumont, Corpus, Cedar Hill,
Arlington -- that's just to name a few. We've got folks
out right now attending different events, so we've been
all over the state trying to promote the program and
generate awareness of the really affordable options that
we have available through TDHCA.
Our division works closely with the Bond Finance team on the structuring of these programs. Both divisions monitor program activity daily to ensure these products are affordable and attractive options to the consumer and meet the economic feasibility of the Department. Through these efforts, the interest rates associated with these options have consistently been the lowest rates available in comparison to other similar options.

And I would like to make a note of a correction to the second page of the Board writeup that you have available. All of our loan options and offerings are available to the consumer at zero origination. That means they don't pay any origination fee for this loan product.

The transition to our new servicer, programmatic changes and the overall efforts from the Department and our partners have all contributed to the increased volume that you're seeing today and provided affordable and sustainable homeownership options to so many Texas first-time homebuyers.

In closing, and I know this is long but I just can't stand up here without thanking a few key individuals who have played a significant role in the success that we're talking about today. Tim and Tom have been so supportive in our efforts to review different program
structures, to consider different program structures, and we really appreciate allowing us the opportunity to do that.

Our incredible staff, our team under Michael Lyttle, our DPPA team have been just amazing to work with. We often times come up with some crazy last-minute ideas and they've been so willing and supportive to create new campaigns and accommodate the last-minute changes that we have or new ideas that we want to use to promote the programs, so we really appreciate their never-ending support and their willingness to always be there to help us out.

Amy, Jill, Christina -- I think Amy and Jill are here but I don't think Kristina is here, but all three of them have been just amazing to work with.

And of course, our Homeownership team and our Bond Finance team, and I'm not exaggerating, every single day put their heart and souls into our mission of serving the underserved. None of what we are reporting to you today could have been achieved without their passion and commitment to the programs.

It's that kind of all around team effort that has contributed to the numbers we're sharing with you today and is definitely a true celebration of the National Homeownership Month initiative.
We will continue to provide these reports to you on a quarterly basis, and if there is anything you'd like to see added to the reports in addition to the reports, please let me know. And with that, I am happy to answer any questions.

MR. GOODWIN: Thank you, Cathy. Thanks to the entire staff for all this extraordinary success.

MS. GUTIERREZ: It's extraordinary.

MR. GOODWIN: Thank you.

MS. GUTIERREZ: You're welcome.

MR. GOODWIN: Any questions for Cathy?

MS. BINGHAM ESCAREÑO: I have a question. And I wish the rest of the folks in the community, if they didn't see the Board packet, could see that graph of the year over year increase. I mean, it looks like a mistake.

(General laughter.)

MS. GUTIERREZ: Well, we do make mistakes, it hasn't been perfect.

MS. BINGHAM ESCAREÑO: So do you think that this is -- I mean, obviously you just described like a super special formula of everybody working together. Can that be replicated anywhere? I mean, I would imagine that the rest of the affordable housing agencies across the country if they saw what you guys have been able to accomplish, they would be honored to replicate it. Do you
take your show on the road, or are there like national
conferences?

MS. GUTIERREZ: There are national conferences, and we do share best practices at those national
conferences. Sure. I mean, the structures that we've
been reporting on, that we're reporting to you on today
have definitely been structures that have been talked
about and discussed at different national conferences. I
think it's a combination of so many things: the
partnerships, the teamwork, and of course, the creativity
that we continue to see from our Bond Finance Division.
They continue to look at different ways to enhance our
programs and provide more affordability to the consumer,
and it's with that passion that they have to do that we're
able to provide these kinds of numbers.

But yes, we're always willing to share best
practices.

MS. BINGHAM ESCAREÑO: Congratulations.

MS. GUTIERREZ: Thank you, thank you.

MR. GOODWIN: Any other questions, comments? A
motion to accept this report?

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: Second?

MR. BRADEN: Second.

MR. GOODWIN: Motion has been made and
seconded. All in favor say aye.

   (A chorus of ayes.)

 MS. GUTIERREZ: Thank you.

 MR. GOODWIN: Thank you, Cathy.

 Internal Audit, Mark Scott.

 MR. SCOTT: Good morning, Chairman Goodwin and Board members.

 The first item is the audit of the Low Income Housing Tax Credit Program, and this was a base or framework audit and it covered the activities in the TDHCA Multifamily Division and the Asset Management Division. Future audits may delve deeper into the various areas that were touched upon in this audit. This was the first comprehensive internal audit of the program.

 We also went over the recent internal audit activities and the consulting activities and also the status of the projects that are on the 2017 Internal Audit Plan. And as usual, I went over the recent external audit activities, the audits that are ongoing or getting ready to be issued by the external auditors.

 And we had a very good Audit and Finance Committee, the new committee, and Ms. Thomason did an extraordinary job the first time running the Audit and Finance Committee. And I'll curtail my comments at that point and see if there's any questions.
MR. GOODWIN: Any comments, Ms. Thomason, about the Audit Committee?

MS. THOMASON: No.

MR. GOODWIN: Okay. Any questions of Board members?

(No response.)

MR. GOODWIN: Do I hear a motion to accept the report?

MS. THOMASON: Motion.

MR. GOODWIN: Second?

MR. VASQUEZ: Second.

MR. GOODWIN: Motion made and seconded. All in favor say aye.

(A chorus of ayes.)

MR. SCOTT: Thank you very much.

MR. GOODWIN: Thank you, Mark.

Financial Administration, Ernie. Ernie, while you're coming up, I would like to recognize State Representative Justin Rodriguez, who I believe just walked in. Thank you for attending.

Okay, Ernie.

MR. PALACIOS: Good morning, Mr. Chairman, members of the Board, Mr. Irvine. For the record, I'm Ernie Palacios, director of Financial Administration for the Department.
Over the last four months we've been meeting with division directors and managers to develop an internal operating budget for fiscal year 2018, and behind item 5(a) is the internal operating budget which includes a comparison report with the 2017 operating budget. I would like to provide you information related to the amount of the budget, the expense categories of where the money will be used, and lastly, the financing associated with recommending this budget for the upcoming fiscal year.

The proposed budget is $27.8 million which represents a $1.5 million or 5.8 percent increase from the current budget. The increase is primarily attributed to a $1.2 million increase in our capital budget as approved by the legislature for the 2018-2019 biennium. The budget also includes eight newly funded FTEs, totaling $471.5 thousand in the areas of affirmatively furthering fair housing, cybersecurity, Section 811, and continued compliance efforts.

Also included in the budget is a one percent line item that we put in for potential salary increases for employees such as merits, re-classes, and items that the Department may want to consider throughout the fiscal year. Capital budget aside, the budget reflects net savings of $198,000 in other budget categories.
The Department's cap FTEs is 313, the budget has 312 FTEs, 248 are TDHCA personnel and 64 are Manufactured Housing Division staff, one less than appropriated.

The method of finance was effected as follows: general revenue decreased 5.7 percent, primarily related to the 4 percent reduction mandated by the legislature; federal funds increased $763,000 or 12.6 percent, and included in that amount is $600,000 capital budget project for Community Affairs; and finally, appropriated receipts had an increase of $828,000 or a 14 percent increase, and this is primarily due to the capital budget items and a redirection of resources to fund the new FTEs.

Also, I would like to note for the record, in accordance with the Internal Auditing Standards and the Board's Internal Audit Charter, the budget includes the Internal Audit Division's annual operating budget.

This concludes my remarks on this item, and I'm available for any questions that you may have.

Mr. Goodwin: I've already asked for questions. Ms. Thomason, any comments on the Finance?

Ms. Thomason: No.

Mr. Goodwin: Any Board members have any questions, comments?

Ms. Bingham Escareño: Clarification. The
$600,000 capital project is the software?

Mr. Palacios: It's the software, correct.

Mr. Goodwin: Any other questions? If not, do I hear a motion to approve the report?

Ms. Reséndiz: So moved.

Mr. Goodwin: Moved. Second?

Mr. Vasquez: Second.

Mr. Goodwin: Made and seconded. All in favor say aye.

(A chorus of ayes.)

Mr. Goodwin: Thank you, Ernie.

Mr. Palacios: Now I would like to turn your attention to item 5(b), the Housing Finance Division budget. This particular item is a subset of the larger budget. It is in relation to the Housing Finance budget that we are required to submit under Texas Government Code and in compliance with the General Appropriations Act. This subset of the budget is specific to the fees that we generate, typically referred to as the Housing Finance budget of the Department. At this time we are prepared to certify this budget as well, and I'm available for any questions you may have on this item.

Mr. Goodwin: Any questions, comments? Motion to approve?

Ms. Reséndiz: So moved.
MR. GOODWIN: Second?

MR. VASQUEZ: Second.

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Thank you, Ernie.

MR. PALACIOS: At this time I would also like
to acknowledge Krissy Vavra and Paul Ford. Krissy is the
manager of Financial Services over budget, payroll and
travel, and Paul is our senior budget analyst and joined
the Department less than a year ago. They both have done
an incredible job in the development of this budget and in
keeping the progress of this budget in line.

MR. GOODWIN: Thank you.

MR. IRVINE: Actually, he joined the division
about a year ago. He's been with the Department for
several years and is probably one of the most
knowledgeable people around on the arcane HUD systems for
tracking the grant funds. Very valuable.

MR. GOODWIN: Next we'll move to item number 6,

MR. CABELLO: Good morning. My name is Homero Cabello. I'm the director for Single Family Operations
and Services. I am here to present the Housing Trust Fund plan for 2018-2019.

The Housing Trust Fund was created in 1991 by
the 72nd Texas Legislature to provide loans, grants or
other forms of assistance to income-eligible households to
finance, acquire, rehabilitate, develop decent, safe,
sanitary housing. During the regular session of the 85th
Legislature, which just ended, the Department was
appropriated general revenue for the Housing Trust Fund in
the amount of $10,443,000 for the 2018-2019 biennium,
approximately $5.2 million per year.

Rider 8 of the General Appropriations Act for
the Department requires that $2.2 million in anticipated
interest earnings and loan repayments received by the
Department be included in the dollar amount appropriated
each year for the Housing Trust Fund. In other words, we
will receive $3 million of new general revenue and then
the difference is made up through repayments that we
receive through the Department.

Rider 9-C of the General Appropriations Act
also requires the Department to provide an annual report
to the Legislative Budget Board, House Appropriations
Committee and the Senate Finance Committee no later than
October 1, detailing the Department's plan to expend funds
for the Housing Trust Fund, and so today we are presenting
a biennial plan to promote more strategic long-term
planning and expeditious use of these funds for 2018-2019.

So the Housing Trust Fund plan includes program
descriptions for the two Housing Trust Fund funded
programs, the Texas Bootstrap Loan Program and the Amy
Young Barrier Removal Program, which include program
budgets, maximum assistance, eligibility requirements,
administrative funding and regional allocation of funding
for these programs.

The Texas Bootstrap Program is a Housing Trust
Fund program funded for self-help construction to very low
income households at 60 percent MFI or below, to build new
housing or repair existing housing by providing at least
65 percent of the necessary labor to build these houses.
The program provides up to $45,000 in mortgage loans at
zero percent interest for 30 years. The program is
statutorily required to be funded at $3 million per year.
We mainly fund a lot of Habitat for Humanity affiliates
throughout the state and then some nonprofit organizations
along the Texas-Mexico border.

The Amy Young Barrier Removal Program is the
other Housing Trust Fund program for home modifications up
to $20,000 in grants that increase accessibility for
homeowners, tenants and members of households who are
persons with disabilities in addition to correcting
hazardous and unsafe housing conditions as approved by the
Department. No more than 25 percent of the assistance is
to address those issues. Tenants can only be assisted
with accessibility modifications. The landlord must correct any hazardous or unsafe conditions identified in the housing unit. The program is funded approximately at $1.7 million per year, so we'll assist about 75 households per year.

Finally, the Board previously authorized the Department to utilize no more than $250,000 per biennium of Housing Trust Fund loan repayments that exceed the requirements under Rider 8, the $2.2 million, to be able to address unforeseen obstacles that may arise on existing Department contracts or activities during the course of Single Family program administration. These funds will be utilized for practical solutions, development workouts that cannot be addressed with federal funds, and the Department seeks to retain this authority for 2018-2019.

That ends my presentation, and if you have any questions, I'll be happy to answer them.

MR. GOODWIN: Any questions, comments? If not, do I hear a motion to approve the report?

MS. BINGHAM ESCAREÑO: Move to approve.

MR. GOODWIN: Second?

MR. BRADEN: Second.

MR. GOODWIN: Moved and seconded. All in favor say aye.

(A chorus of ayes.)
MR. CABELLO: Thank you.

MR. GOODWIN: Moving to item 7 which is an accommodation request. Discussion and possible action on an appeal of denial of a requested accommodation by the executive director under 10 TAC 1.1(c)(r)(E) relating to application 17069, Arlinda Gardens Supportive Housing. Brooke.

MS. BOSTON: Yes. Thank you, Chairman Goodwin and Board. I'm Brooke Boston, one of the deputies of the Department. I'll be presenting this next item to you which is at tab 7. This item relates to a request for a reasonable accommodation that was made by Housing Tax Credit applicant.

In March 2017, the applicant for Arlinda Gardens Supportive Housing timely submitted a competitive Housing Tax Credit application. The application was reviewed and the Multifamily Division identified such significant problems with the application that the applicant was sent a notice of termination on March 16 of 2017. The termination notice provided an extensive list of problems with the application and cited the portions of the rule that were not satisfied.

On March 17, 2017, the applicant submitted a document to the Department entitled "Request for a Reasonable Accommodation" in which he asked for
accommodation to the rules and procedures and assistance
with the forms, assistance with any appeals, modification
of program requirements or extended deadlines. Several
days later, on March 23, the applicant subsequently
submitted written statements that appeared to seek an
appeal of the termination.

Department staff reached out to the applicant
on three different occasions between March 17 and 24 in an
attempt to determine the particular accommodations he was
seeking and to also clarify whether he was seeking the
appeal of the termination on the application.

While staff was concluding that the applicant
was actually seeking an appeal of the notice of
termination, the applicant then on March 30 transmitted a
document that staff then determined would most
appropriately be handled under 10 TAC Section 1.1 which is
regarding the Department's policy on reasonable
accommodations. In essence, the applicant sought as an
accommodation that the Department treat all of the
deficiencies and omissions in the application as curable
and extend any deadlines and offer such guidance to him as
would be necessary to complete his application without
point deductions or termination.

At the Board meeting of April 27, the Board
heard the appeal of this application and denied the appeal
subject to the opportunity for the applicant to have his request for accommodation reviewed by the Board at a subsequent meeting, which is what you're hearing right now.

The applicant's accommodation request was responded to by the executive director on April 21, 2017. The response denied the request for accommodations, most significantly because of the bulk of the requested items that the applicant was seeking to change would violate the statutory prohibition against changes to the application following the filing deadline, and that the accommodation requests were beyond the scope of what may be granted as a reasonable accommodation. Furthermore, the accommodations sought by the applicant would provide him a distinctly competitive advantage over all the other applicants as they would effectively remove the statutory and rule deadlines and thresholds that are fundamental to aspects of the Tax Credit Program.

The accommodation requests were made through a series of multiple communications to the Department. Requests for accommodation need to be for something specific that's within the scope of what can be granted without fundamentally altering the nature of a program. Because the requirements to submit a complete and compliant application on or before the annual deadline and
a program that is statutorily designed to be as competitive as the Tax Credit Program, because that's so fundamental to this program, accommodations that alter those requirements are beyond the scope of what can be granted.

It remains the responsibility of an applicant to submit a complete and timely application. This applicant, as all applicants, had the opportunity to ask questions of the Department before the filing deadline, attend free Department trainings before the deadline, and retain the services of a qualified consultant or counsel to assist with an application if needed. The applicant did not avail himself of any of those resources.

For these reasons, staff is recommending to the Board that the accommodation request be denied for Arlinda Gardens.

With that, I'll mention one last thing. As you might gather, this issue has been worked on by several of us at the agency. While I'm happy to field questions, please know that I may have Multifamily or Legal staff actually answer questions you may have.

MR. GOODWIN: Any questions from Board members? I just want to make sure that we're clear that this is a request for additional accommodations, not a request on the application. It's not an appeal on the application,
this is a request for an accommodation. I want to make sure all Board members are clear on that.

MS. BOSTON: Yes. Good clarification. The appeal has already been heard, so this is entirely a request for an accommodation. The accommodation would be to give assistance relating to the application.

MR. GOODWIN: Any questions?

MS. BINGHAM ESCAREÑO: I have a question for Beau. So Brooke mentioned statutory prohibition. Is that relative to the question on whether or not they are actually appealing the termination, or is that applicable to the request for accommodation?

MR. ECCLES: It's applicable to the request for accommodation. Essentially, the accommodations being sought by the applicant would be to rework the application as was submitted to allow for plans to be changed, certifications to be submitted, any number of a long list of things that occurred you'll see in the Board book in the original notice of termination, but the request was to reformulate and rework the application after the application deadline which is something that is prohibited by Government Code Section 2306.67(o)(8), I believe.

MS. BINGHAM ESCAREÑO: Thank you.

MR. BRADEN: So was there a lawsuit filed associated with this?
MR. ECCLES: There is a lawsuit that was filed. It is being handled by the Attorney General's Office, and it is not really part of the consideration of the accommodations by this Board, which is only to say that the materials for the Board include the lawsuit only because the applicant seemed to include as part of his both appeal and request for accommodation incorporated some of the materials that he submitted to the federal court in the Western District of Louisiana as part of those materials. But the fact that a lawsuit is on file isn't really part of this Board's determination or rationale.

MR. GOODWIN: Just as a question of clarification, Beau, our accommodation rules do comply with the American Disabilities Act.

MR. ECCLES: That is certainly why they're in there is to provide a specific means through the rules to comply with reasonable accommodations that are made under the ADA or the Rehab Act.

MR. GOODWIN: Okay. Any other questions?

(No response.)

MR. GOODWIN: I think we have some people that want to speak to this, obviously, and before we can do that, we need to have a motion to hear comments. Do I hear a motion to entertain comments?
MS. RESÉNDIZ: So moved.

MR. GOODWIN: So moved. Second?

MR. BRADEN: Second.

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: I assume you want to speak regarding this, sir, both of you?

MR. SIMS: He's going to give me my time if you'll put limits on me.

MR. GOODWIN: Okay. I want to remind you that you need to tell us who you are and you need to sign in, if you would, please.

MR. SIMS: Mr. Rick Sims.

Now, I agree in part and I disagree in part to Brooke. Here's the issue. My application is based upon a recent judge ruling regarding meaningful participation.

And my biggest problem is I understand we had 143 applications, we had five applications that went a totally different route than 138. In 2013 HUD changed the rule regarding CHDOs. These rules became effective in 2015 and now we're dealing with 2017, they became effective in 2015.

In these rules now with these CHDO certifications, it changed everything that you have to deal with under these old laws, these rules, because prior
to the change that you dealt with for 19 years, you just
looked at the organization and the service in the
community. Then under these new rules it changed that the
CHDO had to have an individual to certify, that I happened
to be an individual that nonprofit called, called me from
the list, and I tell everybody the story, well, you know,
I had a long history of drug and alcohol abuse and I'm
recovered and I've been to several commitments and I know
my rights. So even Judge Austin, he said this, I wanted
to know the position of law with supportive housing, not
covered, but he said, Sims -- I gave him three scenarios,
one similar to this and two recommendations -- he said in
Sims own words, he was recommended for two applications so
as long as he's not denied meaningful participation, his
rights is not violated. Terminating me is not meaningful
participation, we're not even there, we're not close.

That's the issue. So I asked him, well, just
make it a reasonable accommodation because it's just
administrative deficiency, because you have to satisfy
meaningful participation because for the CHDO application,
I have four applications, the pre-app, a regular app, a
HOME app, and a CHDO certification application. You're
going to tell me I put 500,000 characters together, you
find a few errors, and I've ADD, and saying, oh, that's a
material deficiency. No, no, no, no, that's not right,
especially when I have to participate or we'll just have
to get a ruling from a judge. Now, that's sort of the
case, it's not really is it the facts, the facts is can
you plea the facts to oppose a dismissal by the Attorney
General, that's the challenge.

But the facts of it is you cannot under Section
504 say HUD made some rules in 2015, we're going on some
2005 changes, but we haven't integrated these new rules
from HUD that tells us to look at a person and we might
have a person that has protected characteristics under
Section 504. And that's the issue, and that's why I said
we'll just make it a reasonable accommodation so you can
have meaningful participation. End of story.

MR. GOODWIN: Anybody else want to speak? Any
questions for Mr. Sims?

(No response.)

MR. GOODWIN: No questions. I will entertain a
motion.

MR. VASQUEZ: I'm, going to make a motion to
accept the staff's recommendations.

MR. GOODWIN: I hear a motion to accept staff's
recommendation. Do I hear a second?

MR. BRADEN: Second.

MR. GOODWIN: I hear a motion and a second.

Any discussion?
(No response.)

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: All opposed?

(No response.)

MR. GOODWIN: Staff's recommendation will be upheld.

We'll move to item number 8, Multifamily Finance. Andrew.

MR. SINNOTT: Good morning, chairman Goodwin, members of the Board. My name is Andrew Sinnott, Multifamily Loan Program administrator. I've got two items here today, 8(a) and 8(b).

8(a) is presentation, discussion and possible action on the Draft 2017 State of Texas National Housing Trust Fund Allocation Plan, and directing that it be published in the Texas Register. Earlier this month, HUD released the 2017 formula allocation amounts for the National Housing Trust Fund and published guidance on how to submit the allocation plan.

Texas will receive $8,858,738 for 2017 which is approximately an 83 percent increase from what we received in 2016. HUD requires the NHTF allocation plan be submitted with the 2017 one-year action plan no later than August 16, 2017, and has provided a waiver of the standard
30-day public comment period because they were late in announcing the allocations, therefore, the public comment period will be open from June 30, 2017 through July 14, 2017. Public comment will only be considered if it is relevant to the sections of the plan that are being revised as a result of the Department receiving this allocation of National Housing Trust Fund, so this is the same approach that we took last year.

The allocation plan reflects the intended uses of funds, the State's strategies in addressing the priority needs, and specific goals and objectives identified in the current consolidated plan. No substantive changes are being made to the 2016 plan that was deemed accepted by HUD earlier this month on June 15. The only changes from the 2016 plan to the 2017 plan are the updated allocation amount, the revised regional allocation formula as a result of the new allocation, and some minor reformatting and reconfiguration as a result of a new allocation plan template for 2017.

The only activity undertaken with NHTF for program year 2017 will continue to be new construction of rental units serving households at or below the required 30 percent AMI. We anticipate 47 units being created with these funds.

As mentioned earlier, HUD has established the
headline for submission of the one-year action plan, which includes this 2017 allocation plan, on August 16, 2017, so due to the delay in the publication of the State of Texas's 2017 allocation plan for NHTF, because of HUD's late announcement of the allocation, staff is requesting that if we do not receive comment that leads to substantive changes to the allocation plan, that staff be given permission to move forward with submitting the final 2017 NHTF allocation plan to HUD by August 16, 2017, in conjunction with the final 2017 one-year action plan which was approved as a consent agenda item 1(g) earlier this morning.

One change that staff will have to make after this meeting is incorporating HUD's new maximum per unit subsidy limits which were published earlier this week. A lot of stuff has been coming out the past couple of weeks regarding this NHTF and we're just having some trouble getting it all wrapped up into one plan, so we'll make those changes after this meeting.

The final version of this plan, including all public comment received and staff's reasoned responses, is intended to be presented to the Board as a report item at the September Board meeting, so we'll take this as a draft right now, take public comment through the middle of next month, submit it to HUD in August, assuming that there's
no substantive changes, and then come back to you in September with a report on this plan.

So with that, staff recommends approval of the draft plan as presented for publication and public comment, as well as approval of submission of the final plan to HUD if no substantive changes are made as a result of public comment. And I'm available if you have any questions.

MR. GOODWIN: Questions? If not, do I hear a motion?

MR. ECCLES: Move that we approve it.

MR. GOODWIN: Move to approve. Second?

MR. VASQUEZ: Second.

MR. GOODWIN: Moved and seconded. All in favor?

(A chorus of ayes.)

MR. GOODWIN: Okay.

MR. SINNOTT: 8(b) is presentation, discussion and possible action on amendment to the 2017-1 Multifamily Direct Loan Notice of Funding Availability.

This is the third amendment to the Direct Loan NOFA, so just to give a brief history of the NOFA and what's happened over the past several months. The 2017-1 NOFA that was approved in December 2016 originally included $12.5 million in TCAP repayment funds and about
$20 million in HOME funds, for a total of approximately $32-1/2 million. The first amendment to the NOFA was approved at the April Board meeting which added $2.3 million in TCAP repayment funds. The second amendment to the NOFA was approved on May 25 at that Board meeting, and that added $7 million in NSP-1 program income.

Both amendments only affected the general set-aside, so just a quick breakdown of the set-asides within the NOFA: there's the general set-aside, CHDO set-aside, and supportive housing soft repayment set-aside. This third amendment will affect the supportive housing soft repayment set-aside and increase the overall amount available to approximately $46.1 million, so almost $14 million that was added since the NOFA was approved by the Board in December of 2016.

The 2016 allocation plan for NHTF which describes the distribution of $4,310,529 in non-administrative National Housing Trust Fund was deemed approved by HUD on June 15, 2017. This $4.3 million is what is being proposed to be added to the 2017-1 NOFA. NHTF funds must be used to serve households at or below 30 percent AMI, and the supportive housing soft repayment set-aside was developed to accommodate this specific fund source.

As a result of commitment and expenditure...
deadlines that go along with these funds, staff is recommending increasing the maximum request under the set-aside to $1.5 million in order to adhere to those commitment and expenditure deadlines. $4.3 million in NHTF will initially be subject to the regional allocation formula which identifies maximum amounts available on a regional basis through August 14, 2017. After that date, any remaining funds will collapse and be made available following the scoring process as described in 10 TAC Chapter 13 of the Direct Loan Rule. Because of the late addition of these funds, staff believes extending the application deadline to October 31 of 2017 will allow sufficient time for potential applicants to submit applications.

It's important to keep in mind that staff has not received the grant agreement for these funds, we've just had the plan for the 2016 funds accepted just a couple of weeks ago, therefore, applicants are advised that the NHTF funds are subject to the Department executing the grant agreement with HUD prior to any Board recommendations for awards.

Staff recommends amending the 2017-1 NOFA to add this $4.3 million in NHTF of the supportive housing soft repayment set-aside, and extending the application deadline to October 31, 2017. And with that, I'm
available for any questions you may have.

MR. GOODWIN: Any questions or comments?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion to approve staff's recommendation.

MS. BINGHAM ESCAREÑO: Move to approve.

MR. GOODWIN: Moved. Second?

MS. THOMASON: Second.

MR. GOODWIN: Moved and seconded. All in favor say aye.

(A chorus of ayes.)

MR. SINNOTT: Thank you.

MR. GOODWIN: Thank you, Andrew.

MS. BINGHAM ESCAREÑO: Do they have new housekeeping and they find extra change in the couch in the federal government? They just found $4 million more dollars. That's great.

(General laughter.)

MS. HOLLOWAY: The National Housing Trust Fund has been quite an adventure for us in getting that allocation plan to this deemed approved. Basically, we don't have a stamp, yes, we approve, but they didn't disapprove within their time frame, so it's a deemed approved. And Andrew has done a tremendous job of staying on top of all of it, and with Megan's help and Cate in
HRC, Cate in HRC does all of the con plan and OYAP stuff, it's been quite the effort.

MS. BINGHAM ESCAREÑO: Great work.

MS. HOLLOWAY: For '17 we have $8 million more.

MR. GOODWIN: Wonderful.

MS. HOLLOWAY: Yes. Actually it is. Being able to serve households at that very extremely low income level is a really important part of the work that we do.

Item 8(c) is presentation, discussion and possible action on staff determinations regarding application disclosures under 10 TAC 10.101(a)(3) related to applicant disclosures of undesirable neighborhood characteristics. We will be discussing two applications today, 17188 which is EaDo Lofts in Houston and 17336 which is Westwind of Lamesa in Lamesa.

Our undesirable characteristics rule requires that if a development site is in an area with undesirable characteristics related to poverty, blight, crime or schools that have not met standard, the applicant must disclose the characteristics and provide information regarding mitigation.

The rule provides a basis for the Board to determine that a site is eligible so the Board must find that the use of the Department funds at the site is consistent with achieving goals in the rule, including
preservation of existing occupied affordable housing units to ensure they are safe and suitable, or the new construction of high quality affordable housing units that are subject to federal rent or income restrictions, and a factual determination that the undesirable characteristic that has been disclosed is not of such a nature or severity that it should render the development site ineligible based on the assessment and mitigation provided, or the applicant has requested a waiver of the presence of undesirable neighborhood characteristics on the basis that the development is necessary to enable the state, a participating jurisdiction or an entitlement community to comply with its obligation to affirmatively further fair housing, a HUD approved conciliation agreement or a final and non-appealable court order and such documentation is submitted with the disclosure.

So the basis for finding a site eligible, just to shorten it up real quickly, is preservation or new construction of quality housing and a determination that the undesirable characteristics that have been disclosed are not of a nature that they're going to negatively impact the development, or that they are improving, so there's a reasonable expectation that by the time the development is placed in service they would no longer be an issue, or the applicant has requested a waiver under
the basis of the items I described a minute ago.

So the Board has final decision-making authority in making an affirmative determination or finding the site ineligible. Pursuant to the rule, should the Board make the determination that a development site is ineligible, the termination of the application resulting from the Board action is not subject to appeal.

So our first application, number 17188 EaDo Lofts, review of the development site indicates it's a mixed use area southeast of the City of Houston, it's surrounded by Harrisburg Blvd. to the north I-45 on the south, I-69 to the far west, and Scott Street on the east. The area is developed with single family homes with some light industrial and retail uses. The median household income for the census tract is $99,688, placing the tract in the first quartile, and the poverty rate for the tract is 9.1 percent. The development site is in Houston's East Downtown Management District.

So the disclosure, the applicant disclosed that the development site is within 1,000 feet of a census tract with a Part I violent crime rate greater than 18 per 1,000 persons annually. Neighborhood Scout reports that the crime rate in the census tract containing the development site is 10.16 per 1,000 residents annually, but the site is located within 1,000 feet of the adjacent...
census tract which has a reported rate of 29.52 per 1,000 annually. This adjacent tract is located to the south of the development and on the opposite side of I-45.

As mitigating factors, the applicant points to the physical barrier created by I-45 and the ongoing revitalization initiatives taking place in EaDo. According to EaDo's five-year service and improvement plan, those initiatives include public safety planning and advocacy, business development and district beautification. With the southernmost border of the area being I-45 and the difference in the rate of crime between the two areas, there's an indication that I-45 represents enough of a barrier to provide appropriate mitigation.

Staff is recommending that the Board find the development site eligible.

MR. GOODWIN: Any questions for Marni?

MR. VASQUEZ: I just want to make kind of a clarification here. On the statement that it's southeast of the City of Houston, I mean, this is centrally located, it's just southeast of downtown Houston.

MS. HOLLOWAY: Downtown, right.

MR. VASQUEZ: This is very centrally located in an area that's expanding and improving rapidly.

MS. HOLLOWAY: Rapidly. I would add that was it last year we approved a development by New Hope
Housing. The New Hope Harrisburg development is also in this same neighborhood, and I went and drove the site and did a site inspection. There are some very exciting things going on in this neighborhood.

MR. GOODWIN: Any other questions? I will either entertain a motion for consideration of comments or a motion to approve staff's recommendation.

MR. VASQUEZ: I'll be glad to make a motion to approve staff's recommendation to make the site eligible.

MR. GOODWIN: Second?

MS. BINGHAM ESCAREÑO: Second.

MR. GOODWIN: Made and seconded. Any comments or questions?

(No response.)

MR. GOODWIN: No other comments or questions.

All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: It passes.

Thank you, Marni.

MS. HOLLOWAY: Our next application is number 17336, this is Westwind of Lamesa. So the development site is located within the attendance zones of an elementary -- the rule requirement is if the development
site is located within the attendance zones of an elementary school, middle school or high school that does not have a Met Standard rating by the Texas Education Agency based on the 2016 accountability ratings, that must be disclosed and mitigation must be provided. For this development, both the elementary school and the high school that serve the site have a Met Standard rating and have had those ratings for a number of years. The Lamesa Middle School has had an Improvement Required rating for the past four years.

Our rule includes the following: any school in the attendance zone that has not achieved Met Standard for three consecutive years and has failed by at least one point for the most recent year, unless there is a clear trend indicating imminent compliance, shall be unable to mitigate due to the potential for school closure as an administrative remedy pursuant to Chapter 39 of the Texas Education Code.

In the most recent year, Lamesa Middle School failed to reach that Index 1 target by eight points. Because the school has not achieved Met Standard for three consecutive years and has failed by at least one point in the most recent year, the applicant is unable to provide mitigation for this issue under this rule. In fact, the ratings for the middle school have decreased each year.
since 2013.

Staff is recommending that the Board find the development site ineligible in conformance with this rule.

MR. GOODWIN: Before we take any comments or questions, Michael, you have a letter you want to read into the record?

MR. LYTTLE: Yes, Mr. Chair. It's a letter sent to Tim and the Board from State Representative Tom Craddick, reads as follows:

"Please accept this letter as recognition of my continued support for Westwind of Lamesa, a proposed mixed income rental housing community to be located near 211 Northeast 7th Street in Lamesa, Dawson County, Texas 79331, and the above-described application seeking an award of housing tax credits to finance the construction of the project.

"Westwind of Lamesa will be located in my district. It is my understanding that Westwind of Lamesa is the only development being proposed in Rural Region 12 and that your staff is recommending that the TDHCA Board find it ineligible to proceed because of the performance of the Lamesa Middle School. I have communicated with the school officials and local stakeholders, and based on such conversations, believe that they are working collaboratively with TEA and others to improve the school
with all of the seriousness and focus that this matter
deserves. I also believe that quality housing is a
component to improving education outcomes among low income
children. Westwind of Lamesa will provide such housing to
Lamesa.

"I very much hope that you will take my support
into consideration and allow the Westwind project to move
forward.

"Sincerely, Tom Craddick, Texas State
Representative, House District 82."

MR. GOODWIN: Thank you, Michael.

At this point we'll take a motion to entertain
comments.

MS. RESÉNDIZ: So moved.

MR. GOODWIN: Moved. Seconded?

MS. THOMASON: Second.

MR. GOODWIN: Moved and seconded. All in favor
say aye.

(A chorus of ayes.)

MR. SHACKELFORD: Good morning, Mr. Chairman,
members of the Board, Mr. Irvine and Mr. Eccles. My name
is John Shackelford. I represent the developer. As you
can see, we have several witnesses, and one witness will
probably exceed the three-minute time limit so I'd ask
that some of the witnesses will probably yield some of
their time and ask for an accommodation there.

A couple of things, Marni set out what sort of the standard is on showing that this site is eligible despite the characteristics that we have on this particular site. It really revolves around just the middle school. One thing I want to correct her on, and it's in your Board book, it states where the applicant is unable to provide mitigation for this issue because of the school failing to meet that Met Standard for three years and then in the most recent year failing to meet it by one point or more. What the rule actually says that she was citing from is unless there is a clear trend indicating imminent compliance. This is in 10 TAC 10.101(3)(b), and so there's that little caveat which I think is extremely important: unless there is a clear trend indicating imminent compliance.

Well, from the testimony that you're going to hear in a little bit, I think we satisfy that burden. Also, you've got in the supplemental Board book a letter from the TEA which one of the speakers will also address, but I want to just point out to you on my part that towards the end of that letter it states clearly that it is anticipated that the middle school will be at Met Standard for the 2017 state accountability system official rating that gets released in August. So I think from that
letter alone, I think we sort of satisfy the burden that
unless there is a clear trend indicating imminent
compliance, that it looks like we're going to meet that in
just a couple of months.

But I would like to now have the other
witnesses come up and speak to you, unless you have any
other questions for me.

MR. GOODWIN: Any questions for John?

(No response.)

MR. GOODWIN: Don't forget to sign in, if you
would, please.

MR. SHACKELFORD: Thank you, Mr. Chairman.

MS. BINGHAM ESCAREÑO: May I ask Marni while
John is signing just real quickly?

Remind me, in our Board book we just switched
to the letter so I'm switching back, but is the
requirement three consecutive years at Met Standard?

MS. HOLLOWAY: It's three years and then fail
by at least one point. So the middle school has failed
for three years with declining scores and then failed
actually by eight points in this last year.

MS. BINGHAM ESCAREÑO: Okay. Thank you.

MR. SHACKELFORD: Any other questions?

(No response.)

MR. KNIGHT: Good morning, Chairman Goodwin and
the Board. I'm a little nervous. I have a board every month I meet with but this is a little intimidating. Shouldn't be, should it?

MR. GOODWIN: We don't want you to be intimidated, but we do want you to sign in.

MR. KNIGHT: But I do appreciate you allowing us to come and visit with you and talk a little bit about Lamesa and our middle school and where we really are right now.

My name is Jim Knight, I'm superintendent of schools, Lamesa ISD. I'm a graduate of Texas Tech, been recruited by Lamesa from a neighboring school district. Lamesa has had a history for 44 years of hiring from within, not a bad thing, obviously, but sometimes when you get into trouble, like they have been, sometimes it's not always good to continue to look inside, it's good to look at what other best practices are out there.

So the reason I'm standing before you is in January of 2016 I was recruited from a neighboring school district, Anton ISD, a smaller school district, to come and see about fixing some of the things that they had going on. The board had realized that it was time to look outside and to try to find new strategies, new teaching strategies, new curriculum and those type of things, and so we've addressed a lot of those.
Again, I'm a graduate of Texas Tech, also a graduate of the Harvard Leadership Institute, served as a principal for ten years in Canadian ISD and then have been a superintendent at Anton ISD for six years prior to the last year and a half at Lamesa. I've seen good schools, I've had to turn around a small school at Anton, financially and academically, and feel like that when the board came out, I churned on it a long time but came to Lamesa ISD, and we have done some incredible things in the last year and a half. We've turned around a whole new curriculum, and that was part of the base of the problem in the whole district but specifically in the middle school.

We serve about 2,000 students in our district, 84 percent are economically disadvantaged, as well as their families. Our middle school serves about 440 to -50 students in the middle school, 6th through 8th grade. Obviously I was recruited to come there to get that middle school out of Improvement, that was my job. So the first six months, as you know, most of the time we go into schools, we don't make a lot of radical changes because we don't know what's really going on in the school district, so we're trying to figure out if there's an issue there, what it is and how we can fix it. So that's basically what I did the first six months which was last school
This previous school year, as we went into this school year, we realized and identified the problems. TEA came in in November of this past year, along with Conner Grady, he was our main lead from TEA and he's the one that they're mentioning about in the letter, the director of compliance is mentioning. They came in, we worked together, we worked hand in hand on forming a plan, a turnaround plan for Lamesa ISD. That plan included intervention plans, it included trying to bring in more intervention team members, we also hired an assistant principal of instruction to work with teachers, so all of that was part of our plan. Our top priority, again, was to bring in new leadership.

What we realized after the first six months is our leadership in the principal position was lacking. Again, they had looked inside for years just to move up. That's not a bad thing, but sometimes when you have schools that are in desperate need, you have to have someone that's an outstanding, out-of-the-box thinker. We brought in a tremendous leader this past year and he has, with his distributive leadership concepts of bringing everybody involved, has helped turn our school around.

We have invested in students as far as instruction and response to intervention. That response
to intervention has been intense, it has been intense, that has been targeted and has been deliberate, and because of that what you're seeing from the TEA letter is that our school district, come final release in August, will no longer be in Improvement, we will no longer be one of those schools.

And I will correct one other thing. It was mentioned that we were eight points off last year. That is not correct. You have to meet an Index 1 or 2 and then you have to meet it in 3 and 4. We were one point away in Index 3; we did not make it in Index 1 last year, that's the eight points, but you have to make it in one or the other, not both. So last year we were one point away, we did make progress. This year we've made so much more progress, Index 3 they made that for the first time in five or six years. Now, that is closing the achievement gap between rich and poor, that's a huge achievement gap, and that's huge with TEA, that's one of the things they're looking for from school districts. So we actually have improved tremendously and our district is doing a great, great job.

So preliminary scores will come out, they're already out, TEA has already recognized that. They will not put a final report out for anyone, as you know because schools get to contest anything that they may not think
accurate by now. So that's where we're at right now on the scores.

I will tell you some of the major things that have happened in our district just in the last year and a half, I think it's important to know. Placed the principal, we've put a strategic plan in place and have doubled the percentage of students performing at Level 3. Now, what that really means, because you guys may not be educators, that means we've taken kids that were passing to the highest level, we've doubled that number. Some people just focus on the passing standard. To us it's more than just the passing standard, we want to take kids to the next level. We've doubled that in the last year and it will show in our reports as they come out this year.

We increased our walk-throughs with staff members. We had 500 walk-throughs at that campus, that's about 15 per teacher. The reason that happened is the only way you check for things going on in the classroom is for you to check and inspect and to make sure kids are engaged. Engagement brings learning, and we saw that because that was heightened by more walk-through. That came through leadership, and we've seen that instruction change because of that and because of assistance from leadership in the campuses.
We've also dismissed our poor teachers based on those walk-throughs, so this coming year we have even further enhanced our campus by taking even those what we call sifting out some of those ones that weren't willing to get where we needed to get with our kids and we're bringing in more experienced teachers. Now, how are we doing that? We're recruiting them. We initiated a program where we are paying stipends for content areas and we're also paying signing bonuses -- never done anything like that. You have to do that now in low-performing schools; they're not going to come unless you incentivize it. So we've incentivized it for this next year, we incentivized it somewhat last year but enhanced it even more so this year. We're even adding a performance measure on there, that the campuses perform at a certain performance level and we have certain growth, we're giving additional rewards to staff members.

So we have measures in place that we feel like not only are we going to continue to stay at the accountability measure above just the recommended level, we feel like with the measures we've put in place, we're going to take our schools to a whole different level.

We've had to provide commuter vans to Lubbock and back. We're about 60 miles from Lubbock. As you know, we're far enough away where people have a hard time
coming unless there's housing -- and that's why we're here -- so we provide three commuter vans that go back and forth to Lubbock. They'll talk about this here in a minute, about 30 percent of our staff is commuting. That's not the best situation but we don't have enough housing to put them in, which takes us back to this is critical for us recruiting teachers to come and be in our town.

So that's where we're at. And in summary -- I don't want to take up all your time and I appreciate your time and I know you guys hear a lot of people -- but our district, it's paramount that we have this type of housing. We have 85 percent free and reduced lunch which are socioeconomically disadvantaged students. This housing project encumbers not only that but it also has 30 percent market-driven which would help a lot of our teachers, especially these first-year teachers that are coming back and forth. So we would really appreciate you taking that in consideration.

This last year, just to kind of sum things up, we've had 14 news stories done by KCBD, and we have not had one negative story done. It tells you we have got some really good stuff going on in Lamesa. And I think that it's very much of a disservice to say that this is undesirable site. That just kind of hurts deep down
inside, knowing what our kids are and knowing what they
deserve. And so I just plead with you to look at what
we're doing, where we're coming from, and I believe that
with the leadership and the changes we've made, we're
going to continue to move forward. And I hate to see us
be punished when our scores are going to come out
officially across the state in a month showing that this
school is no longer in Improvement, which is a great
chore.

Thank you for your time and thank you for
allowing us to be here.

MR. GOODWIN: Any questions for Superintendent
Knight? Beau, do you have a question?

MR. ECCLES: Just one, and I appreciate all the
work that you're doing and I presume all of these actions
that you've taken and initiatives are reflected in the
turnaround plan that was submitted to TEA.

MR. KNIGHT: Yes, sir.

MR. ECCLES: Just to touch on the language in
one of our rules, what are you presenting to the Board
that would show a clear trend indicating imminent
compliance with the Met Standard rating?

MR. KNIGHT: If you'll look at the letter that
we enclosed to you.

MR. ECCLES: The TEA letter?
MR. KNIGHT: Yes, sir. The TEA director of compliance has indicated that we've taken those steps that are going to get us out of Improvement. I think it's on the second page, maybe the end of the first page.

MR. ECCLES: Second page, and just to read it into the record, it states: "While the district predicts that the middle school campus will be at a Met Standard rating in the 2017 state accountability system, the official rating of the Texas Education Agency will not be released until August."

MR. KNIGHT: That's right, because they can't by law. They have to send out a preliminary rating and then the districts have the opportunity to contest that, and our experience is that those ratings only go up, not down. TEA tends to manipulate those numbers, if anything, in favor of districts because they obviously don't want schools in Improvement. So we believe that based on what we've done and all of our data and the data that TEA has, that we will be out in August officially.

MR. ECCLES: To be clear, and it's just the impression that was given was that there was a TEA conclusion that the middle school would be hitting Met Standard rating come August. This is actually the district's belief, based on everything that you've said and all the changes that you've made.
MR. KNIGHT: Not based on the changes, based on the data that you put into your program, Euphoria! and all the rest of them, everything that the state uses, everything that TEA uses, we run the same computer programs, and when you put those in, they spit out your index numbers. So that's where that's coming from.

MR. ECCLES: Okay.

MS. BINGHAM ESCAREÑO: I have a couple more questions based on Beau's questions, Mr. Knight. So the official rating comes out in August. You mentioned a preliminary and then there may be a little bit of movement, usually up, not down, but when did the preliminary come out?

MR. KNIGHT: Well, the preliminaries won't be released until early August, and then they'll do a final towards the end of August. They give you a two-week window to look and make any appeals, and then if there's an appeal, obviously they'll look at your appeal.

MS. BINGHAM ESCAREÑO: Okay. Thank you.

MR. GOODWIN: Other questions?

MS. RESÉNDIZ: I have a question, Mr. Chairman. So Mr. Knight, first and foremost, thank you for your service to public schools.

MR. KNIGHT: Yes, ma'am.

MS. RESÉNDIZ: So just looking at the letter, I
see that there's strategic decisions regarding the campus personnel that are being made. Would you give me an example of how that's going to help close the achievement gap just based off of the curriculum, the new curriculum that you have put together?

MR. KNIGHT: Yes, ma'am. What we've done is we've done targeted intervention with students, again, in different categories, not necessarily just students who aren't passing the tests but also students who are what we call bubble kids and also kids who have shown advancement but not up to the highest level, so we've broken those into three different groups as we intervene with students to get all of them up to a higher level. We've done that through personnel; we've done through teacher groups, breaking them down; and our schedule, a revised schedule; we've done that through assistant principals of instruction we've hired to work specifically with teachers in that area, and also, we've added a reading and math interventionist at the campus to target those areas as well.

MS. RESÉNDIZ: Thank you.

MR. GOODWIN: Thank you.

MR. KNIGHT: Yes, sir.

MAYOR STEVENS: Good morning. My name is Josh Stevens, and I am the mayor of the City of Lamesa. I just
wanted to step up and thank you for your time and
listening to me today, Mr. Chairman, Board members.

Lamesa is in a little bit of a storm right now.
We have a lot of things going on. We are just north of
the Permian Basin and the oilfield activity down in the
Permian Basin and the skyrocketing rental prices have
forced a lot of residents and oilfield employees up to
Lamesa for housing. That has made a direct impact on our
teachers. As Mr. Knight alluded, these teachers are
driving two hours a day to come into Lamesa to educate our
children. Westwind Lamesa would take a huge problem off
of their shoulders by just allowing them to spend more
time in their classroom, more time in our community, and
possibly becoming lifelong members of our fine city.

I am not on the mayor of Lamesa but I serve a
larger role, I am the husband of a proud 14-year educator
in the city who also is working at the middle school, and
I can personally attest that the changes Mr. Knight has
made and the staff has made has been great. The morale
amongst the teachers and the students is at an all-time
high. The community has rallied behind Mr. Knight. He's
been a windfall to our community, he's very active in the
community outside of the school system, but the teachers
have really become one under the new leadership,
especially at the middle school. I'm also the proud
father of a recent graduate of the top ten of our recent graduating class and a new Red Raider. The changes he is making and the need for this project in Lamesa is without a doubt paramount to our future, not only in our schools but our workforce.

I appreciate the decision that you have to make today and with everything before you, and we graciously and humbly await your decision.

MR. GOODWIN: Thank you, Mr. Stevens.

Any questions?

(No response.)

MR. LEONARD: Good morning, ladies and gentlemen of the Board. My name is Scott Leonard. I am a hometown member of Lamesa, Texas and very proud to be here and I thank you for your time today. I am a 1981 graduate of Lamesa High School, 1984 graduate of Texas Tech University, summa cum laude from the school of accounting, and I'm glad to be back in Lamesa, Texas practicing as a CPA for 30 years now. I brought my family back because I believe in the community, and while I'm a bean counter, my wife, my brother and my mother have all served the public as classroom teachers in Lamesa, Texas, and I'm extremely proud of their service.

With your permission, and because I believe it is so important, I would like to read for the record the
letter from the Texas Education Agency. This is addressed
to Superintendent Jim Knight, dated June 26, 2017.

"Lamesa Middle School in Lamesa Independent
School District was rated a fifth year Improvement
Required campus in 2016 state accountability ratings. The
Texas Education Agency conducted an onsite visit to Lamesa
Middle School in November 2016 to ensure implementation of
their targeted improvement plan. The visit was
significant for all parties involved as it allowed the
agency to identify some of the additional struggles facing
the district. Since that visit, the district and campus
staff have engaged in regular phone calls with their
assigned TEA consultant throughout the year.

"The district has made strategic decisions
regarding campus personnel, including the hiring of two
assistant principals during the school year who have
demonstrated evidence of being strong academic leaders.
Additionally, they've made the difficult decision to
replace the principal of the campus at the middle school
with one of the assistant principals due to their belief
in the importance of strong academic leadership.

"Further, the district has shown commitment to
the continuous improvement by submitting all required
documentation, as well as participating in all required
intervention activities. The district hired a
professional service provider from the TEA approved network to provide additional support to teachers and campus staff and to engage in monthly activities on the campus, including but not limited to providing training and additional insight and leadership for the campus.

"The district also made the curriculum management system to further the support and learning across the district. To further their commitment to improving student achievement, teachers and staff have received additional training and support on this tool. The district has also reported throughout the year that they have had a great response from those teachers who are actively embracing the system.

"District and campus staff have shown a willingness to share data and other pertinent information on campus progress that we have requested and have been extremely open to recommendations to the positive dialogues with the agency throughout the year. While the district predicts that the middle school campus will be at Met Standard rating in the 2017 state accountability system, the official rating by the Texas Education Agency will not be released until August.

"TEA appreciates the partnership that has been developed with Lamesa ISD and supports their commitment to improving student outcomes in their district."
This is signed by C. Lizette Ridgeway, Director, Division of School Improvement, Texas Education Agency.

I thank you for your time, and I would say this housing project is extremely important to continuing the success of our school and providing housing for our workforce in Lamesa, Texas, and I urge you to allow it to proceed. Thank you very much.

MR. GOODWIN: Thank you.

Any questions for Mr. Leonard?

(No response.)

MR. GOODWIN: Thank you, sir.

Mr. Hance.

MR. HANCE: My name is Kent Hance, and I'm proud to be here on behalf of the Lamesa Economic Development Corporation. And I had the opportunity to represent Lamesa either in Austin or Washington for some 14 years and have got a lot of friends there.

Going back to 1981, Jack Kemp came to me with an idea he had called Low Income Housing Tax Credits, and he sold it to Tip O'Neill and Ronald Reagan in a time where people worked together. I know that's hard for you to believe, but they worked together and they passed that program. There were very few votes against it, and you look at the good that it's done and the good that you've
done. The working people that have adequate and good housing, it's been a boon to this nation.

In setting that program up, they also had to have rules and regulations, they have to have it administered by the state, but one of the things that it did was to set up boards, and the reason you have boards so you can have discretion on some of the rules from time to time, and if we didn't have discretion, there wouldn't be a need for a board.

The superintendent was very modest in what he's saying that he did. He came in, he changed the principal, he changed numbers of teachers, he's been out recruiting, paying bonuses, and it's not a rich school district. It's right next to Andrews School District and Andrews has all the University of Texas oil wells, so there's a difference there, big difference. But he's been out recruiting, and 32.7 of the teachers, so round it to 33 percent of the teachers live in Lubbock and commute, and they have three vans that pick them up at Kohl's Department Store parking lot every morning, and we have one van that they have to pick them up at six o'clock because the elementary students start at 7:30.

So I just want to give you a little bit of background that's very important. I've been in education since 1968. TEA, their goal is to make sure that every
school is passing or is doing well. They've been thrilled with the new leadership that we have, and replaced that principal, replaced a number of teachers, brought in a new assistant superintendent for curriculum, made a huge change. And the one thing that he didn't mention, he goes and visits classrooms from time to time. Usually that's just the principal but also we have a superintendent that is doing it.

He mentioned also KCBD, that's one of the television stations in Lubbock. They do stories on education and they don't pull any punches and they've had positive stories about what they're doing in Lamesa, Texas.

The last thing I would say is that we were going to have with us today Don Bethel, who is a former Board member and former chairman of this Board, and his mother was put in hospice. She's 99 and hadn't been in bad health until just lately, so he sent a letter instead of being here. And he's on the school board, he helped hire Jim Knight and bring him in.

You have a lot of discretion. The young people need a good place to live, but also the market rates, that's going to help us with recruiting teachers and we have teachers that have said if they can get good housing, they want to live in Lamesa rather than commute an hour
and a half both ways every day which is difficult. So you have discretion, and I hope that you'll see fit to approve this request from Lamesa, and I stand ready to answer any questions you might have.

MR. GOODWIN: Mr. Hance, we go way back, and it's with great pride publicly that I have the opportunity to thank you for all your service. Thank you very much.

MR. HANCE: Thank you.

MR. GOODWIN: Any questions for Mr. Hance?

(No response.)

MR. GOODWIN: Thank you.

MR. HANCE: Thank you very much.

MR. GOODWIN: The last big gun?

(General laughter.)

MR. SHACKELFORD: I'm a small gun, especially compared to Mr. Hance.

That's it with our witnesses. I just want to make one final comment and that is that as Mr. Craddick pointed out in his letter that was read into the record by Mr. Lyttle, this is the only application on file for Region 12 Rural, so it's the only application. I just want to make that point. Thank you.

MR. GOODWIN: Any questions?

MS. RESÉNDIZ: May I ask a general question?

MR. GOODWIN: Sure.
MS. RESÉNDIZ: The kids that are currently --
let's put this in the broad scope of families, I believe you mentioned 80, Mr. Knight, that are socioeconomically disadvantaged, where do those families currently live? Are they in apartment housing or are they in a separate location?

MR. KNIGHT: Yes, ma'am. There are about 84 to 85 percent economically disadvantaged in our district, and they live a variety of places. We have a lot of families that have multiple families living together, as you know.

We haven't done a lot of surveys on that but they do live all across the town. There's not one particular area that they live in. We have several pockets of low performing housing and stuff. Again, just a big housing shortage.

Matter of fact, I hate to say this but I lived in a trailer park in my sister-in-law's 15-foot RV, called Ugly Betty, for six months where I had to sleep crossways on the bed, and so there was not any place for me to even find a place for six months, and that's the truth. I had some battle wounds on my head because I'm six-three that I ran into cabinets. But to tell you that's where we're at on the housing, I lived in a trailer park for six months when I first got there.

MR. GOODWIN: Any other questions?

MR. VASQUEZ: Mr. Knight, before you sit down,
again, I just want to compliment you and thank you, and
clearly your community support. It's inspiring to hear
these efforts being made in education at all levels.

MR. KNIGHT: Well, thank you. We're working
hard, the kids deserve it, and that's what we're here for.

MR. GOODWIN: Question, Sharon?

MS. THOMASON: I'd like to make a comment. So
I'm from Lubbock, coming from a rural area, and I grew up
in a small town not unlike Lamesa, and you face some
special challenges as businesses close or people are
moving, so regardless of what the Board's decision is
today, I just also want to thank you for your service, and
I have high hopes for what you can do in Lamesa.

MR. KNIGHT: Thank you so much. I appreciate
it.

MR. GOODWIN: And I also want to compliment
you. I am the spouse of an educator of 48 years, so I
know what you've done and she would be standing here
patting you on the back, as we all do.

MR. KNIGHT: Thank you, Chairman. I appreciate
it.

MS. RESÉNDIZ: Mr. Knight, just so you know, we
really do appreciate you. Tagging on to what my colleague
here said, it's really important that we do not let Lamesa
become the Petersburg of what once was. I'm from
Petersburg, Texas and we were a hustling, bustling small

town community, we were on the verge of becoming a 2-A

school, and the next thing you know time passes and we

become a six-man school, and a lot of it did have to do

with the education system where we realized that there

were educators not involved the way you are and a lot of

our kids ended up going to Idalou, to New Deal, to

Abernathy. So again, just keep up the good work. You're

doing great.

MR. KNIGHT: Thank you so much.

MR. GOODWIN: Thank you.

MS. BINGHAM ESCAREÑO: Mr. Chair, I have a

question. Maybe he was going to answer it anyway. Are we

doing Vulcan mind melt?

(General laughter.)

MS. BINGHAM ESCAREÑO: So staff's

recommendation, understandably, it is what it is. Right?

I mean, on paper it looks pretty clear that there's three

consecutive years of failure to attain Met Standard. If

the Board were inclined to reconsider and find this site

eligible, are there specific criteria that we need to be

able to articulate or have in the record regarding that?

MR. ECCLES: Well, the rule, and the rule being

10 TAC 10.101(a)(3)(B) Romanette (iv) -- that's the little

I-v -- does go specifically into, as Marni had put it
before, that if the development site is located within the attendance zone of an elementary school -- I'll just ellipse this between these things -- an elementary school that did not meet standard for three consecutive years and has failed by at least one point in the most recent year, unless there is a clear trend indicating imminent compliance, shall be unable to mitigate.

And this is the part that actually I was going to ask Mr. Knight to address, the reason why the rule states that there is not an ability to mitigate is due to the potential for school closure as an administrative remedy pursuant to Chapter 39 of the Texas Education Code. And that is if you go over to the Education Code, you'll see that there are a number of remedies for what's supposed to happen and the progressive got to fix these schools that aren't meeting standards, one of the remedies is closing the school and then when it reopens it has to serve a different population and I believe the majority of the students have to go elsewhere.

Obviously, this is a one-size-fits-all rule and when you're talking about an independent school district like Lamesa, it's not like you're talking about the Houston ISD, there's not another elementary school, there's not another middle school that you can re-mix the cocktail of students here and there and just send them off
to a school that's performing better.

So what I'll ask Mr. Knight to come up and address is whether TEA has shared with you -- since this is mostly a rather complimentary letter that's glowing about the efforts so they have reviewed the efforts and they seem to think very highly of what's going on, have they shared with you if the school does not meet standards what their plan is for what they would do under Chapter 39 of the Texas Education Code if you don't happen to be on the high side of Met Standard?

MR. KNIGHT: We haven't had any of those discussions. This new turnaround plan with the new commissioner and with TEA is much more -- what's the word for it? -- they're much more collaborative in their efforts to work with schools. In the past they've been more of an enforcement arm and more of a corrective arm. That's just how they've been. So with the new commissioner, it's just been more conducive to working with us.

Now, that being said, they've kind of recalibrated school improvement. The schools that have been Improvement for multiple years, if they're showing improvement, which we have been -- I know it was mentioned that we hadn't, that we were eight below -- again, I want to refute that, that's not accurate. I'm trying to demean
anyone but you can pick any one index and say they were lower in that index, but the accountability system is about the whole index system, it's about four indexes and about showing improvement in most of those, because every school district is not going to show improvement in every index, that's just how it works.

No, they haven't had those discussions. Matter of fact, the discussions they've had with us is because they're more collaborative and they're involved, the only thing that would happen in addition to that is if we do not show improvement, they'll get more involved as far as hands-on recommendations. We made this principal change without the recommendation of TEA. We felt that leadership was our main issue in that middle school; we felt like a change of that with the curriculum and other things we made, that that alone could turn it around, along with better teachers.

And so that's the discussion we've had with TEA, with Conner and with the ones that have been at our site visits. We have not had any discussion. We're the only school, as you know, in our area, we have some surrounding six-man schools, but what would happen in a school like ours, it wouldn't close, they would just come in and restructure our board. We don't want that either. They first start replacing your board. But none of those
conversations have ever taken place because we don't believe we're at that severity as some other schools are. We've had one campus, not multiple campuses, and we've never had district be in improvement ever, our district.

MR. IRVINE: Might I try to sort of recast what I'm hearing? When I look at the rule and the requirement for trend, typically we plot trends based on this year, met standard or didn't meet standard this year, this year, this year. I believe what I've heard you talk about is after that last dot on that trend line you have instituted an internal series of efforts that have produced specific results which you believe mathematically will generate a Met Standard rating issued in August. Is that accurate?

MR. KNIGHT: I would go back, I would go back a dot, because your dots should reflect last year that we missed accountability by one point. You say eight, I'm telling you it was one, one point. That could mean one or two students. I don't know if you know how the accountability system works, but unfortunately, your performance rests on sometimes a couple of students. Not making it puts you below that one point because you didn't make it in that one index. But we were one point short last year, so we should have seen a trend, depending on what index. If you're running tracks on Index 1, you're right, the trend may have looked worse; if you're running
tracks on Index 2, 3 and 4, which are the other three 
indexes, you're going to see improvement, even last year. 
And this year we took it to the next level where we're 
not going to be in Improvement. That's what we're saying. 

MR. IRVINE: But my point to Leslie's question 
is the different type of trend analysis that doesn't have 
those established points is something you have described 
and testified to, so I would say the question from a fact 
perspective at the Board level is did they establish to 
your comfort and satisfaction a trend that indicates a 
high level of confidence of achieving Met Standard. 
That's what the rule basically proposes.

MR. ECCLES: I'll throw a couple of things in. 
I agree with Tim. The rule generally does speak to, for 
instance, higher up in 10.101(a)(3)(B), in order to be 
considered an eligible site, despite the presence of an 
undesirable neighborhood characteristic, an applicant must 
demonstrate actions being taken that would lead a reader 
to conclude that there is a high probability and 
reasonable expectation the undesirable characteristic will 
be sufficiently mitigated or significant improved within a 
reasonable time, typically prior to placement in service, 
and that the undesirable characteristic demonstrates a 
positive trend and continued improvement.

Now, that does seem to be what you have
described, and if you're looking for standards, that is in the rule. The point that there are various indices within the potential for a Met Standard rating, I believe our rule only functions with Index 1, and when we say it's eight points below, that's what we're talking about is Index 1, so when we're talking about trends, we're talking about Index 1.

Marni, is there a clarification on that point?

MS. HOLLOWAY: Well, we look at all of them because the Met Standard or Improvement Required encompasses all four of the measurements that the superintendent described. When I said had dropped by eight points, that was Index 1 from the previous year, and if I didn't read my notes exactly, that's what I intended to say.

MR. VASQUEZ: Mr. Chairman, would you be willing to entertain a motion on this?

MR. GOODWIN: I would.

MR. VASQUEZ: I would motion that given the evidence that's been presented that we make this Westwind of Lamesa project eligible under our program.

MR. GOODWIN: Do I hear a second?

MR. BRADEN: Second.

MR. GOODWIN: I hear a motion and a second.

Any discussion, questions, comments?
MR. GOODWIN: If not, all in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: It is passed.

I'm going to recommend we take a ten-minute restroom break for the chairman and other members.

(Whereupon, at 10:40 a.m., a brief recess was taken.)

MR. GOODWIN: We call the meeting back to order, and I guess, Marni, before you start, 8(d) has been pulled from the agenda.

MS. HOLLOWAY: Has been pulled from this agenda.

MR. GOODWIN: So we're on to item number 8(e).

MS. HOLLOWAY: 8(e) is the report of third party requests for administrative deficiency under 10 TAC 11.1(o) of the 2017 Qualified Allocation Plan, received prior to the deadline.

So there's a big long list of applications in your Board materials. There are some of them that we're pulling because we're not finished processing and those will come to the early July meeting. Those applications are 17007 Magnolia Station, 17288 Forest Trails, 17305
Payton Senior, 17322 Provision at Wilcrest, 17356 The Acacia, 17368 Cielo, 17372 Sunset Trails, 17376 The Bristol, 17388 West Pecan Village, and 17390 Las Palomas. All of those will be on the agenda for the next meeting.

For the remaining applications, what I'd like to do is reorder them basically on topic so that we're dealing with the same sort of matters at the same time. So changing up the order a little bit, we'll start with 17028 Vineyard on Lancaster, 17080 Palladium Fort Worth, 17081 Palladium Denton, 17133 The Pointe at Rowlett, 17259 Mistletoe Station, 17315 Provision at North Valentine, and 17363 Residences of Long Branch. That group of applications all have basically the same third party requests submitted on them.

After that we have a group of applications that had third party requests related to opportunity index measures, that's 17042 Huntington at Paseo de la Resaca, 17094 Catalan at Paseo de la Resaca, 17230 The Oasis on McColl, 17267 Industrial Lofts, 17283 Avanti Manor, 17327 Legacy Trails of Lindale, and 17331 Westwind of Killeen.

Next we have a couple of applications that have RFADs related to underserved area, that would be 17097 and 17199, Santa Fe Place.

Then the last group is sort of all other items, that would be 17064 Chaparral Apartments, 17194 Oaks.
Apartments, 17203 Park Estate Apartments, 17239 Abbington Ranch, 17258 Village at Henderson, and 17297 Kountze Pioneer Crossing.

The third party request for administrative deficiency -- or RFAD, as they are affectionately called -- section of the rule provides for an unrelated person or entity to bring new material information about an application to staff's attention by submitting an RFAD request. Staff considers whether an application should whether an application should be the subject of an administrative deficiency based on the information submitted. RFAD requesters must provide sufficient credible evidence to substantiate the deficiency request, and the deadline for submission of RFADs was June 1 of 2017. This report item includes all determinations made as of June 22, 2017. As I said, the remaining RFADs, will be reported to the Board at the next meeting.

The Department's Governing Board has final decision-making authority on any of the issues reflected here, and thus, these determinations are subject to change, however, a requester may not formally appeal any staff determination if precluded by 10 TAC 10.902(b) related to the appeals process. Where staff is recommending that a request result in loss of points or other action, the applicants are notified and have an
opportunity to appeal the staff determination. Staff has also provided notice of the result of the request to the requester.

So today is a report item. This is not an action item unless in the course of the report or public comment the Board would like us to bring that specific topic back as an action item at the next Board meeting. And 17281 is going to the next Board meeting.

So 17028 Vineyard on Lancaster, 17080 Palladium Fort Worth, 17081 Palladium Denton, 17133 The Pointe at Rowlett, 17259 Mistletoe Station, 17315 Provision at North Valentine, and 17363 were all subject of the same request for administrative deficiency. That request contends that the Department has applied the three-point underserved area item improperly on those seven applications. The requester believes that the incorporated area which contains the census tract must not have received an award within the past 15 years in order for the application to receive three points under this scoring item. Staff has consistently applied, and the Board upheld at the May 25 meeting that the census tract may not contain a development that has been awarded within the past 15 years and the entire census tract must be within the boundaries of an incorporated area.

The request presents no new information
regarding these applications, therefore, staff has determined no further action is necessary.

MR. GOODWIN: Okay.

MS. HOLLOWAY: One of the applications that was in that group, Mistletoe Station, the same requester also added a contention that the letter submitted to support eight points under community support from the state representative did not express direct support of the development. A notice of administrative deficiency has not been issued to the applicant as a result of this request because staff has determined that the application sufficiently supports the points requested because the letter includes a statement that clearly states the representative's support for the project. So we've taken no action on that one.

The next group which we're talking about, opportunity index items. 17042 Huntington at Paseo de la Resaca, asks the Department to review three items selected for scoring under opportunity index and tiebreakers. The requester contends that the applicant has not provided evidence that the park selected under the opportunity index is located on an accessible route. They also contend that the public library claimed is not a library because it is, in fact, a 24-hour birdhouse donation box for books and does not provide other services customarily
found in a public library. They further claim that the indoor shooting range does not meet the requirement that the facility be available to the public because the range is age-restricted.

The applicant provided certifications from the City of Brownsville regarding the accessible route question and from the Cameron County Parks and Recreation Department regarding the library.

Staff has determined that the accessible route described in the application and certification is more than half a mile long and therefore is not eligible for points under this item. The Department has further determined that while the central cultural facility does include books, it is not a public library, and because the QAP does not include a limitation for age-restricted facilities, the shooting range will be allowed.

A scoring notice will be issued regarding these items and the applicant will have an opportunity to appeal that scoring notice should they choose to do so.

On the next one, Catalon at Paseo de la Resaca, that is the exact same request with the exact same outcomes.

Number 17230 The Oasis on McColl, the request asks that the Department review points claimed for four opportunity index items. It claims that the playground is
more than a half a mile from the proposed site and that it is not on an accessible route. They claim there is not an accessible route to public transportation and that the development site is not within one mile of a public library because the applicant is actually using an online library to claim those points. The applicant conceded the questions raised by the RFAD.

A scoring notice will be issued reflecting those items.

For 17283 Avanti Manor, there were two RFADs issued on this application for the same items. The RFADs claim that the site is not within a half mile of public transportation on an accessible route and that the public transportation does not operate on weekends. They also claim that the application is not eligible for points because the site is not within half a mile on an accessible route from an accessible playground. The applicant affirmed that the public transportation provider does not operate on Sundays and that the route to the playground required use of public transportation.

Staff has determined that the response does not provide sufficient evidence that the development site is within that half mile on that accessible route from the park, and that since the transportation service does not provide service on Sundays, it does not meet the
requirements for weekend service. The applicant will be provided a scoring notice and will have the ability to appeal.

17327 Legacy Trails of Lindale, the request asks the Department to review opportunity index and tiebreaker factors. The associate's degree item requires that 27 percent or more of the population in the census tract have an associate's degree. This request claims that because the development site falls in two census tracts, because one census tract is lower, they shouldn't get the item, that the farmers market used for outdoor recreation does not qualify because of its periodic nature and it doesn't have a permanent facility, and that Hideaway Lake does not qualify for outdoor recreation because it is in a gated community and available only to resident members.

The applicant submitted documentation of the census tract boundaries and a letter from the City of Lindale regarding the eligibility of the farmers market.

Staff has determined that the entire development site, including the access easement does span into two census tracts. One of those census tracts is below 27 percent on the associate's degree item so that it does not meet that threshold for that point. The Lindale Farmers Market does qualify because it's held on
particular parking lots set aside for the market and streets are closed, forming a boundary for the activity. Staff has determined that Hideaway Lake does not qualify as it is not open to the general public.

The applicant will be issued a scoring notice and will have the ability to appeal.

17331 Westwind of Killeen, there were three RFADs received for this application on all the same items. The requester claims the site does not qualify because the public transportation does not operate on weekends, the senior center library room is not open to the public, the Meadows Gallery is an exhibit in a theater and does not meet the definition of museum, the letter from a property owner granting the applicant permission to build an accessible path on his property does not provide assurance that an accessible path to the public park will be created, and the H-E-B grocery store was under construction at the time of application.

The applicant submitted letters from the City of Killeen, the Boys and Girls Club and then also regarding public transportation and the grocery store, and from an engineering company regarding the accessible route.

Staff determined that the H-E-B grocery store qualifies because amenities under significant construction
at the time of application may be allowed, and in this case the store is built and operating. The gallery display does not meet the QAP requirements for a museum as the organization's primary purpose is live theatrical performance and the artwork displayed is ancillary to that purpose. The library at the Lion's Club is not a public library. The accessible route to the park has not been proven as the applicant cannot promise to build a sidewalk on property not controlled by the applicant. And the rules require that public transportation be available on weekends and the service does not meet this requirement as there is no Sunday service.

The applicant will be issued a scoring notice indicating the loss of points and will have the ability to appeal.

For 17267 Industrial Lofts, there were three RFADs received for this application. We were asked to review scoring items on the opportunity index claiming that there is not an accessible route to the playground or to public transportation, also, that the applicant did not use the appropriate population amount for the census so that the actual property crime rate is 51.75 per 1,000 which exceeds the 26 per 1,000 maximum required for scoring.

The applicant has provided third party
certification of an accessible route from the development to the park and information from the public transportation provider regarding accessibility of buses. They have resubmitted the same crime information from the City of McAllen that was originally included in the application.

Staff has determined that the accessible route indicated is approximately five miles long and would need to be taken by accessible transportation which does not meet the requirement for a one-half mile accessible route.

The response does not provide sufficient evidence that the development site is within half a mile on an accessible route from public transportation, and the response does not provide sufficient evidence that the crime rate for the census tract is 26 per 1,000 or less.

The data provided by the City of McAllen reports the number property crimes reported for the census tract but appears to consider the population of the entire city rather than the population of the census tract in the calculation of the rate.

The applicant will be issued a scoring notice indicating the loss of points under the affected items and will have the ability to appeal.

The next one Holly Oaks Seniors 17097, the request asks the Department to review points requested by the applicant related to underserved area -- now we're...
getting into the underserved areas. The requester claims that portions of the census tract lie outside of the incorporated boundaries of the City of Houston so the application is not eligible for the five points claimed under this item.

The applicant's response presented no information to support the five points requested. The applicant requested that if the Department determined they were not eligible for the five points, they be awarded two points as supported by the application. Staff has determined that award of two points was supported by the materials submitted in the original application and a scoring notice will be issued.

17199 Santa Fe Place, the request asks the Department to review points claimed under underserved area. The requester contends that the census tract extends beyond the incorporated boundaries of the City of Temple such that the application is not eligible for three points.

The applicant's response is that staff has misinterpreted this rule at 10 TAC 11.9(c)(6)(C). Staff has determined that the application is eligible to receive two points rather than the three points claimed. A scoring notice will be issued and the applicant will have the opportunity to appeal that notice.
the Department to review the applicant's requested score related to declared disaster areas. The requester claims that the area has to be declared a disaster area under Texas Government Code 418.014 and that Midland County was not declared a disaster area under the applicable code in the two years prior to application.

The applicant asserts that because Midland County appeared on the Department's list of disaster counties in 2016, the county continues to be eligible for ten points this year. Texas Government Code 22306.6710(b)(1)(H) specifically requires that counties be declared disaster areas by the governor pursuant to Government Code 418.014 within the two years preceding the application. Midland County was not declared a disaster area during that two-year time frame. It appeared on the Department's list of declared disaster areas in 2016 because that was the last year it was eligible due to an earlier declaration.

The application will receive a scoring notice removing the applicable ten points and will have an opportunity to appeal that notice.

17194 and 17203 are the same requests and the same issues. Requests ask the Department to review points claimed under underserved area because the census tract
extends beyond the incorporated boundaries for the City of Quitman such that the application is not eligible for three points. Also, Wood County was declared a disaster by a county commissioner and FEMA. The requester points out that the area has to be declared a disaster area by the governor in order to claim those ten points, so it's just like the previous one, it didn't have the governor's declaration. And the request claims that the applicant is requesting points under rent levels for tenants that are only available for supportive housing developments, and the application states that the development will serve the general population.

The applicant's response did not substantiate the requested three points for a census tract within the city limits, they provided documentation regarding the disaster declaration from FEMA which does not substantiate that it was declared by the governor, and they claim that the application was marked general pursuant to instructions because it was not entirely supportive housing, our definition would require it to be entirely supportive housing.

Staff has determined that the application does not qualify for the three points but it does qualify for two points under underserved area, the application does not qualify for ten points because the governor has not
issued a disaster declaration for Wood County within the required time frame, and the applicant has not proven that they qualify for 13 points under rent levels, they do qualify for eleven points under this scoring item. And a scoring notice will be issued and the applicant will have an opportunity to appeal.

17239 Abbington Ranch, the request asks the Department to review the application for execution of the eligibility certificates by three parties as they were not notarized on the same date they were executed, claim that they have not used the correct high school for scoring under educational quality, and that the general contractor fee exceeds the allowable amounts.

Supporting information for the correct high school was included in the application, so the applicant was allowed to provide clarification through an administrative deficiency. The applicant provided affidavits and other evidence from the notaries that the certifications were in fact signed on the dates described in the notary blocks and stated that the dates under the signatures had been filled out prior to execution, so someone had typed it out and then it got signed later. The fee issue would be handled through the REA process. So the Department has determined that those first couple of items the applicant has adequately supported their
17258 Village at Henderson, the request asks the Department to review documentation submitted for two threshold items. One would be the detailed breakdown of site work costs prepared by a third party engineer or cost estimator, and the current development site survey required for the site design and feasibility report. The requester points out that the application PDF does not include bookmarked tabs at the end for use by TDHCA staff in their review.

Staff has determined that the application contains the site work costs information and a survey at other places in the application, and we also find that the bookmarked tabs at the end does not rise to a material level, and in fact, that was something new we had this year for putting all the deficiencies and all of that stuff in a reliable place in the application, and if we called it material, we'd probably terminate half the applications.

MS. RESÉNDIZ: Is there a point just for that?

MS. HOLLOWAY: No. It was the first time we had done that and I would bet half of the applications don't have those tabs at the end, so we're not going to call that material.

Our last one, our last RFAD, Kountze Pioneer
1 Crossing, application 17297, the request asks the
2 Department to review documentation provided in relation to
3 site control. They claim that the applicant did not have
4 site control of the entire parcel included in the
5 application.
6 Are you sure? Shay says I missed one. We'll
7 figure it out. It's a good thing she's keeping track of
8 me.
9 (General laughter.)
10 MS. HOLLOWAY: Site control, the applicant did
11 not have site control of the entire parcel included in the
12 application because the City of Kountze did not own the
13 entire parcel it contracted to sell the applicant. They
14 also claim that three of the letters submitted for input
15 from community organizations are from ineligible entities,
16 two of the letters did not include evidence of tax-exempt
17 status, and the evidence of existence and participation in
18 the community is missing for all letters.
19 The requester claims that the application is
20 only eligible for two points under educational quality
21 because all of the schools aggregated for the elementary
22 grades do not have a distinction. The requester claims
23 that the applicant used the incorrect utility allowance
24 and that when the correct utility allowance is applied,
25 the application fails to meet feasibility requirements
because the debt coverage ratio is below 1.15.

The applicant explained that conveyance of portions of the development site to the City of Kountze had not happened in 2001 as previously thought. The response included a warranty deed conveying the land dated May 24, 2017, so it was after the application date. The applicant maintains that it had proper site control and insists that the deed is not required. The applicant provided a letter and screen shots from the website of one community organization that provides services in Kountze and they asserted that the requirement for distinction applies only to a single elementary school.

Staff has determined that the City of Kountze did not have appropriate control of the entire development site as of March 1, 2017 which was the application submission deadline. The applicant provided sufficient evidence for two additional points under input from community organizations. The rule requirement regarding combined schools applies only to the Index 1 rating and not to a distinction, so the application is eligible for the additional point under educational quality. Staff determined that issues regarding the utility allowance will be considered when and if the application is underwritten.

A notice of termination will be issued due to
the site control issues. The applicant will have an
opportunity to appeal.

Shay says I missed 17283. Okay. 17283 Avanti
Manor in Harker Heights, there were two RFADs for the same
application. This is opportunity index. The requester
claims that the site is not within a half mile of public
transportation on an accessible route and that the public
transportation does not operate on weekends.

The requester further claims that the requester
is not eligible for points because the site is not within
half a mile on an accessible route from an accessible
playground.

The applicant affirmed that the public
transportation provider does not operate on Sundays and
that the route to the playground required use of public
transportation.

Staff has determined that the response does not
provide sufficient evidence that the development site is
within half a mile on an accessible route from the park
because it would require accessible transportation, and
because the public transportation does not provide service
on Sundays, it does not meet the requirement for weekend
service. The applicant will be issued a scoring notice
and will have the ability to appeal.

As I said, this is a report item. I'd be happy
to answer any questions.

MR. GOODWIN: Any questions from Board members?

MS. RESÉNDIZ: Marni, quick question. You've mentioned 17199, Santa Fe Place in Temple that staff misinterpreted this rule. Was that per the census information submitted by the applicant that the applicant is stating that staff?

MS. HOLLOWAY: The applicant is stating that staff has misinterpreted that particular rule. It's really the same claim as the first seven that I mentioned that the requester reads that part of the rule as saying the entire incorporated area must not have had a site within the past 15 years rather than is the census tract within the incorporated area, and this is something that we discussed at the meeting in May about the three-point versus the two-point scoring item. It's that same item but they're taking a different approach to it entirely. As I said, that applicant will have an opportunity to appeal and they'll have a chance to tell you their side of it and how they're approaching it.

MR. GOODWIN: Other additional questions?

MR. VASQUEZ: I have one on 17327.

MS. HOLLOWAY: Legacy Trails?

MR. VASQUEZ: 327 Legacy Trails of Lindale.

Did I hear you say that the farmers market were given
credit for an outdoor recreation facility?

    MS. HOLLOWAY: Yes.

    MR. VASQUEZ: The one in the parking lot that, according to this, operates one day a week, 4.5 months out of the year? That just doesn't seem to kind of meet the threshold.

    MS. HOLLOWAY: Well, and this is actually something that's been requested of staff in the rules and perhaps our new chair of our committee can help us work through. Definitions of indoor and outdoor recreational facilities is a tough one and it's basically is it open to the general public. Our rule as it sits right now does not have a requirement about having to be available X number of hours or X days a week.

    MR. VASQUEZ: It just seems like a bit of a stretch to call it a recreational facility in a parking lot one day a week for a third of the year.

    MS. HOLLOWAY: So because this is a report item, if the Board would like, we can take this one back and further develop it and bring it back as a potential action item for the Board to determine if this is an appropriate outdoor recreational facility. We absolutely can do that.

    MR. GOODWIN: We need direction, Leo, if you'd like to direct staff to go back and look at this.
MR. VASQUEZ: I'd like to see it reviewed a little more closely.

MR. GOODWIN: That would be appropriate and we would need a second for that motion.

MR. IRVINE: It's not really a motion.

MR. GOODWIN: Just a direction of staff. Okay.

MR. VASQUEZ: And then I missed which number this was, did I hear you say someone tried to say count a library within the certain distance as being an online library?

MS. HOLLOWAY: Yes.

MR. VASQUEZ: That's amazing that someone would do that.

MS. BINGHAM ESCAREÑO: And the birdhouse wasn't amazing, the birdhouse with the drop-off books?

(General laughter.)

MS. HOLLOWAY: The RFAD process is very labor-intensive for staff. We got 40 of these on June 1 on the day that they were due, but I would point out that some of these things we would never know without this process.

MS. BINGHAM ESCAREÑO: They're a mixed blessing.

MS. HOLLOWAY: Yes, it is, absolutely a mixed blessing.

MR. GOODWIN: I'm curious the view of staff on
the issue of having public transportation not being available on Saturday and Sunday that an applicant would complete this and ask for those points only to have some competing applicant bring to our attention that public transportation doesn't work on Sunday, and if our rule is seven days a week, it would seem to me that the applicant should have known that before someone would come in and do that. That happens?

MS. HOLLOWAY: It happens. And a number of the accessible route or at least one of the accessible route questions we have two different experts with two different opinions that you'll all get to deal with.

MR. GOODWIN: Right.

MS. HOLLOWAY: We hope that applicants are very careful about the amenities that they're selecting for opportunity index or that they're very careful about the underserved area measurements, that kind of thing. Clearly, that doesn't always happen, I couldn't tell you why. But again, having the RFAD process out there so that there are other eyes looking at some of these items I think is important to the integrity of the awards that you'll make next month.

MR. GOODWIN: Any other questions? If not, a motion to accept Marni's report?

MR. ECCLES: Point of order. Per 10 TAC 11.10,
interested persons may provide testimony on this report before the Board takes any formal action to accept the report.

MR. GOODWIN: Anybody that would like to speak?
(No response.)

MR. GOODWIN: Seeing none, we'll take a motion to accept the report.

MR. ECCLES: Thank you.
MR. GOODWIN: Thank you.
MS. BINGHAM ESCAREÑO: So moved.
MS. RESÉNDIZ: Second.
MR. GOODWIN: Moved and seconded. All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Thank you, Marni.

Marni, do you want to address the item (f) and all of those have been pulled?

MS. HOLLOWAY: I was just going to sit down.

On 8(f) which is appeals, at this point all of those appeals have either been withdrawn or postponed, so we are not hearing any appeals today.

MR. GOODWIN: We'll move on to item 8(g), Sharon.

MS. GAMBLE: Good morning, Mr. Chairman, rest of the Board, Mr. Irvine, Mr. Eccles, Mr. Lyttle. My name
is Sharon Gamble. I am the administrator for the Housing Tax Credit 9 Percent program, the competitive program, and I'm here to present item 8(g) which is the list. And the list that you have there before you is our list of applications that are eligible to be awarded tax credits. These are the applications that for whatever reason have not been removed from consideration at this point.

The Department's Board is required by subsection 2306.6724 of Texas Government Code to review the recommendations of Department staff regarding applications and issue a list of approved applications each year, in accordance with the Qualified Allocation Plan, not later than June 30. Moreover, as required by Texas Government Code Section 2306.6724(f), the Board shall issue final commitments for allocations of housing tax credits each year, in accordance with the Qualified Allocation Plan, not later than July 31. At the Board meeting of July 27, 2017, the list presented to the Board will clearly identify those applications being recommended for a commitment of tax credits.

We received a total of 149 applications prior to the application deadline of March 1, 2017. To date, 20 applications have been withdrawn or terminated and those have been removed from this list. The applications are approved in the sense that they have not yet been
identified as having any material deficiency or other
defect that would cause them to be ineligible or if such
matters have been identified and they're still within the
period where such matters may be appealed. Not all
applications on the list will be reviewed as the
Department reviews priority applications that are most
likely to be competitive.

The attached list includes the current score
for each active application, as well as relevant
application information. Those applications that have
received a final scoring notice are identified in the
review status column with a C, indicating that a complete
program review had been completed. Those applications
that are currently under review are identified with a UR,
and if an appeal is pending, the list indicates that.
Those with an N have not been prioritized for review. And
I should take that back, the applications that are pending
appeal are not indicated on this list.

At this time, applications remain subject to
underwriting, completion of any remaining program review,
and a previous participation review. Further, the credit
amount reflected on this list is the requested credit
amount and it may change to reflect a recommended credit
amount and/or may have conditions placed on the
allocation, and we'll discuss those at the July Board
meeting.

In addition to applications that may be removed from the list for issues of financial feasibility, applications may also be removed from the list of approved applications as determinations are made on appeals or as the Board determines under operation of rule or law.

Staff recommends the Board approve the list of applications eligible to be awarded credits in the 2017 application round. This list is really sort of a culmination of everything that we've done in the program up to this year. It's kind of like a little furry baby chick, it starts in March with the full list and then we kind of pare it down and bring it to fruition, so to speak, and so that's what you'll see on July 27. And that ends my presentation. I'll be happy to answer any questions.

MR. GOODWIN: Marni, did she skip anything?

(General laughter.)

MS. HOLLOWAY: I don't think so, but I really like describing it as a little furry chick.

MS. GAMBLE: It is. You know, you pet it and you grow it, and they've been telling us not to hug them because you get bird flu or something. That's what it is.

MR. GOODWIN: Thank you, Sharon, thank you and your staff for all that you do.
MS. GAMBLE: Thank you, sir.

MR. VASQUEZ: I do have one question.

MR. GOODWIN: Yes, sir.

MR. VASQUEZ: Just being new and not understanding how it all works. If we have a region in a tight rural or urban where the total amount requested exceeds the amount available to allocate, do we only allocate, if we decide to award it, do we only allocate the amount available even if the request was more?

MS. GAMBLE: Well, no, we don't. So there's like a five-stage process of awards. The first step of that is that we go through and we award all of the eligible applications that we have enough to award. So in those regions where the request is less than the allocation that's there or equal to, then we go ahead and award all of those. We award the at-risk set-aside, we then go to the rural collapse where we go through, collapse all the funds that are left in the rural regions and award any applications that we can from those funds that are left.

Once we've done what we call the rural collapse because we collapse those funds, then we do what's called a statewide collapse and that's where all of the credits that are left are combined into one pool and we go back to those regions, we call them underserved because they
didn't get an award kind in the first round, and that's when an application that fits the situation that you just described may be awarded because now in the statewide collapse there may be enough credits to go ahead and award that application. It's fun.

MR. VASQUEZ: So if there's only 500,000 available and they've made an $750,000 rural request, there's still a chance for 250- to come up.

MS. GAMBLE: Exactly. Because they know that we're going to collapse those funds and that there will likely be enough -- they anticipate that there will be enough remaining to fully fund an application. If there's not, then we don't fund it, we don't do partial funding.

MR. VASQUEZ: I imagine the Westwind of Lamesa is going to be happy to hear that we can collapse some of those funds.

MR. GOODWIN: Any other questions?

MS. RESÉNDIZ: Mr. Chairman, if I may.

MR. GOODWIN: Yes.

MS. RESÉNDIZ: Sharon, thank you. Out of the 149 competitive applications that were submitted, how does staff view that, is that an average number, below?

MS. GAMBLE: I think last year the number was 141 and so it's close. And that's down from we had over 400 pre-applications, and so again, the baby chick, we
watch it mature into what it becomes.

   MR. BRADEN: Just for clarification. So the
3 schedule will be corrected to remove the terminated
4 pending appeal from the Westwind of Lamesa, considering
5 the action we took today?
6         MS. GAMBLE: Correct.
7         MR. GOODWIN: Any additional questions? Any
8 comments from anyone? A motion to accept Sharon's report?
9         MS. RESÉNDIZ: So moved.
10        MR. GOODWIN: Moved. Second?
11        MR. BRADEN: Second.
12        MR. GOODWIN: And seconded. All in favor say
13 aye.
14 (A chorus of ayes.)
15        MR. GOODWIN: I think that concludes everything
16 but public comment, and I know there are a number of
17 people here that wanted to comment on items. I would
18 remind you to come up, you have three minutes, sign in and
19 introduce yourself if you would, please. And if anyone
20 wants to speak, if you wouldn't mind coming up and sitting
21 in the first row, we would appreciate it.
22        MR. MARKS: Hello. My name is Scott Marks with
23 the Coats Rose Law Firm and I'm also a board member on the
24 TAAHP Board and appearing here before you on behalf of
25 TAAHP.
I'd like to read a letter that TAAHP sent to
Mr. Irvine on the visitability rule which was part of your
report on the 2018 QAP, and I'd also be happy to answer
questions on that if you have them for us.

MR. GOODWIN: We cannot allow for any questions
to be asked at this stage unless you're on the agenda as
an action item. So you can read the letter in, we can
listen to it. If you want to do that, we have to get it
on the agenda in the future and post it.

MR. MARKS: That's even better, that's fine.

"Dear Mr. Irvine:

"TAAHP strongly opposes any changes to 10 TAC
10.101(b)(8)(B) that would require housing tax credits to
be used for additional visitability modifications. Texas
already has very rigorous accessibility and visitability
standards and the proposed additional requirements will
strain the financial feasibility of low income housing tax
credit developments.

"The Federal Government's accessibility
standards provide for adaptability and accessibility for
people with disabilities. The Fair Housing Act requires
covered apartments to be adaptable, and Section 504 of the
Rehab Act requires 5 percent of units to be accessible to
a person using a wheelchair. The state's already more
restrictive requirement mandates that 20 percent of the
Fair Housing exempt units, such as town homes, have an adaptable bathroom on the ground floor. In this respect, Texas is already going above and beyond federal accessibility requirements.

"The new draft visitability rule is onerous for both developments with apartments covered by the Fair Housing Act and for those with a high percentage of exempt units. For apartments covered by the Fair Housing Act, adding the requirement of grab bars may seem possible at a nominal cost but the cost can be significant for larger developments such as 200 to 300 units. Additionally, adding grab bars lends an institutional feel that makes apartments feel like a hospital or a nursing home. Grab bars hinder the marketability of apartments which must compete in a marketplace where grab bars are very uncommon.

"While requiring grab bars on a senior deal makes some sense, requiring grab bars on every unit of a family deal is wasteful and unwise. For a development that contains a high percentage of Fair Housing exempt units, the proposed rule will drive up costs unnecessarily. The cost of building or modifying units to comply with the proposed bathroom requirements will threaten the financial feasibility of developments by increasing the cost associated with the square footage of
the development. Many construction costs such as roofing and framing are bid out based on square footage. Therefore, enlarging the size of each unit by a small amount can dramatically impact the overall cost of construction.

"Alternatively, if a developer chooses not to increase the overall size of the apartments, the units will be less marketable because larger bathrooms required will result in smaller living spaces. Additionally, costs associated with ensuring ground floor and elevator access units have accessible paths to common use areas will be extremely high. Texas has diverse topography and sometimes often tax credit developments are built on sites with varying elevations and land features, and under this rule change modifications meant to be simple, such as wheelchair ramps, could become infeasible simply because the land is not flat.

"Finally, tightening visitability standards now in the midst of a very volatile market without providing additional tax credits will widen the gap in financing developers are already trying hard to close. Developers of both new construction and rehab apartments are trying to put deals together with a lot of unknowns, and adding additional and unnecessary costs to deals will cause some to fail. There's no good reason for TDHCA to take actions
that could threaten the feasibility of some affordable housing developments.

"To conclude, as currently proposed, the draft visitability rule will create an economic hardship for developers in the Tax Credit Program. The financial ramifications of the rule will put both new construction and rehab deals in jeopardy of not penciling out and will result in diverting tax credits from their purpose of building more units to making burdensome modifications. While we agree visitability is important, this draft rule goes too far and does not serve the best interests of Texans. We strongly oppose any changes that will increase Texas's already stringent visitability requirements for tax credit developments and will be happy to discuss our concerns with you."

Thank you.

MR. GOODWIN: Thank you, Scott.

MR. HOOVER: Good morning. My name is Dennis Hoover, and I represent the Rural Rental Housing Association of Texas which is mainly owners and developers and managers of USDA 515 housing which is a small town program, most of which were built in the '70s and '80s and '90s. They're getting old.

I think there's 22,000 units in Texas. Average income across the nation for these is about $13,000 per
household and so they're fairly low income. And all these are needing rehab and just about the only thing that we have to rehab them with is the low income housing tax credit. There's a few things out there for gap financing, like the 538 program and/or HOME, but 95 percent of it, 99 percent of it, probably, is tax credits. We have a little set-aside in the at-risk, 5 percent of the state, and that this year will rehab about 1.6 percent of our portfolio, 357 units.

I know there are a lot of other folks in the room that could get up here and tell the same story I'm telling, but the visitability rule is mainly a cost thing for us. We have a limit now of $104 per square foot for rehab plus whatever we pay for the property for acquisition, and that says that we can spend about $35,000 per unit on bricks and sticks, total construction contract may be $42,000 or something like that. That doesn't already quite address all of our needs. If you've got a 1975 property that hasn't had a major rehab and we would like to go in there and replace every major thing that needs replacing which is almost everything, if we were to do that, we'd probably need $55,000 a unit to get that done.

And so the visitability rule, although it's an admirable goal, but we're going to have to leave something
out, we won't be able to address all of the need for rehab if we have to do this. We'll have to leave out the roof. The roof is 20 years old and needs replacing but it hasn't failed yet, so we're going to have to make a choice what we leave out in order to do this visitability rule. The main expense is moving the walls in the bathroom. These old USDA units, the biggest we could build a one-bedroom I think was 625 or 650 square feet, I'm trying to remember, and 800 was the limit on the two-bedroom, and so none of the bathrooms -- you'd have to go take a foot or sometimes a foot and a half out of the bedroom in order to make these ADA bathrooms, and it's costly by the time you do that. It's probably $5,000 a unit to go in and make an accessible path, making the front door, the porch, it's got to have a cap poured on it, then you've got to move the walls in the bathroom and move the plumbing and redo all that.

And so I'm just saying there's not enough money now already to do what we need to do, and it's an admirable goal but it should be in second place behind these other needs.

MR. GOODWIN: Anything else? Thank you.

MR. HOUSE: Thanks for being here, guys.

MR. GOODWIN: Introduces yourself, if you would.
MR. HOUSE: I'm Mark House and I'm from San Antonio, Texas. Many of you saw us here last month when we spoke at the end of the session.

MR. GOODWIN: Mark, before you start, I just want to say one thing because you told me before the meeting started that you had gotten on the agenda and that we can now ask you questions.

MR. HOUSE: You can't now.

MR. GOODWIN: We can't, all we can do is listen to you. I want to make sure you understood that.

MR. HOUSE: We're good. Matter of fact, I wanted to close today with both the hardship that we endured with this meeting and a compliment to you guys. I'm sure you don't get to hear compliments very often.

It was a hardship for us to come up today, we came up to deal with two issues that were on two projects that were on two different sections of the agenda, and they were pulled here, and so now we've been here all day and that was a pretty big hardship for us being pulled that way.

But I want to thank you guys. We're citizens, we don't know all the rules, we're trying to learn your process and procedure, we're trying to learn how to work with you, and I want to say thank you for the niceness, the tips, the suggestions, the help you've given us so
that we can learn how to work with you in this process. That's a compliment to you as just doing a really good job to help us as citizens. So thank you so much. That's all I have to say.

MR. GOODWIN: Thank you, Mark.

Any comments by any Board members?

(No response.)

MR. GOODWIN: Any additional comments by staff?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion to adjourn.

MR. BRADEN: So moved.

MR. GOODWIN: So moved. And seconded?

MS. BINGHAM ESCAREÑO: Second.

MR. GOODWIN: And seconded. All in favor?

(A chorus of ayes.)

MR. GOODWIN: We are adjourned.

(Whereupon, at 11:45 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF:  TDHCA Board  
LOCATION:  Austin, Texas  
DATE:  June 29, 2017  

I do hereby certify that the foregoing pages, numbers 1 through 123, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

7/11/2017  
(Transcriber) (Date)  

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3636 Executive Cntr Dr., G22  
Austin, Texas 78731