TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
GOVERNING BOARD
QUALIFIED ALLOCATION PLAN AND MULTIFAMILY RULES COMMITTEE
MEETING

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

Wednesday,
September 6, 2017
2:00 p.m.

MEMBERS:

LEO VASQUEZ, Chairman
LESLIE BINGHAM ESCAREÑO
PAUL A. BRADEN
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MR. VASQUEZ: I would like to call to order the meeting of the Texas Department of Housing and Community Affairs Qualified Allocation Plan and Multifamily Rules Committee meeting.

It is 2:05. And we will have a roll call first. Member Braden?

MR. BRADEN: Here.

MR. VASQUEZ: Member Bingham Escareño?

MS. BINGHAM ESCAREÑO: Here.

MR. VASQUEZ: And myself, Leo Vasquez. All present. We have a quorum. And we are going to take everything a little bit out of order today.

Actually, even before I start, I just want to make a comment as Chairman, that as being the Board member from the Houston region, I have to just make a statement about, if there is any emphasis on any other way to highlight the importance of housing in the communities, there is no better picture than what is going on right now from Corpus Christi to Beaumont. And again, especially in my home town.

So everything that the Department does, and you the development community does, it is just doubly important for these next few years. So I appreciate everything that you all are doing.
With that said, we are going to take things a little bit out of order, and take Item 2 on the agenda first, because we have a special guest, Representative Collier here, who wants to speak on the second item. So I guess I will call Marni Holloway up to get us started.

MS. HOLLOWAY: Chairman Vasquez, members of the Committee, I am Marni Holloway. I am the Director of the Multifamily Finance Division.

Item 2 is discussion of education as a threshold item, resulting from recently enacted legislation. House Bill 3574 amended language in our Code, and now says, educational quality may be considered by the Department as part of the special criteria, but shall not be considered by the Department as a scoring factor.

Other new language requires that not later than September 1, the Department shall report the outcome of considering -- or September 1, 2019, the Department shall report the outcome of considering educational quality in threshold, and not as a scoring factor in an application.

In response to this legislation, staff has removed educational quality from the QAP, and from the tiebreakers. And in order to comply with Section 3 of the bill, applicants will continue to be required to supply information regarding school scoring in their applications.
so that data will be available to compile the required report.

MR. VASQUEZ: Okay. Great. Representative Collier, could you share a few thoughts with us?

MS. COLLIER: Oh, yes. Thank you, Mr. Chairman. My name is Nicole Collier. I am here to speak on the bill, about some of the possible recommendations that we saw.

I want to thank you so much for all your hard work and dedication to this program, and to affordable housing in general. I am confident that your passionate efforts will lead to more affordable homes for Texans across the state.

So I have a few prepared words to talk about, you know, why I brought this bill to you, and why I feel like it is going to be important going forward. Access to affordable housing is important to my district, House District 95, as I know it is for many others.

I first started working on the QAP regulations two sessions ago with House Bill 3535. And the location of affordable housing developments seemed to be moving out of the urban core. That is what I have been seeing.

And the pendulum had swung, as a result of the Inclusive Communities case, which ruled that too many awards were going to areas with significant -- that too
many awards were going to areas with significant blight. Now, I understand the need to place projects in more suburban areas, and suburban neighborhoods. But the unintended consequence was that there was no, absolutely no revitalization projects occurring in the areas that sorely needed it.

So we passed House Bill 3535, which required that the first project from several regions went to the areas of blight, while still leaving many awards in the suburban areas. But what we found over the biennium is that it became clear that there were similar challenges with regard to areas, with areas with underperforming schools.

I believe that affordable housing residents should have access to great schools. And they are addressing that with the A through F accountability rating. But we still need to address that with our educational funding efforts.

So we need to ensure -- we want to ensure that low performing schools have a new infusion of development so that the tax base and growth will help support that school and the district, addressing what we have coined the triple dip, if the educational quality triple dip was achieved in passing House Bill 3574 of this session.

Prior to this legislation, educational quality
was considered not only in the threshold criteria but also in scoring and the tiebreaker. As with many complex issues, there is still work that can be done to ensure that equity in reinvestment in our urban core occurs.

Another area, I and Chairman Garnet Coleman would like to address within educational quality as a threshold criteria is allowing the school to showcase plans and improvements in school performance over the years, to keep from disqualifying developments in that area. Specifically, we believe that educational quality as a threshold criteria should be made more flexible, so that areas of the state which have improving educational opportunities will not be denied a fair shot at qualifying for a competitive 9 percent credit.

With the help of the TDHCA, and Chairman Coleman's office, we were able to identify specific ways a school would not be deemed ineligible for developments in House Bill 3570. Therefore, we recommend that the 2018 QAP Rules allow for applications not to be denied eligibility if the school district certifies that the school will have a net standard or better rating within three years of the date of application.

Or, the overall academic environment for the school is to be enhanced by a turnaround plan, pursuant to Section 39.107 of the Texas Education Code. Or, the
district will institute a shift to a K through 8 structure to serve that same attendance zone within three years of the date of application.

Or the district will implement extended day pre-K to serve that same attendance zone, within three years of the date of the application. Or the residents have the option of attending an elementary, middle or high school of their choice within the same district that has met standards.

So as you can see, I have given you plenty of options to consider. And I would like for you to consider some of these when you are thinking about educational quality in the threshold.

Schools with limited means can make significant improvements and meet the needs of the community by instituting programs like extended day pre-K, and moving to a K through 8 structure for their students. Both of these efforts have been shown to improve the learning environment and overall educational quality of schools.

And finally, like you just said, Chairman Vasquez, I want to acknowledge some of the great work that the TDHCA has done for the individuals displaced by Hurricane Harvey, and the work you will do. I have pointed people to your programs for short and long term help.
I think the HOME disaster relief program needs to be greatly expanded, as well as the tenant-based rental assistance program, and the HOME program. As you know, these are efforts that are already in place, and are doing great work through Hurricane Harvey.

And I will work with my fellow legislators to ensure that the funding is there in the coming months and years to continue these programs, and meet the needs of these Texans. I look forward to working with you, and on the rules.

And thank you again for your work, and for allowing me to be here today. Does anyone have any questions?

(No response.)

MS. COLLIER: No. All right. Thank you.

MR. VASQUEZ: Thank you, Representative Collier for the efforts you are doing. And I believe that the new rules and such are reflective of your House Bill 3574.

MS. COLLIER: I appreciate that. Thank you.

MR. VASQUEZ: Ms. Holloway?

MS. HOLLOWAY: I would just add that that threshold measurement continues in Chapter 10, in the undesirable neighborhood characteristics. It is important to note that the undesirable neighborhood characteristics section is all about disclosure and mitigation.
None of the measures there are full stop on an application. They simply require that an Applicant provide evidence that the characteristic can be reasonably expected to have improved by the time the development place is in service. All right.

MR. VASQUEZ: Great. Shall we move on to Agenda Item 1.

MS. HOLLOWAY: Certainly.

MR. VASQUEZ: And the way I think we are going to be able to do this, because Marni will talk for the next six hours.

MS. HOLLOWAY: No. Because we are going to have to talk for six hours tomorrow, so I won't do six hours today.

MR. VASQUEZ: Okay. Well, we will try to squeeze it down with everyone's cooperation. What we would like to do is because we do want to take comments from everyone. But we are going to try to break it up into each major section.

So we will allow Marni to kind of go through the changes for each section. And then if you have comments for that item, pertaining to that section, we will try to take those as a group per section.

If you have comments on multiple sections, please wait to make the comment appropriate to that
section after we have discussed it and presented it. So even if you have five different comments on five different sections, you are going to come up five different times.

So let's try to keep them short and sweet. And if again, if someone else has already made the comment you are about to make, please just, if you have to come up and say your piece, just try to emphasize what he said, or what she said. I agree with that. So we can keep this moving along.

MR. ECCLES: And just a quick reminder, we are talking about comments. And it is coming from the public. But this is not for rulemaking purposes public comment. The public comment period has not opened, and will not open until after the Board has actually adopted and sent to the Texas Register the rule. So this is just a stakeholder opportunity to have input on the staff draft proposed rules.

MS. HOLLOWAY: All right. So Item 1, presentation and discussion of the staff draft of the 2018 Qualified Allocation Plan.

During 2017, staff met six times with stakeholders in our QAP planning project meetings to discuss the 2018 QAP and Uniform Multifamily Rules. Most of the meeting topics were identified during the initial planning meeting in December of 2016. And this is a
process we plan to continue in the coming year, as we look
toward the 2019 rules.

Beyond the QAP project meetings, several items
were posted to the Department's online forum, so that
stakeholders could comment on aspects of new proposals
from staff. We also met with stakeholder groups,
including TAAHP, and the Rural Rental Housing Association
to gain their input.

We published an initial staff draft of the QAP
on August 11th, and a second draft on August 29th, which
included changes based on comments received and additional
fine tuning. The draft QAP, and Subchapters A, B, C and G
of Chapter 10 will be presented to the Board tomorrow for
acceptance and publication for comment.

The purpose of our meeting today is twofold.
One is to give the Committee members an opportunity to
provide input and direction regarding the 2018 QAP, and
development of future rules. The other is to give
stakeholders an opportunity to provide comment to the
Committee prior to the meeting tomorrow.

If there are any changes that come out of
today's meeting, staff will create a handout for the Board
meeting tomorrow, and read any changes into the record at
that meeting. Some changes may be handled through the
public comment process. Technical corrections, things
like that. It really depends on their nature and scope.

I would caution the Committee and stakeholders that new ideas may be difficult to fully develop and articulate prior to the meeting tomorrow. Also, some comments received on the staff draft have not been integrated into the proposed 2018 QAP for a number of reasons. We have tried to limit changes to only those that are necessary to clarify issues from this past round.

There are just a couple of items that are new. And even those are ones that have been considered, or largely ones that have been considered in the past. As we just discussed, we have removed educational quality scoring and tiebreaker items as a result of legislative action.

So the rulemaking time line, upon Board approval, hopefully tomorrow, the proposed 2018 QAP and the parts of Chapter 10 that we are taking up will be posted to the Department's website, and published in the Texas Register. Because of publication dates, public comment period will be accepted between September 22nd and October 12th.

The final QAP will be presented to the Board in November for approval, followed by the statutorily mandated submission to the Office of the Governor by November 15 of 2017. Upon the Governor's approval or
approval of modifications, no later than December 1st, the
adopted QAP will be published in the Texas Register. The
Governor has the option to reject the QAP. I don't know
what we will do if that happens.

Other draft subchapters of the Uniform
Multifamily Rules, in Chapter 10, so the Asset Management
rule, and the Real Estate Analysis rule. The multifamily
bond rule, which is Chapter 12, and Chapter 13, the
multifamily direct loan rule will be presented at the
October meeting. So by the end of the calendar year, we
should be at a full set of final rules.

So before we start working through the rules, I
need to give a huge shout out to Patrick. Patrick, this
is his first round with us. He has done a tremendous job
of keeping us all in line, and keeping track of all fo the
changes. And also, to Julie for all of her help and
support with data.

It has been a tremendous team, that I think
that we are in a far more comfortable place than we were
last year, absolutely, or the year before with these
rules, because of their work. All right.

So Section 11.1, is the general section. We
started with some modifications to the census data
section. We are now just calling it data.

We have included other data sources and tried
to provide some clarity about acceptable dates and the
requirement that the Applicant provide evidence of the
data they used. So if this is Neighborhood Scout, just
print it out between these dates, and keep a copy of it.

Subsection G was also added to 11.1 to
encourage the submission of complete and accurate
applications, and to make the application process as fair
and transparent as possible. And those were our changes
in 11.1.

MR. VASQUEZ: Any comments on this section?
(No response.)

MR. VASQUEZ: Great. Let's move ahead.

MS. HOLLOWAY: Okay. 11.2, the program
calendar. These dates, a number of them are statutory.
We did modify the preapplication delivery final delivery
date from Monday to Tuesday at the suggestion of a
stakeholder, just to accommodate the potential for issues.
The only significant changes that we are proposing, an
earlier third party request for administrative deficiency
deadline of May 1st. No?

MR. BRADEN: Actually, Marni, I had a question
on that --

MS. HOLLOWAY: Uh-huh.

MR. VASQUEZ: -- from Mr. Braden.

MR. BRADEN: So what was the thought process
about moving the third party request for administrative deficiency?

MS. HOLLOWAY: This past year, on June 1st, which was the deadline, we received more than 40. And that was part of the reason that we were headed into the end of the 9 percent round with a certain level of uncertainty about scores, and who was actually going to be moving forward with an award. And just working through the process with those third party requests.

MR. BRADEN: And I do know, when I first raised this question it was working out the prior draft in connection with the earlier committee meeting. And from that draft to the current draft that is before us, you moved it from April 13th to May 1st.

MS. HOLLOWAY: Yes.

MR. BRADEN: That makes sense.

MS. HOLLOWAY: Yes. That was an accommodation to a request that we received from stakeholders. Of course, it would be much easier for us, if they all came in right at the beginning of the process, so that we could just work it into our application review.

But we also realize that that may not be reasonable. So May 1st we are hoping will work out better for everyone.

MR. BRADEN: Okay.
MS. HOLLOWAY: Okay. Section 11.3, Housing deconcentration factors. In Subsection A, we have added language that determines which applications will be determined priority and non-priority, if two or more applications violate the two-mile same-year rule. So provided some clarity there.

On Subsection D, limitations on developments in certain census tracts, we have proposed to remove the minimum population requirement, which means that the Department will disqualify any census tract where the number of HTC units per total household is greater than 20 percent, not just those places with a population above 100,000. This limitation can be waived with the appropriate letter from the local Governing Board, so it will not infringe on local jurisdictions' ability to seek additional affordable housing.

Then also, in 11.3, in (e) staff has added additional phase -- staff has added language regarding the proximity of nearby development sites in Subsection F. This is a new section, with the aim of protecting existing developments from market saturation.

The additional phase rule was a little unclear. So we are trying to get to what happens with, you are coming in with an additional phase in an existing development. And what happens if you are coming in with
two developments in the same round, is what we are trying
to clarify there.

MS. BINGHAM ESCAREÑO: I have a question

MS. HOLLOWAY: Uh-huh.

MS. BINGHAM ESCAREÑO: So on that. So it now
reads, additional phases of developments or contiguous
development sites will undergo further evaluation during
the underwriting process.

MS. HOLLOWAY: Uh-huh.

MS. BINGHAM ESCAREÑO: By REA, to determine
that existing units are stabilized, and that market can
absorb more Housing Tax Credit units. Do we feel
confident that there is objective data available for
underwriting to come to that conclusion, yea or nay?

MS. HOLLOWAY: That conclusion is largely
reliant on the market analysis that is provided by the
Applicants and then market analysis from any surrounding
Applicants.

MS. BINGHAM ESCAREÑO: Okay.

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: Okay.

VOICE: Just a quick question.

MR. VASQUEZ: Do we

MS. RICKENBACKER: Yes. My name. Donna

Rickenbacker. It is really a question with respect to
this contiguous development sites.

Because if I am reading this correctly, it says, if two or more applications that are proposing developments serving the same tenant population on contiguous sites are submitted in the same program year, the lower scoring application will be considered a non-priority.

So that is not a Real Estate Analysis judgment of whether or not those contiguous sites and developments could be absorbed in the market. That is a decision that one goes forward and the other does not.

MS. HOLLOWAY: Right. Yes.

MS. BINGHAM ESCAREÑO: I think, so that was a -- right, that was 11.3(a). And then my question was on 11.3(e).

And it is really just because I am not sophisticated enough to know. But in E, it talks about an evaluation. And my question was just, is there objective data that is available to make that decision?

MS. HOLLOWAY: So there was a change in this section between -- that is right. Okay. So between the draft that was published for the Committee and the draft that was published for the Board, the Real Estate Analysis piece actually came out.

So now, where we are at is, have been
completed, and have maintained occupancy of at least 90 percent for a minimum six-month period as reflected in the submitted rent roll.

MS. BINGHAM ESCAREÑO: Okay. So Donna, then that means what I read isn't necessary anymore, because it is addressed in Section A. Is that what Donna was saying?

MS. HOLLOWAY: No. Donna's comment is on both in the proximity of development sites, so in F, and also in A.

MS. BINGHAM ESCAREÑO: Okay.

MS. HOLLOWAY: We have added this language that the lower scoring application will not be considered a priority application.

MS. BINGHAM ESCAREÑO: Okay. Where is that?

MS. HOLLOWAY: F, all the way at the end of the section. We have added it.

MR. VASQUEZ: It is not in our copy.

MS. BINGHAM ESCAREÑO: There is no F.

MR. VASQUEZ: It is just replacing E. It looks like it is revising E. Also, quickly. Can everyone hear Marni? Okay. So even though her mic isn't lit, it is on.

MS. HOLLOWAY: Okay. The proximity of development sites is in the Board book. It is not in -- for tomorrow. Okay.

So we are taking out the line in Section E that
says, or applications that are proposing a development
serving the same target population on a contiguous site to
another application awarded in the same program year. We
are taking that out of E. We are adding a section --

MS. BINGHAM ESCAREÑO: Is that in E? I don't
think that is in E.

MS. HOLLOWAY: We are working from what was
published.

MR. VASQUEZ: Do you want to bring me that
computer?

MS. BINGHAM ESCAREÑO: Let me see. Because I
am using the one that was off the website.

MR. VASQUEZ: Yes. If it is not here --

(Perusing documents.)

MS. HOLLOWAY: Oh, this is a big change. I'm
sorry. I apologize.

MS. BINGHAM ESCAREÑO: We can handle it.

MS. HOLLOWAY: Okay. What we wound up with,
after publishing this for the Committee, was a change to
Subsection E that added an additional Subsection F, which
is in the Board book for tomorrow. So going back to the
original language in Subsection E, which is that big
section that is struck out.

MS. BINGHAM ESCAREÑO: Uh-huh.

MS. HOLLOWAY: The only part we are leaving

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struck out is third line down --

MS. BINGHAM ESCAREÑO:  I have got you.

MS. HOLLOWAY:  Or the second line down, actually. Or applications that are proposing a development serving the same target population on a contiguous site to another application awarded in the same program year, is coming out of E. Everything else is staying.

Then there is, in the Board book for tomorrow, a new subsection F, titled Proximity of Development Sites. If two or more competitive HTC applications that are proposing developments serving the same target population on contiguous sites are submitted in the same program year, the lower scoring application, including consideration of tiebreaker factors, if there are tied scores will be considered a non-priority application and will not be reviewed unless the higher scoring application is terminated or withdrawn.

We had struck -- now, see. It is all coming rushing back to me now. We had started out with rewriting the additional phase rule. And actually then Theresa looked at it, and said, no. And made a change between the Committee book and the Board book. That is what she did.

MS. BINGHAM ESCAREÑO:  Just like that.

MS. HOLLOWAY:  Well, and I think that we wound
up with something that was a little bit clearer. And I apologize for the confusion.

This was, you know, the Committee book went up. And then we said, wait, and made this change for the Board book.

Again, the draft that is going to the Board is the one that we are going to be looking for acceptance of. But if there is some suggested change here.

MS. BINGHAM ESCAREÑO: I have got you. Okay.

MS. HOLLOWAY: We will do it.

MS. BINGHAM ESCAREÑO: And Donna, you are looking at the Board book for tomorrow?

MS. RICKENBACKER: I am so sorry. I was looking at the last draft that went out. I am from Houston. What can I say. So I do apologize, Marni. I am looking at the Board supplemental book.

MS. BINGHAM ESCAREÑO: Okay. So the Board supplemental.

MS. HOLLOWAY: So the supplemental book for tomorrow's meeting includes the proposed draft QAP. I think that is the only -- I am going to make you stand up and talk about them.

MS. BINGHAM ESCAREÑO: Mr. Chairman.

MR. VASQUEZ: Jump in, Patrick. From Legal.

MS. BINGHAM ESCAREÑO: Would it, may I suggest
then they are going to check out. So what is published on
the website for the Board book tomorrow has the correct
language and everything in it.

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: Right?

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: So I would recommend, if
you all want to roll on, they could move on now. And then
if the stakeholders have any concerns about the new
language, then we could come back to it. I would like to
read it, but I don't want to hold everything up.

MR. VASQUEZ: How many differences? As Patrick
just mentioned, there is only a couple more.

MALE VOICE: Only one more subsection. That is
regarding support from a local political subdivision.

MR. VASQUEZ: Okay. We jump in when we get to
that point.

MS. HOLLOWAY: When we get there, I will go to
it. Yes. Okay.

MR. VASQUEZ: So I think we are pretty similar.

MS. BINGHAM ESCAREÑO: Yes.

MR. VASQUEZ: Okay.

MR. ECCLES: You can see where you can actually
look at the supplemental Board book.

MS. BINGHAM ESCAREÑO: Yes. I just need to --
MS. HOLLOWAY: Moving on?

MR. VASQUEZ: Please continue.

MS. HOLLOWAY: Okay. Section 11.4, tax credit request and award limits. With added language in subsection A, we are proposing that Applicants must limit their total credit request to $3 million by June 29th. This requirement will hopefully encourage submission of real competitive applications.

Without this change, staff is concerned that an Applicant with multiple applications, totaling more than $3 million will use the waiting list as a means of insurance to bide time or hedge against risk or error. This can be seen as discouraging competition and as an inefficient use of staff time and Department resources. We have also removed the 10 percent developer fee as an allowance.

Previously, if a developer received 10 percent or less of the fee, it was not considered in calculating the cap. Some groups of individuals have used this allowance to exceed the $3 million cap; a clear violation of the spirit of the rule.

We initially removed the $150,000 cap on consultant fees with an eye toward the market limiting those costs, but have received comment, that without that
limitation, some parties may seek to gain the $3 million cap through that consultant fee. No comments?

(No response.)

MS. HOLLOWAY: Okay. So moving on to the increase in eligible basis. This is the 30 percent boost section. In this section, we have added language that limits the amount of boost to that necessary to create the Housing Tax Credit units.

In years past, we have seen applications financed only with credits and direct loan funds, which have market rate units in them. We haven't had a clear tool in these instances to limit the units created with public funds as rent restricted.

This limitation may apply in some other financing scenarios. But the intent would be the same, absolutely.

MS. S. ANDERSON: Good afternoon. My name is Sarah Anderson. I have a couple of comments. We weren't sure if there was going to be a break.

MR. VASQUEZ: Okay. We are just trying to keep the comments to ones that we are -- as we are discussing them.

MS. S. ANDERSON: Right. Exactly. So I have a couple of comments on a few items that just came up.

The first one had to do with the $3 million
cap. And the termination of applications below the first 3 million. We have had this $3 million cap, or some sort of cap for at least the last 15 years. And I am not sure I understand why we are making this -- this is a pretty substantive change at this point.

To give you an example, I know that they think there is gaming. But if I am paying my fees, and going through the process, and doing everything, and I have three legitimate deals in the round, that might exceed -- I'm not sure I understand the point of terminating something that is a legitimate application.

I could understand if all the underwriting was done, all the review is done, and we knew everything about our deals at a certain point, so that we could make these kind of decisions.

But for example, this year, 50 percent of our deals, we still don't have commitment notices. We still don't have underwriting. And we still don't know what limitations might be on our deals.

It seems unfair that I could have two awards; my third one terminated. And then something comes up, unbeknownst to me in the review. And yes, my safety deal, which I have paid for, and legitimately worked for has been terminated just because I had two deals that theoretically might have been awarded.
I just don't understand the change here. And I would ask, I respectfully request that we go back to the way it has always been.

With regard to the 10 percent developer fee, and the cap, this really has to do with who is not going to be considered under the $3 million cap. And honestly, the 10 percent fee, I am not as concerned about. The only concern I have is that we now have the state limiting fees to people in the industry.

Just as an aside, the fee that is in there right now for consultants has been the same for 15 years. So if we are going to cap it, could we at least cap it a little bit higher than what it has been for 15 years?

I don't -- I am not going to -- I really don't mind one way or the other, if somebody acts as a 10 percent developer and they want to deal with that issue, they can speak. But I just feel like it is a little odd to be limiting one of 30 players in the industry their fees. It just doesn't really make much sense.

The market will bear what the market bears. If you are concerned about developers playing, pretending to be consultants, then perhaps you should have a consultant list and have us work through that process just like you do with market analysts or other people. Thank you.

MS. T. ANDERSON:  Good afternoon.  Terri
Anderson, Anderson Development and Construction. I also wanted to speak on the $3 million limit, and the fact that that was regulated by the Legislature many years ago.

And it was specifically designed to prevent any one developer from getting a significant number of tax credits, which would essentially consume the cap. Because once upon a time, that did happen. So the $3 million limit is in place. It has been in place.

In years past, when you have a developer who has two or three or four transactions, that exceed that $3 million limit, then those developments, quite frankly, the developer had an opportunity to choose which development they wanted to keep. But they were not allowed to exceed the $3 million cap.

So I don't specifically advocate for allowing any one developer to receive more than $3 million. The point at which any given application is terminated could be predicated on you know, the completion of underwriting and the completion and receipt of your commitment, and not earlier on -- but I certainly would not advocate allowing any one developer to receive greater than $3 million in Housing Tax Credits.

Additionally, as it relates to the consultant fees, I have been a consultant for many years. I am also a developer at this point. But as it relates to that
$150,000 cap, or no greater than 10 percent of the 
developer fee, I do believe that that is a fair number. 

Because it actually keeps you from exceeding 
that limit, which would put you in many instances, in a 
position of being a principal within a development or 
other things that are defined according to the Department. 
So whether you are an affiliate or a principal, once you 
receive greater than 10 percent, I do believe you are 
moving more into a developer fee role. Which you would be 
subject to that $3 million limit. Thank you. 

MR. VASQUEZ: Thank you. 

MS. HOLLOWAY: I would point out that yes, that 
$150,000 has been there for some time. Changing that 
number is something that could happen through the public 
comment process. You know, if we received comment that 
supported it should be some other amount, we certainly 
would consider that, and consider that change with the 
Board. 

MR. VASQUEZ: Marni, just to clarify, this rule 
does not preclude someone from putting in applications for 
more than -- what could total for more than $3 million. 

MS. HOLLOWAY: Correct. 

MR. VASQUEZ: It is just that if they put in $5 
million, $6 million worth, they are only going to get $3 
million.
MS. HOLLOWAY: You are only going to get $3 million. And we are going to ask you to choose which ones you are not going -- which ones will not be moving forward. And that would be at the end of June. That is when, at the same time that we are taking that list of eligible projects, you know, at that point, we pretty much know which ones are going to move forward and which ones aren't.

MR. VASQUEZ: Right.

MR. BRADEN: And that is the difference, right. The choice is now taking place earlier in the process?

MS. HOLLOWAY: We actually put a date on it. There hasn't been a date on it in the past. And so in the past, this past year when we said well, we need you to pick. We have got that. Well, no, we are not going to pick. So that is how we wound up where we are.

MR. VASQUEZ: Okay. Do we have another comment?

MS. ANDRE: Hi. My name is Sarah Andre. I am also a consultant. I don't think that the point here -- what you are hearing from our side of the table is to increase the $3 million, or allow people to apply for more.

It is to allow the developer to choose, rather than TDHCA to, in effect, choose. And I definitely
understand TDHCA's perspective. They feel like they have a handle on which deal is going forward.

But for example, I had an Applicant this year who had three projects in. And two of them were ranked number one and number two in their area on points. And underwriting denied both of those deals.

If TDHCA had terminated their third project, which as it turned out, did not pop up high enough anyway, but you know, they would not have had anything in the round. And so I think the preference is to let the developer choose. In addition, we are also waiting on zoning and things like that.

And you could have a project that was high scoring, met all the underwriting criteria, it got an award, and then zoning failed, or some other site development thing failed in August, September, October. And you are out of luck for that year. So that is where, I think, the development side is coming from on letting them choose.

MR. VASQUEZ: All right. Thanks.

MS. T. ANDERSON: Terri Anderson. Anderson Development, again. I apologize. I just want to be clear with my comment; that I am not advocating that the Department terminate applications on any given date.

But that it would be done at a time where a
developer actually knows that they have a commitment of at least $3 million before they would choose which development is terminated. Thank you.

MR. VASQUEZ: Okay.

MR. JACK: Hi. Darral Jack with Apartment Market Data. And I am not a consultant, you know, and I won't say that I have complete knowledge on this.

But it seems like you are penalizing consultants that do a good job, and that the market is coming to those consultants for their services. I mean, I write market studies.

It almost sounds like you know, in a comparative situation, the state would limit me to only allowing five market studies go forward wherein I might write ten market studies. And then I have to be the one to choose which of my clients gets an award and which don't.

I mean, the market really adjusts for those people that are good at what they do in the consulting side, as well as the market studies side. And you know, it just seems like you are putting a cap on people that do a good job and are in high demand.

And I don't think that is the free market, you know, that the Department really works in. The good people should be rewarded, and those that aren't will
eventually go to the wayside. Thank you.

MR. VASQUEZ: Okay. Thanks.

MS. HOLLOWAY: Just to clarify on the consultant fee: We are not in any way saying a consultant is individually capped within their business at X amount. We are saying per deal, there has been a cap. There probably needs to continue to be a cap. If that cap needs to be a different amount, then we need some supportive evidence of what that different amount should be.

All right. Section 11.5 is competitive tax credit set-asides. In Paragraph 2, we have proposed that all competitive applications that score within the USDA set-aside, will be scored according to rural criteria. Many USDA developments were built in rural areas but with Texas' population growth, many of these development sites now fall within the boundaries of urban areas. This rule change which mitigates the stricter requirements associated with urban applications was requested by the Rural Rental Housing Association. So if it is within the USDA set-aside only, it is all going to be scored as rural. If it is a USDA property, and it is outside of the set-aside for some reason, say it scores in the subregion or something like that, they are going to use the rural or urban designation.
that applies to that property.

So it is only within the set-aside, competing amongst themselves that this is going to happen. We expanded some language to include the statutory description of eligibility on the USDA set-asides.

We also worked through, we tried to clarify the means by which an application may compete within the at risk set-aside in Paragraph 3. And we clarified requirements for completing the right of first refusal process prior to application for any development with an existing Department lien.

So what had been happening is, we would get applications in the at risk set-aside and the Applicant would click, or check yes. I am in at risk. And then we would try to figure out how they had gotten into at-risk.

This will give us a tool for them to say, this here right, is how I am doing it. So that should make our process a little bit easier, I would hope. All right.

So moving on to 11.7 in tiebreaker factors. Staff has removed two previous tiebreakers, and we have added a new tiebreaker. And we have provided some clarification regarding measurement by adding language that better describes the boundaries of the development.

Tiebreakers regarding the menu items opportunity index and the ratings of elementary, middle
and high schools have been removed. A new tiebreaker regarding underserved places or, if located outside of a place, counties, has been proposed in Paragraph C.

This item would count the total number of tax credit units and divide that number by the total population which is something we already do for our site demographics. The proposed development with the lowest score for this calculation will win the tiebreaker. Staff believes this tiebreaker methodology will be an effective means of dispersion.

MS. SISAK: Hi. Good afternoon. Janine Sisak. I am here on behalf of TAAHP as the QAP Chair. A couple of comments that we submitted in writing already, but I am just going to quickly go over them with regard to the tiebreaker.

I think poverty rate is still in here as a tiebreaker, unless that changed in the Board book. It is still there. So poverty rate is a concern, because it is, you know, high up on the tiebreaker list, and it really disadvantages urban areas.

You know, traditionally, urban areas have higher poverty rates. And there are still a lot of aspects of the QAP in terms of high opportunity areas that are pushing developments outside of the city. We also have a concern about the new tiebreaker that looks at a
number of Housing Tax Credit units per capita.

This is kind of a sliding scale, whereby you win a tiebreaker if you have zero tax credits in a community. That is a concern.

Because some communities don't have tax credits because there is not a market for tax credits there. So we really believe that this tiebreaker factor will really drive people to smaller markets that don't have a need for tax credits.

One solution that the QAP Committee proposed, which I really think is workable, because I think there is aspects of this tiebreaker that we would like to see remain. Is, instead of doing kind of a sliding scale, why not have a tiebreaker whereby if two applications were in a tie, and one was over two times per capita but one was under two times per capita, the one under would win. If they were both over, it would go to the next tiebreaker. If they were both under, it would go to the next tiebreaker. But at least it could stay in there and reward kind of a lower concentrated community over a higher concentrated community. So those are our comments on tiebreakers.

MS. STEPHENS: Hi. Lisa Stephens. I also wanted to talk about tiebreakers. And to Janine's point on place, and census tract with the lowest poverty. We
are already seeing bidding wars for sites out there.

When you identify as a tiebreaker a very narrow area, such as a census tract and you say the lowest one wins, everyone is going to go there. Furthermore, when you identify a place as being the one with the fewest units per capita, everyone is going to go there.

Our recommendation was a little different than TAAP's. It was actually to go back to a tiebreaker that was used several years ago, and that was distance from the closest tax credit development.

Because that opens up a lot of areas. And you measure it. It is not a measurement we all know until everyone submits their application. And so it eliminates the bidding wars that we are seeing on sites.

Land cost was certainly something I was asked about in my underwriting report multiple times. Why is your land so expensive? It is factors like this that are driving up the cost of land, when we are trying to win deals. Thank you.

MR. VASQUEZ: Thank you.

MS. S. ANDERSON: All right. Sarah Anderson again. And I agree with both Janine and Lisa with regard to tiebreakers and needing to be cognizant of whether or not the tiebreakers are going to cause more problems than not.
I would like to bring up another question. It is just a theoretical question that I wanted to throw out and make sure we are thinking about. Right now, the number one tiebreaker has to do with whether you are within urban core. And urban core is also a high scoring item.

Urban core initially was brought in to be an offset for the school scoring. But we no longer now have school scoring. So I think my question is, should urban core be such a high scoring item, and the number one tie-break factor.

So I just throw that out to you to think about. It seems to me that perhaps urban core is something that maybe shouldn't be the top tie-break factor at this point.

MR. JACK: Hi. Darral Jack with Apartment Market Data again.

On the tiebreaker, the greatest linear distance from the nearest Housing Tax Credit project, you know, what I have found in looking at maps and doing the research that we do is, that this rule actually has a tendency to push a potential project out further (away from amenities that you already say are important under the opportunity index. Things like pharmacies and grocery stores and things.

So I would like to propose an alternative that
incorporates that. But if you were to pick you know, three or four of your opportunity index items that you say make for a better property, having those close to the property, and you take the distance of those items together with the distance from the nearest tax credit, you come up with a number.

And the lower number would be closer to the things that you say are important, including the distance from another project. And so I think that would prevent you from pushing an allocation further out from the things that you say are already important to the development.

Thank you.

MS. RICKENBACKER: Donna Rickenbacker. And I echo what Sarah was saying about urban core, first and foremost being the number one tiebreaker. I also will have some comments on the urban core section.

But that being said, I think that that should come out as the number one tiebreaker. With respect, I want to kind of look at this a little differently. All of my comments are really with respect to dispersion of housing, especially within the same year.

I am a rural advocate, and have been for the last three years, to figure out how we can implement some rules that really will disperse the housing within the same year. So my thought process with respect to
tiebreakers, first and foremost is that, you don't make it into the tiebreaker scenario unless you are hitting all of the points in the regular categories.

   Meaning, high opportunity points. Meaning, you are close to amenities to begin with. Or, you are in an area of revitalization. So just keep that in mind with respect to the tiebreakers.

   Then in terms of the way they have it set up right now, I agree with some of the presenters. With moving up, if there is -- if we have to stay within what is now currently in the draft, then at least have it set up to where it is linear distance away from the nearest li-tech development.

   Move that up further. Put poverty down in a lower scoring category. Hopefully in a category where it doesn't get reached to begin with.

   So I just hope that we can create a set of tiebreakers that really will push these projects apart and away from each other within the same year. So we don't all end up in the same census tract with the same, you know, many, many units in that same census tract. And quite frankly, a city that absorbs all the credits that are made available to an entire region.

   Thank you. Do we have to sign this thing every time we get up here? Can we just sign it once?
MR. DUNCAN: Good afternoon. I am Charlie Duncan with the Texas Low Income Housing Information Service. I agree with Sarah and Donna that, you know, proximity to urban core, which is essentially proximity to City Hall is really not very consequential when it comes down to, you know, the things we look for in housing.

Generally, you know, I think any of us in the room who are looking for a place to live, our first concern is not how close am I to the courthouse. It is you know, is this a -- you know, it used to be, are the schools good. We can't consider that anymore.

But you know, the criteria we have in the opportunity index, all the amenities that are included under that. Those are the kinds of things that we prioritize when we are looking for a place to live. And so I agree. I don't think the urban core belongs at the top of the tiebreaker.

Also, it is essentially a binary criteria, in that you are getting either five points or zero points. And if I remember correctly, if you are in smaller areas, you get three points. Maybe I am disremembering that. But essentially, you have got it or you don't.

It is not a very good tiebreaker. Things that -- like the units per capita, you are ending up with a number. That number could vary from zero to 100 or
more.

Same thing with the distance from tax credits. I don't think that should be primary, either. But the same idea. Those things are going to break ties, which is what this section is supposed to do a lot better than the urban core criteria.

And finally, you know, poverty rate. I realize, you know, the advocates have disagreed with a lot of other folks in the room about this criteria. And it was a problem last -- or in the 2016 cycle, because when it was the primary tiebreaker, everybody flocked to those census tracts. Right now, it is the fourth tiebreaker, if I see this correctly.

You know, there is a lot of other criteria that are having to be considered that should be, you know, driving deals to good areas. That this shouldn't be the problem that it was as a primary tiebreaker. So I think it is fine.

I think it certainly shouldn't be removed or discounted any further than it already is. I would like to see it further prioritized. But certainly, don't remove it from the tiebreaker criteria. Thank you.

MR. VASQUEZ: Yes. Thanks.

MS. BURCHETT: Hi. My name is Sallie Burchett. And I am a land planner by education, like Patrick. And
I am ethically obligated to look out for the public's best interest from my code of ethics.

And the urban core is good for someone living there. Because we want people to have convenience where they live, work, learn and play. And that is where these things are going to be centered.

There is public transportation. The less trips people take, it is better for the Earth. Less emissions. And there is just a cumulative snowball effect of putting people where the things where they live, work, learn and play are.

And I think it is -- the planning community, the sustainability folks all agree that that is a good place to put our resources. We have limited resources as a nation, and we want to get as much bang for our buck out of them. Thank you.

MR. MOREAU: I am Walter Moreau, the Director of Foundation Communities. We primarily work in Austin. The closer you are to downtown, the more valuable that land is, and desirable. I think there is a bigger question here, too, about -- so I favor urban core as a tiebreaker.

I think there is a bigger question here, and that is how much of the QAP -- there has been a lot of comment about keeping the QAP relatively consistent for a
couple of years in a row on big policy questions. This is one of those.

It was only a year ago when the big cities were basically shut out. The only projects that could score and win high enough were further out in the suburbs. So urban core was created. I think it was a success this year. I think it is worth one more year, before you make a big policy shift again. Thanks.

MR. VASQUEZ: Thanks.

MS. BINGHAM ESCAREÑO: I have a question for Marni.

MS. HOLLOWAY: Yes.

MS. BINGHAM ESCAREÑO: So did you like Darral's math, Darral's new factor that he was -- that was cool.

MS. HOLLOWAY: It sounds very cool. But it sounds very complicated.

MS. BINGHAM ESCAREÑO: Yes. It sounds like calculus for me.

MS. HOLLOWAY: It sounds like lots of RFADS is what it sounds like. I think that it --

MS. BINGHAM ESCAREÑO: I think the intent is good, right. Which is, he is saying you know, if you just go strictly linear, the distance from the nearest Housing Tax Credit, but then that also equates to pulling it away from some of the community support things that we value as
other items.

That, maybe trying to take some kind of permutation or you know, derivative of that would work. But did you guys consider, number one I guess, my number-one question would be, did you guys talk about or consider whether or not urban core would stay in kind of a primary spot as tiebreaker?

Or did you as staff believe more along the lines of what Walter said; that for now, it really has been kind of a priority or focus area. And you left it there on purpose?

MS. HOLLOWAY: And as Walter described, yes. This was the -- this last round was the first time that that was available. And there were a couple of really pretty interesting projects that were able to come in and receive an allocation that would not have otherwise, without that scoring.

I think that there is definitely value, as Sally described. But then there is also value in living in other places also. So it becomes a question of how do we balance all of these things.

MS. BINGHAM ESCAREÑO: Balance. Yes.

MS. HOLLOWAY: In years past, I don't remember if it was >15 or >16. In recent memory, here in the Austin region in general, everything went to Georgetown,
because nobody could score closer in.

So part of that urban core was trying to reach the ability to balance across all of those sites. Now, keep in mind too, that by the time we get to these tiebreakers, as Donna said, we have already gone through opportunity index or concerted revitalization plan.

We have already -- you are already in proximity to all of these other things before we even get there. And it is really unusual for us to get all the way down to distance after we have gone through the whole list.

MS. BINGHAM ESCAREÑO: I have got you. Okay. And where was the per capita? That was pretty far down, too. Right?

MS. HOLLOWAY: That is proposed at number 3.

MS. BINGHAM ESCAREÑO: Okay.

MS. HOLLOWAY: So behind it, is poverty rate, and then distance.

MS. BINGHAM ESCAREÑO: Okay. I think that is it for me. I am good.

MR. BRADEN: I had a question on some new language that was added.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: So in the first paragraph, under 11.7, this new sentence says, all measurements will include the entire site, including ingress, egress
requirements and any easements regardless of how they will be held.

MS. HOLLOWAY: Yes.

MR. BRADEN: So I am trying to figure out what that means, if you look at some of the rules, right. So we are saying now that you know, the development site is located on an accessible route. There is less than half a mile from the entrance to the public park.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: So when you say the entire site, are you, where are you -- how are you measuring that half-mile accessible route?

MS. HOLLOWAY: Okay. So we are actually talking about two different measurements here. On an accessible route means the route is that length.

So from the edge or the corner or the whatever of the site, on an accessible route to the other feature. That is the measurement for that route. Other measurements, like how close you are to a grocery store. How far away are you from a library are taken from boundary to boundary as the crow flies. So if those --

MR. BRADEN: Okay. And I understood what the latter language meant. But what you are telling me is this new sentence in 11.7 means, if the development is a square, you can pick any corner of the square, and then
the accessible route has to be from that corner of the square, even if that corner of that square is a fence? And it is not accessible into the site?

MS. HOLLOWAY: I see your point. So when we are talking about accessible routes, which is all in the opportunity index, perhaps we need some clarification there of, from where on the site to --

MR. BRADEN: I think we need clarification on this language. Because I am not really sure what it means. I mean --

MS. HOLLOWAY: Okay. Well and in this particular section, in tiebreakers, there are no accessible routes. That isn't part of any of the tiebreaker measurements.

MR. BRADEN: Okay.

MS. HOLLOWAY: In this instance, it actually would really only apply to that distance from the nearest tax credit property.

MR. BRADEN: So this must be a linear measurement? Is this supposed to be a crow fly type --

MS. HOLLOWAY: As the crow flies, in this particular reception.

MR. BRADEN: And what does including ingress and egress requirements mean?

MS. HOLLOWAY: So you will recall that last
year, there was a question about a driveway that was actually held as an easement. And how that property was -- how that site plan was developed.

And part of the -- frankly, part of the rulemaking process for us in the course of the year is, I take notes all year long. About, this is this thing that came up that created this problem.

What do we need to do in rule to address it for next year. So this language in 11.7 and then some language that we added, which is far more detailed in 11.9 on the scoring side, seeks to clarify those questions that came up in the last round.

MR. BRADEN: I understood that is the point. I just don't know if it addresses it. I mean, and you know, we can talk to General Counsel about this. But all of the measurements will include the entire site, I get what that is saying.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: Including ingress and egress requirements, I think that is a little confusing with respect to the other things we are saying. And then in any easement, regardless of how they will be held, I kind of get that.

I almost don't know whether we need this phrase. But anyway, we can talk about that.
MR. VASQUEZ: This is applicable to the tiebreaking factors.

MR. BRADEN: Right.

MR. VASQUEZ: Not all the other accessible routes.

MS. HOLLOWAY: So and actually, we are going to talk about that next. Was, language that we added under the scoring criteria.

MR. VASQUEZ: Possibly, the --

MS. HOLLOWAY: Which may be --

MR. VASQUEZ: To Mr. Braden's point, thought, on this thing, adding in for purposes of this section, all measurements shall include the entire site, blah blah. That could --

MALE VOICE: It might. But it is also in 11.9.

So I am not really sure --

MR. VASQUEZ: Well, we can address that in 11.9. Anyway, please hold your comments until we get to the section.

MS. HOLLOWAY: Okay. But I think for purposes of this section, is a simple easy clarification that -- so there won't be a question later. Someone else won't say -- but here, you say this. And over here you say this. Right. All right.

MR. BRADEN: I am a problem solver.
MS. HOLLOWAY: On this one? On tiebreakers?
Okay.

MS. STEPHENS: Lisa Stephens. Leslie, I wanted to address the question you asked about the tiebreakers being number three or number four. When we are looking at this rule, and we are looking at what tiebreakers are ultimately going to be the ones that decides whether we win or not, you are either in urban core or you are not.

And there are certain regions that are going to have urban core cities, or they are not going to have urban. Austin is going to have urban core. Dallas-Fort Worth is going to have urban core. Houston is. Other regions are not going to have urban core.

And so that tiebreaker goes out the window. If you are in urban core, then you know you are looking at the next couple of tiebreakers. Everybody gets number two.

Okay, you are either high opportunity or you are revite plan. It is one or the other. You get them. They are equivalent. And so item two is meaningless. So one really isn't going to help. Item 2 becomes meaningless, because everyone gets it.

Your first tiebreaker that matters, and what we are looking at, when we are looking for sites are three and four. Those are the ones that are going to drive us.
Because we are either urban core or we are not. We are either high opportunity or a revite plan.

So when you are looking at what is going to be important here, and you do understand that just because it is number three on the list doesn't mean that that is not going to be the driving factor.

MS. BINGHAM ESCAREÑO: Some tiebreakers are going to hit three immediately.

MS. STEPHENS: Absolutely. Particularly in your larger regions. You are going to hit three and four. And so right now, I can tell you, everyone is running to McKinney, because it has the lowest census tract with poverty in Region 3.

We don't need three deals in McKinney, like we had three deals in Georgetown. One of those three in Georgetown. It is not good.

So I love Darral's idea. I don't do calculus. But something that cannot be predicted is actually better for dispersion than something that is very easily defined, readily available, and we all can run to it.

MS. BINGHAM ESCAREÑO: Thank you.

MS. STEPHENS: Thanks.

MS. T. ANDERSON: Terri Anderson, Anderson Development and Construction. I distinctly remember the discussion being of great concern on the developer side as
it related to accessibility to parks and all those things.

So throughout the QAP, I would strongly encourage the Department to remove anything related to that. Because the design of your own particular site is done with your civil engineer, your surveyor and a landscape architect, so an accessible route is mapped on your property.

And when you extend beyond the boundaries of your site, I don't believe it is possible, unless it is extraordinarily expensive to go and have a surveyor actually map to provide evidence to the Department that the route from your property to a park or anything else is accessible. So if just that accessibility term is removed, I think it would be helpful.

MR. VASQUEZ: That is in a later section. Right?

MS. HOLLOWAY: Right.

MS. ANDERSON: 1.9. Thank you.

MS. RICKENBACKER: Donna Rickenbacker. And I know we are not supposed to agree and come up here and agree with something that has already been said. I agree with what Lisa said.

MS. HOLLOWAY: Okay.

MS. RICKENBACKER: I do want to point out, though, with respect to urban core being the first
tiebreaker, I am not advocating that we remove urban core. I think it served its purpose last year. And it will serve its purpose this year.

What I do recognize, though, in this category, which is tiebreaker, is if under the urban core scoring category, if we can limit that to the five largest cities that have a statutorily required two-mile same-year rule that applies to those cities, then it becomes almost a moot tiebreaker if you will. And it would go down then to the tiebreakers that clearly are meant to disperse the housing.

Which is, in my opinion, what the urban core if it is limited to those five largest cities, would be doing, because you already have the two-mile same-year rule that apply to those five large cities. That makes sense. Thank you.

MR. VASQUEZ: Please. Continue.

MS. HOLLOWAY: Okay. Moving on to 11.9, this is the part of the rule that contains all of the scoring criteria.

So under general information -- and Mr. Braden, this is the section I was referring to. We added language that says all measurements will include the entire site, including ingress, egress requirements and any easements regardless of how they are held.
The application must include one more maps indicating the location of the development site and the related distance to the applicable facility. Distances are to be measured from the nearest boundary of the development site to the nearest boundary of the property or easement containing the facility unless otherwise noted.

So the unless otherwise noted would be the accessible route issue. Just trying to really nail down what those measurements are, what we are measuring to.

Want to talk about measurements?

VOICE: I am ready. Yes.

MS. HOLLOWAY: Okay.

MR. JACK: All right. Darral Jack with Apartment Market Data again. This measurement issue is real critical that we get this right.

MS. BINGHAM ESCAREÑO: Is it calculus again?

MR. JACK: Well, it is not. But you know, in the changed language, I can see that we are going to have a lot of contradiction here. Because it says, the first sentence that changed says, we will include the entire site.

But two sentences later, will say the distances are to be measured from the nearest boundary of the development site to the nearest boundary of the property.
So let's take a library, okay. So the site has got to be one mile from a library.

Is that the whole site, or just a corner of the site. Because right here, I can't tell. And that is what these properties get down to. And you know, when you say the entire site, including any access easement, I can't count the number of flag properties that have been allocated over the years.

I mean, what does it really matter if the end of the driveway is one mile from the library, because the people live in the buildings, not at the end of the driveway. And I think you need to consider that when you are saying the entire property, that is not where all the people live.

But you know, the distance is critical. You get this right in the language, so that developers are rock solid on where we are measuring from. I think that is my only distance comment yet.

MS. BINGHAM ESCAREÑO: Okay. Then can I ask you, do you have language that you would recommend? Do you do it like, from --

MR. VASQUEZ: Door to door?

MS. BINGHAM ESCAREÑO: Because there is a hundred doors.

MR. JACK: I mean, for years, we have done it
from the nearest property line to the nearest property line. And now, we have added things like universities into the mix. Well, you know, a lot of these universities, the parking lot might be a half mile from the building.

And so I think you have to make a decision. Is it the nearest property line to property line? Is it nearest building corner to nearest building corner?

In some cases, like parks, you know, the direction that you take to access and walk to the park is most important. But most of these things are being measured on a linear distance, as the crow flies.

And I mean, we just see all these things. Distance to grocery store. Distance to pharmacy. I mean, these -- you get these based on you know, sometimes an engineer has to go and measure this for the Department.

Because someone is saying that they are 1.05 miles from the site, and not within one mile. So we need real clear instruction on where these distances are measured from. So thank you. I will be back.

MR. BRADEN: I agree with that comment. I am not sure about this first sentence. I do think it is contradictory --

MR. BRADEN: And I don't know what. I mean it is, whether it is the right policy to consider or not, when you talk about distances are to be measured from the nearest boundary of the development site to the nearest boundary of the property or easement of any facility, people understand what that is. And we could talk about whether that is correct.

As a policy matter, maybe it should be from a doorway to a doorway or some other thing. But it seems like that is clear. I am not sure what that first sentence is.

MR. JACK: So that is my only comment on distance. I will come back for others.

MS. BINGHAM ESCAREÑO: Thank you. Thank you very much.

MS. S. ANDERSON: Sarah Anderson. Just to muddy the waters a little bit more, we have another issue that probably needs to be addressed.

Which is, the distinction between site control and development site. So you dealt with this last time, when you had a development, a site control that was in two census tracts. But their site was in one.

And I think that with the proximity to things we have potentially the same issue. I can't have ten acres. I am only building on two, on one corner. Yes, I
can take my proximity to my site from my site control being the full ten acres.

I would recommend frankly, that site control and the development site at full application should be exactly the same. That is the way it usually had been done for the rule didn't quite jibe with that. But I think it is another cautionary tale that we need to worry about when we are talking about proximity to things.

MR. DUNCAN: Hi. Charlie Duncan. Texas Low Income Housing Information Service. I think I have an idea. And I just thought of it, so it might be poorly conceived.

But why not just require Applicants to submit a point on their site that is defined by geographic coordinates. Anybody can get those coordinates from anywhere on the site.

You get on Google maps, and you can get that down to about six or seven decimal points. That would be a predefined site. Nobody would know what it would be used for, which direction it would go to. It would kind of create this blindness if, you will, that might help ensure that it works.

And then it kind of helps take away this whole debate over where the boundary might be. Should we count this egress. Should we count this easement. It is a
defined point. It is in writing. And it can be replicated. So a potential idea.


MS. HOLLOWAY: If I may just continue that conversation just a little bit longer. We have sought to more fully describe the boundaries of the development site, so that there isn't a question later.

For us, as we are evaluating applications, there are so many things that we are looking at, that the more clearly we can define whatever this piece is, you know, the better off we all are. You know, we don't have as many questions later.

I completely recognize, you know, the end of the driveway versus the entrance to the clubhouse, versus the parking lot and back. There is no way for us to measure that. To say, you know, from the front door of the clubhouse then the site plan that we get is going to have the clubhouse right up here. But when in actuality the clubhouse is going to be built over here.

All we have is the boundaries of the site. And we are saying we want all of the boundaries of the site.

MS. BINGHAM ESCAREÑO: Okay.

MR. VASQUEZ: When we are talking about, especially for the accessible routes, there is an element of reason that can be measured.
MS. HOLLOWAY: Yes.

MR. VASQUEZ: Your starting point and ending point.

MS. HOLLOWAY: Uh-huh.

MR. VASQUEZ: And everywhere in between have to be accessible.

MS. HOLLOWAY: Right.

MR. VASQUEZ: So you can't just say the corner of -- like someone just said. There might be a fence in that corner that is closest to the point.

MR. BRADEN: But I am not sure that that is what we are saying right. We are jumping ahead. But when we say the development site is located on an accessible route that is less than half a mile from the entrance to a park, well, I think that square is sitting on a half-mile route. It doesn't need the entrance hooks into that. So I mean, I guess maybe that is built into accessibility. I don't know.

MS. HOLLOWAY: We -- actually we have a couple of more things to get through.

MR. BRADEN: I still would suggest we can move on. I don't want to run this too much longer. 11.9, I think you ought to really look at that first sentence that was added.

Because I am not -- I understand you are trying
to address something. But I think it is probably raising more questions. But the language you added later, I think is helpful.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: But I mean, the only thing I could see helpful in this first sentence, if you said measurements will include any easements regardless of how they will be held. I don't know about the language in between, about what that does. Because I do think that first part of it seems to be contradictory when you are talking about the nearest boundary to the nearest boundary.

MS. HOLLOWAY: So removing the ingress/egress requirements language?

MR. BRADEN: Well, no. all measurements will include, you know, the entire site. I think that is kind of confusing. I mean, I am not sure what you are trying to get at, when you say that.

MS. HOLLOWAY: We are trying to get to, this is the entire development site.

MS. BINGHAM ESCAREÑO: So does it mean the out, the boundary, the furthest boundary, or --

MS. HOLLOWAY: So if you are a flag lot, it includes the entire flag piece. The flagpole piece and the lot. That is your development site; all of it
inclusive.

MR. BRADEN: But we are saying that it is measured from the nearest boundary to the nearest boundary.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: Total.

MS. HOLLOWAY: So for some of these measurements, yes. Absolutely. It could be measured from the rear property line that has absolutely no egress a mile less than a mile to the public library. And that would fall within the scoring criteria.

MR. BRADEN: But isn't that covered by the language, nearest boundary to nearest boundary.

MR. VASQUEZ: Her point is that if the building is back here, and it has this long driveway.

MS. HOLLOWAY: Right.

MR. VASQUEZ: So even though -- is the egress from here, or is it from right over here?

MS. HOLLOWAY: Where is it --

MR. BRADEN: Right now, we are saying from nearest boundary to nearest boundary.

MR. VASQUEZ: So that could be, even in reality, the building's back.

MR. BRADEN: Right. So right now, we are measuring from here.
MR. VASQUEZ: Yes.

MR. BRADEN: Okay. But what does this language add? When you say all measurements will include the entire site, but what does that add? What does that mean with respect to a flag lot?

MS. HOLLOWAY: I means that we consider the driveway to be part of the development site.

MR. BRADEN: So wouldn't that be covered by the nearest boundary still?

MS. BINGHAM ESCAREÑO: The boundaries, yes.

MS. HOLLOWAY: No.

MS. BINGHAM ESCAREÑO: No?

MS. HOLLOWAY: That is entirely the question that came up this last year.

MS. BINGHAM ESCAREÑO: Because, remind me?

MS. HOLLOWAY: Because it was held as an easement.

MR. BRADEN: Well, that is why I said, leave the easement language in there.

MS. HOLLOWAY: Okay.

MR. BRADEN: Because if you say, I can see how that is beneficial. All measurements will include any easements regardless of how they will be held.

MS. HOLLOWAY: And you think the ingress/egress
part is what is throwing it off?

    MR. BRADEN: No. I don't understand when you say the entire, it will include the entire side. I mean, I thought that was covered when you say boundary to boundary.

    MS. BINGHAM ESCAREÑO: Yes. What he is saying, what is the value add in putting entire site in there. If you have got the nearest boundary to nearest boundary?

    MS. HOLLOWAY: Because if --

    MS. BINGHAM ESCAREÑO: And egress.

    MS. HOLLOWAY: If we don't have -- if we include the ingress/egress, then that covers it. Otherwise, we wind up with, that is just a driveway. That is not our site.

    MR. BRADEN: But if you would say all measurements will include ingress and egress requirements and any easements, regardless of how they will be held. I guess maybe that covers it. I can see that might address your driveway issue. To me, the entire site language seems confusing.

    MS. HOLLOWAY: Okay.

    MR. VASQUEZ: Any comments that could help clarify?

    MS. BAST: Yes. Cynthia Bast from Locke, Lord. I would like to propose the solution that keeps me away
from this podium as much as possible during appeals season.

MR. BRADEN: We all approve of that.

MS. BINGHAM ESCAREÑO: No offense.

MS. BAST: And in my mind, as Sarah mentioned, we have a defined term. And that defined term is "development site."

And the defined term refers to everything that is included in the LURA. So you have a legal description. That is a readily definable area.

I think when you start getting into things like these concepts of easements. I mean, what about offsite parking? Is that part of our development?

Would someone who maybe has limited parking then go intentionally get a parking lot two blocks down to be part of their development site. So that they are either within or excluded from a distance. And that is not going to be part of your LURA. I don't think that makes any sense.

I understand what the staff is trying to solve for. I understand why they were concerned. But I think that was one out of many applications.

And honestly, I think that the definition of development site as the land with a legal description from a title company, that is encumbered by the LURA has
worked. So that is my opinion. Thank you.

MR. JACK: I think maybe my point got a little lost. I understand what you are saying is, including the whole property or not. But the way that the language is, you can have the whole property.

But your measurement, where is that from. You know, because you can have a property that is bisected by a one-mile radius and half of it is in, and half of it is out. So this doesn't address something like that.

And that is what these scoring items come down to. You know, if you are measuring the closest distance to a library, is it the entrance off the street. Is it the clubhouse? Is it the corner of the property?

And that is really what we need instruction on here, is where. You know, historically, it has been the closest point to closest point. Property line to property line. But in this, it gets real muddled. And so that is what I am asking for clarification on.

MR. VASQUEZ: You know, here is a question and I think it was Charlie that made the idea about the taking a geographic point. Is it possible?

Because we know we are given these descriptions to just to be as fair and equitable to everyone. Pick what is geographically the center of the development as best as can be defined. And the staff can --
MS. HOLLOWAY: Yes. I think center of the development would be one of those things that we would have lots of arguments about. I could see us moving towards, pick a point on your property. And all of your measurements for everything moved from that point.

MS. BINGHAM ESCAREÑO: The problem I see with that --

MS. HOLLOWAY: See.

MS. BINGHAM ESCAREÑO: I knew it. The problem I see with that is, that would work if your property was here and all of your support amenities were like this. But if your property is here, and all of those support amenities are here. You know what I mean, I am not sure that accomplishes it, either.

Yes, why doesn't it. Why doesn't it. If you include egress and ingress, why doesn't nearest boundary to nearest boundary work?

MR. IRVINE: Tim Irvine. First of all, we are only working on a draft that is going to be put out for public comment. So the concept can be refined through public comment.

I would suggest that if you took a ruler and a pencil and drew the longest possible line within the property, going boundary to boundary, without ever crossing out of the property, and took the center of that
line, that would probably be a pretty darn good point.

MR. VASQUEZ: Half of the audience disagrees with you. I agree with you. I agree with you.

MS. STEPHENS: It is possible to pick a point on the site. Surveyors can measure it. It is easily definable. It is used in other scoring matrices and other programs where you pick any point on your site.

The development selects it. But that point has to serve for every amenity item. Then it is easily defined. The surveyor surveys it. And you know, you live with it. Whatever it is.

MS. ANDRE: As long as surveyors are capped from earning no more than $150,000, I am fine with that.

(Simultaneous discussion.)

MS. ANDRE: Boundary to boundary has worked great for many, many years. The issue is, we had one bad thing last year. One deal out of thousands that have been awarded.

In 2013, we used bedrooms per credit. It has nothing to do with location or site as a tiebreaker. There are many, many ways. And I am sure staff can come up with some to create items that will be non-refutable. And I would encourage you to direct them that way. Thank you.

MR. VASQUEZ: Please continue.
MS. HOLLOWAY: Are we done with that one.

MR. VASQUEZ: I don't know if we are done, but please continue.

MS. HOLLOWAY: I mean, what I am hearing is, on that first line of the new language, taking out so we could say, all measurements will include ingress/egress requirements and any easements. Or are we taking that first line out entirely. Or we can sleep on it, and talk about it tomorrow.

Staff -- this isn't just, yes there is the application from last year, that is a really good example. It has also come up on the 4 percent side, which clearly, this would not impact on the 4 percent side.

But it starts to move us toward a direction. I am happy to follow the Committee's lead, or the Board's lead on what we should be doing with that.

So moving on to sponsor characteristics. Staff has expanded this particular item to allow two types of participation from either a HUB, a historically underutilized business or a non-profit. Subparagraph A is largely as it has been. Rewards material participation and is worth two points.

Whereas, subparagraph B rewards involvement that is not material, but is still significant, and is worth one point. We have also reduced the minimum
ownership interest for the HUB or qualified non-profit from 80 percent to 50 percent. And we have added a description of material participation that is derived from code.

This comes out of a number of conversations and requests that we have received for other ways to have non-profits participate in developments and score for that. But there is also, your qualified non-profit in HUB under the state statute are some very specific things, so they are worth an extra point.

Next up is opportunity index. Our changes in paragraph 4 largely revolve around clarifying the parameters and intent of the menu items. We have added limitations regarding ownership of an amenity by any member of the applicant.

We have clarified the construction status of any new amenities and addressed age restrictions and membership fees. A menu item regarding proximity to museums has been removed.

And a menu item regarding Meals on Wheels or a similar service has been added. Do we want to work through those changes, or we can just take opportunity index as a whole.

MR. VASQUEZ: Let's go ahead.

MR. BRADEN: And I don't know if I am jumping
ahead of you, Marni. But under opportunity index, so we
have this language about, I guess it is on I, (ii). Where
we are talking about public transportation.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: And I remember this, coming up in
one of the meetings. The route on the public
transportation was -- for purpose of the scoring item,
regular is defined as scheduled service beyond 8:00 a.m.
to 5:00 p.m., plus weekend service.

Does it have to be weekend service that is
supposed to be during those hours, too. Or are we allowed
more limited for weekend.

MS. HOLLOWAY: We actually had addressed that
in an FAQ. And perhaps we need to include it here. The
weekends, we understand, are going to be a more limited
schedule in many cases.

MR. BRADEN: So I have kind of -- I mean, I
guess people are going to debate this language. But I
thought it was clearer the way it was rewritten.

When you talk about, you know, it is located on
an accessible route. That it is less than half a mile
from the entrance to your public park. And you get the
same thing for the public transportation. So you didn't
do that for grocery store or pharmacy.

MS. HOLLOWAY: No.
MR. BRADEN: Or health-related facility. And I mean, I guess there is other -- or you know, public library. I mean, was that purposeful not to do those?

MS. HOLLOWAY: You know, I don't recall conversations about regarding, requiring accessible routes to these other amenities. Things like grocery stores or pharmacies, doctors' offices, we would assume under local code that they are accessible because they are commercial spaces.

Access by the public. And they are going to have to meet certain requirements. But frankly, no. Those items, library, all of those have just been those linear measurement items in the past.

MR. BRADEN: And you know, it seems like a public library would be of the same character as these others. Where, you know, if you are thinking of walking to a public library, you might have the same concerns. I mean, I guess, if you are saying it is a mile to the grocery store.

It might be the same thing. You are talking about three miles or two miles, maybe you are figuring somebody is taking public transportation or driving to those other locations.

But when I was reading through this, I would think policy reasons for doing it seems equally applicable
at least to the public library. And maybe we were nearer
the language we have for the other ones, for that.

MS. HOLLOWAY: All right. An accessible route
to the public library?

MR. BRADEN: Yes.

VOICE: No.

MR. BRADEN: Apparently not.

MS. HOLLOWAY: I am going to stand over on the
far side here. I think, though, that that might bear
discussion moving forward, because, you know, public
library is a facility that is used by an entire household.
It is used by an entire family. And if a parent in a
wheelchair, or a grandparent in a wheelchair can't get a
child to the library for book hour, or whatever, then they
can't use that library.

One of the things that we have tossed around as
staff, which is not here, and I think that we are going to
talk about moving forward, is weighting the scores of some
of these amenities. So which are the higher value ones.
And which are the lower value ones.

So you know, maybe a park within a half a mile
or whatever, without a route is worth X amount. But a
park with an accessible route is worth Y amount. And
dealing with those differences that way is one of the
conversations that we have been having.
MR. BRADEN: And the other question that I had, so if something is both a pharmacy and a grocery store --

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: Do you get points for each of those?

MS. HOLLOWAY: Yes.

MR. BRADEN: Okay.

MS. HOLLOWAY: Just for that one item.

MR. VASQUEZ: Comments, ready to go.

MR. JACK: You know, I am really trying not to get up here, throughout most of the year. So earlier we talked about tiebreakers.

And we have had tiebreakers around for a number of years, because our scoring has been flat. And my first comment is here, you have got two missed opportunities to remove the flatness of the scoring.

One is, under opportunity index, you are only giving the maximum of seven points. But you have identified at least 14 different amenities that you know, make for a better project. And so do you want fewer projects going to the flat scoring, open that up to the full, you know, number of points that a property qualifies for.

Second, the same applies to the underserved, which is maybe coming up next. You know, there are
underserved areas of the state that haven't received a tax credit under the underserved criteria. That alone is worth five points, and makes a huge difference in the scoring outcomes of properties.

You know, I would suggest that you remove the cap of, I think it is 150,000 population and open that up to the entire state. You know, there is other communities that just aren't getting deals out there, that would have the opportunity if you opened up the other scoring. And it removes the flat scoring issue for you.

On, I have a couple of notes about some of the amenities. One, the library says that it actually has to be -- have physical books.

And I don't know if you are aware of a trend now. San Antonio opened up the first all iPad library. It is a physical building. You go there and check out an iPad just like any other library.

You know, if you keep the library to a physical building, that would account for this new trend, in libraries by allowing the iPad checkout. You know, residents have access to a whole lot more books than even a physical building could hold.

On health care facilities, this language is kind of clear as mud. And as I was looking at what is actually a licensed health care facility in the state,
that is well defined by the state.

And it goes to a number of things, including ambulatory surgical centers, birthing centers, end stage renal disease facilities for dialysis. Free-standing emergency medical facilities.

I really want to suggest that we go to a defined list. Have the Department pick out which ones of the licensed health care facility meets the criteria that they are looking for and put that language into the QAP. Don't leave any opportunity for ambiguity as to what is and what isn't.

At the same time, I really want to encourage the Department to include the end stage renal disease facility. My wife used to be a pharmaceutical rep and covered large rural areas.

And you know, her opinion was that there are a lot of these in rural Texas that people, if they are not there, people would have to take an entire day off of work, travel to maybe the county seat, to where the county hospital is, when all it takes is an hour or two of dialysis. And so this, especially for our rural residents is a real amenity that makes a difference for them, and their lives.

MR. VASQUEZ: However, isn't the intent of this, the medical facilities to be someplace where someone
can go in and get treatment on a general basis. Not a --

MR. JACK: Well, that is what is not clear.

MR. VASQUEZ: I think it is very clear. I mean, when we say hospital, health center, emergency room or urgent care facility.

MR. JACK: Okay. But I mean, is a birthing center included in this? Because that is somebody going in to receive care in delivering a child. But that could be made crystal clear, if in the QAP we defined it by what the state says are licensed health care facilities.

Not all of these probably should be on the list. I mean, things like narcotic treatment clinics.

But there is a list out there.

MR. VASQUEZ: I believe the intent is a general treatment facility, with walk in service.

MR. JACK: Well, I mean, we have free-standing emergency medical facilities, which are different from general and specialty hospitals. Which are different than ambulatory surgical centers. I mean, it is a really easy fix to make the QAP match what the state says is licensed.

MR. VASQUEZ: Again, I understand what you are saying, and appreciate that. But it is, I think you are trying to expand it beyond the intent of being near an emergency room, someplace where you can go, whether you scratch your knee or break an arm, get it cut, go in there...
and get it sewn up. I mean it is not to go have a baby.

MR. JACK: I know what you are saying. But I have also heard the arguments over the years as to what constitutes a community garden. Or what constitutes a public park.

And then you know, we get into all these different things. We can make this crystal clear, just by deciding what on the state's licensed medical facilities list does or does not fit this criteria.

MR. BRADEN: But that doesn't address the policy issue that you are bringing up.

MR. VASQUEZ: Right.

MR. JACK: So I think that is my comments. Thank you.

MR. KAHN: Mr. Vasquez, my name is Barry Kahn. I am a Houston developer. And I want to take a whole different twist for the affected counties. If you want me to wait until later in the testimony, I am happy to. Opportunity index is one of the factors. So that is why --

MR. VASQUEZ: If you can relate it to the section and ethics that we are working on.

MR. KAHN: Well, it is not that easy. Because it is going to affect the whole opportunity index. I mean, we have got to make some changes with the drastic
situation in Houston right now. And that is what I am really here for.

And it is really to talk about exempting Region 6, probably Region 5, and I am not sure about Corpus Christi, which region that is from a lot of these general rules. The staff works very hard.

It is terrible to be bringing this up at the eleventh hour, which is where we are right now. But nobody predicted Hurricane Harvey at this time. Excuse me.

We have been facing the last few years, a lack of affordable housing in the core of Houston. And we have got many, many families which are underserved. We have got to shift this year's QAP in a way that gets rid of location requirements in order to get development where it is really needed.

We have children at risk with poor schools. That has been a whole detriment to the whole City of Houston. I can't speak for a lot of other cities, but for Houston, I can.

I have been a developer in the tax credit business since 1994. And very active in different aspects of education throughout the city. Children at risk came out this week with 1.4 million public school kids starting school at least a week late, and nearly six in ten are
economically disadvantaged.

And why is that? Because it is just the structure of Houston. Houston may not fit like the rest of the state, but it is the fourth largest city. So we do need to take focus here.

And as I say, we have got children at risk with poor schools. Now they are going through the shock of what has happened with Hurricane Ike [sic]. And then we want to come out with rules from this Department that pretty much keeps housing away from them. Now, is that really right?

I mean, that is your guy's decision. But that is why I am here, because in my opinion, it is wrong. And we need to do something. I am not talking about on an ongoing basis. I am talking about for 2008 [sic]. We need to exempt the impacted areas from a lot of these rules, so we get the housing to where it is really needed.

There may be additional -- I am also on the Board of the National Association of Home Builders. We are trying to get additional credits right now for Houston. Is this QAP going to control that, and keep things away from the inner core, when it is intended for the inner core?

I mean, I don't have that answer, but we don't want that result. So I am just bringing up to the Board
and it is you guys' decision, that this year, we exempt the education threshold requirement, the opportunity index and anything else that affects location from the QAP. And I am happy to answer any questions.

MR. VASQUEZ: Were you here at the beginning of the meeting?

MR. KAHN: Yes.

MR. VASQUEZ: Okay. I just want to make sure you understand that I am with you. I agree on Houston.

MR. KAHN: No. I am sure you do. I may have talked to Tom McCasland. I am sure he would like to be here. I know he is going to try to come tomorrow.

MR. VASQUEZ: The main point that we have to recognize, and thinking, I wish we could throw all the resources into Houston. But this Board represents the entire state.

MR. KAHN: No. I understand that. That is why I am saying, carving out just the impacted regions. I am not trying to change everything for everyone else.

MR. VASQUEZ: I would imagine, we need to be talking to -- we need to be talking to the federal representatives, our Congressmen and Senators to get those allocations to the Gulf Coast.

MR. KAHN: No. We are. But again, I don't want a QAP that interferes with it.
MR. ECCLES: Let me just point out, if there is an additional allocation, it is not necessarily going to be governed by this QAP. That is a statutory provision that would allow for --

MR. KAHN: Well, that is good. But nevertheless, with the $10 million or so in credits, in Houston, we don't want to be keeping them out of the areas which otherwise wouldn't get credits because of the education requirement and the way the opportunity index is structured.

And that, as I say, I am not trying to affect Dallas. I am not trying to impact other areas. I am just trying to you know, speak up for the people who desperately need it, and the kids who, you know, are at risk. We need to do something, and good housing neutralizes that.

MR. VASQUEZ: Again, I don't think anyone here disagrees with that assessment of the need.

MR. KAHN: But you know, the question is, are we going to do something about it. Thank you.

MR. VASQUEZ: Thanks.

MS. HOLLOWAY: If I may, just real quickly, we do have provision in statute that if we receive additional allocations for disaster relief, that they can operate outside of this QAP, under a separate cycle on the scoring
MR. VASQUEZ: Okay.

MR. BIBBS: Good afternoon. My name is Ryan Bibbs. I am the Division Manager for the City of Houston Multifamily Division with the Housing and Community Development Department.

The City of Houston appreciates the opportunity to provide feedback on the draft for the 2018 Qualified QAP. Our director of the Housing and community development Department, Tom McCasland would have been here today, except the hurricane that has recently devastated our city.

Director McCasland has spent the first week leading the city's efforts in supporting the largest ever Red Cross shelter, that sheltered nearly 12,000 neighbors seeking shelter since the storm. We hope that you will remember our city in your thoughts and prayers as we begin the recovery process.

Before making suggestions, I want to express support for several proposed changes made in the draft. We support the inclusion of tax increment reinvestment zones as our source, as a source for qualified concentrated revitalization plan. This inclusion allows the City to invest in public infrastructure improvement and economic development alongside the development of
affordable homes.

We strongly support the change to allow
governing bodies to identify distinct areas of concerted
revitalization and provide a resolution for the
development that most supports the revitalization within
that district area. While greatly appreciative of the
above changes, we would suggest some additional edits that
we believe will assist the City in directing development
to areas that will provide residents significant health
and economic benefits in addition to significant quality
of life improvement provided by easily accessible
recreational amenities and transportation options,
recommended changes.

The development site is located, first would
be, the development site is located on an accessible route
that is less than half a mile from the accessible multi-
use hike and bike trail. The route and the multi-use
trail must meet 2010 ADA standards, which would be one
point.

We believe this addition recognizes the growing
importance to neighborhoods of linear parks that often
double as safe transportation corridors for those who walk
or cycle as part or all of their commuting routes.
Additionally, having ready access to a multi-use trail
where residents can walk, run, cycle, skate, and
participate in other recreational activities for free
provides amenities at least as valuable as indoor and
recreational facilities.

Next change would be, the development site is
located on an accessible route that is less than half a
mile from the entrance of a public transportation stop or
a station with a route schedule that provides high
frequency service. The route and the public
transportation stop must meet 2018 ADA standards.

For the purpose of this scoring item, high
frequency transit service is defined as service arriving
every 15 minutes on average from 6:00 a.m. to 8:00 p.m.,
seven days a week. This would equate to two points,
actually.

We support the fact that the QAP already
provides one point for a development site near public
transportation with scheduled service beyond 8:00 a.m. and
5:00 p.m., plus weekend service. However, the regularly
scheduled service can include a route where the bus
arrives once an hour.

As anyone who has relied on public transit as
their main transportation can attest, the buses on hourly
routes are frequently either early or late. If the bus is
early and you miss it, you are left waiting for another
hour before the bus may arrive. For residents with jobs,
such routes are either not reliable, or they readily consume three hours or more of the resident's time for what a simple commute would entail.

On the other hand a route with regular service, every eight to ten minutes during peak hours provides reliable transportation that not only allows the resident to find and maintain a job without relying on a car, but it also allows the resident to spend less time commuting and more time with the family or other chosen activities.

Because an automobile is often the second largest expense for a low and moderate income household, we believe the importance of a true transit-oriented development as opposed to one simply located near a bus stop merits two additional points.

If a concerted revitalization plan includes more than one district area within the city or county, the additional points may be awarded for a resolution, provided for one development in each district area. As mentioned earlier, we support this addition and offer these proposed edits for clarification purposes only.

While we do hope the TDHCA will consider the impact of flooding throughout the City of Houston, we do not support waiving the high opportunity requirements for all flood-impacted areas. However, for existing flooding apartment complexes, we would recommend some priority be
given to the rehabilitation and demolition and or
replacement of existing apartment complexes.

Also, we would recommend that priority be given
to flood-impacted areas within the previously mentioned
transit-oriented development with high frequency services.
We believe such recommendation will provide ample
opportunity for rebuilding, while ensuring that we do not
concentrate low income multifamily development in low
income neighborhoods.

Thank you again for the opportunity to make
suggestions. We believe these changes will assist the
City of Houston in producing high quality affordable homes
in areas that will also allow the families who live there
to flourish. Thank you.

MR. VASQUEZ: Thanks, Ryan.

MR. ALLGEIER: I am Dan Allgeier. I am a
developer. Comments on two things.

First, I would like to comment on the
accessible route to a development. And that is, I am also
an engineer besides a developer. So I apologize if I get
engineer on you there.

But accessible routes are extraordinarily
complicated to determine. It is not just ramps. It is
not just sidewalks. It is with the sidewalks, the
surfacing on sidewalks, it is how you cross the street.
You can have an accessible route when you do your application and the city can come resurface the street, and you don't have an accessible route. You can have a bus stop across the street, and it can be over half a mile on an accessible route if you are not in a flat area. Oh, not all of Texas is flat. Houston is, but otherwise, it is not.

And the second thing I would like to comment on, I was discussing the distance to an amenity. And that is, let's not go to the center of the site.

I am also a surveyor. You have got a curved site -- you are going to have to pay a surveyor to figure this out. It is very complicated. It is done in other states. I would be happy to take the money. I won't charge $150,000, depending on how complicated your site is.

So just leave it like it is on distance to things. And please remove the accessible route requirement offsite. It is going to be an ongoing problem, every, all the time.

And you are going to have to hire somebody to figure that out, too. All of that increases the application costs. Thanks.

MS. RICKENBACKER: Donna Rickenbacker. Two point items that I am hoping you all will consider adding
to the opportunity index.

One is, if the site is properly zoned for the use. I think that is an important factor, obviously. A zoned site means you are able to move that deal forward.

And then also, I was -- think that another important factor is proximity to the schools; that one or more of the public schools at the site is zoned to attend. Obviously, I don't think that is in conflict with the most recent statute that eliminates it as a scoring item, in terms of the quality of the school, because what I am speaking to is its proximity to the development site. If kids can walk to a school that is within -- my suggestion was half a mile, then I think that that is a good site to be looking at. And should be added to the opportunity index score. Thank you so much.

MR. VASQUEZ: Thanks.

MS. HOLLOWAY: Okay. Next up is underserved area. So like opportunity index, we have focused largely on clarifying the language of these scoring items. Whether or not a census tract intersects with the boundaries of an incorporated area has been removed from subparagraph C. That is the one that created quite a bit of concern this past round.

The requirement that the census tract fall entirely within the boundaries of an incorporated area
remains true with subparagraph E. This is the one that we refer to as the flower.

In 2017, that item was limited to places with populations of 300,000 or more. But for 2018, staff has lowered the population floor to 150,000. This will increase the number of eligible cities from eight to 18.

MS. SISAK: Right. Janine Sisak on behalf of TAAHP QAP Committee. I am not going to talk about the technical aspects of this rule.

I do want to point out, and Marni kind of alluded to you know, new concepts being introduced today. Not having enough time to incorporate into the draft QAP for public comment, which I completely appreciate.

But TAAHP has for at least a year tried to incorporate new concepts that could have been incorporated into this area. And that was reintroducing the needs score, which was an old score that was developed by TDHCA several years ago. And we worked under that needs score concept for many years, with success.

We recognize -- we actually pulled up the old methodology, and we made some tweaks to it, because we recognized there were some aspects of it that wouldn't work in this modern era. And it wasn't perfect.

But you know, we have failed to engage staff on this concept. And I am just frustrated that we keep on
bringing up concepts, and they are just pretty much never
gain traction.

    And it absolutely is too late for this year.
But I just don't want to be standing here a year from now
and making the same testimony. So that is one point on
underserved.

    I really think that introducing a needs score
or something else is really important. Because the
scoring is very flat now, with educational excellence
being gone. And so this point category will be the thing
that people will chase.

    These census tracts will be the things, the
census tracts that people will chase. You will see a lot
of developers chasing the same census tracts. So this,
and tiebreaker will be the determining factor.

    So again, I think it is really important for
next year to start really thinking about some good other
scoring criteria that could, you know, reduce the flat
scoring that we have today. Thank you.

    MS. S. ANDERSON: Sarah Anderson. I just have
one comment related to this. There is discussion about
whether or not you are going to be in proximity to deals.
Whether or not they are 30 years old or 15 years old.
And I would really encourage that what that 30-
year-old means be defined. Is it the date by which it is
awarded? Is it the date by which its commitment notice is
signed. Is it -- you know, what date are we talking.

Because we are going to be here in six months
arguing, but you know, I built it at this date. So if
staff could just define exactly what that date means, it
would be great.

MS. RICKENBACKER: Donna Rickenbacker. Also,
with respect, and piggybacking off of what Sarah said.

With respect to the scoring category, the deals
with being in a census tract that doesn't have a
development that is less than 30 years old, I would like
to qualify that development to a development with more
than ten units. And the reason why I say that is, that
you have a lot of census tracts out there where you have
got one house in it. And that was allocated a $1,000 in
tax credits 20 years ago.

That, in my opinion, is a clean census tract.

And so I am hoping we can qualify that development to the
census tract and that development that is in it to at
least having ten units in it.

Lastly, with respect to E. I guess it is still
E. Again, I am looking at an earlier draft that deals
with census tracts and the boundaries of an incorporated
area, and setting that up such that populations, cities
with populations of 150,000 or more are the only ones that
are eligible to receive those points.

I understand where staff is coming from. They don't want this to be set up such that these rural areas that are way out in the middle of nowhere could achieve this five points. I understand that.

But I also question that that will happen if they are also required to either get points under opportunity or revitalization. They have got to be in some area where they can get these amenities.

That being said, if there is a way we could remove the population and open it up to urban only, instead of population, I think that that would give better dispersion, if you will, across the state. Thank you so much.

MS. BINGHAM ESCAREÑO: Marni, which one is that? Is it still in E:

MS. HOLLOWAY: Uh-huh.

MS. BINGHAM ESCAREÑO: Okay. Thank you.

MS. RICKENBACKER: Thank you.

MR. PADILLA: Arnold Padilla, McAllen Housing Authority. First of all, I want to say thank you. I appreciate the opportunity for us to comment on what is still a working draft. And we hope that by the time it is completed, is a productive document.

We generally don't get involved too often. We
are a housing authority, but we do have developers. And this is the first time that we have really gotten knee deep into the actual tax credit process. And it has been a very learning experience. One that sometimes I am wondering if you know, should we, or should we have not.

But either way, a couple of comments. On the urban core component and the underserved, I am going to comment on both of them.

I understand that you are trying to drop the number down to include more communities. But by doing so please understand the effects of what occurs in our region, because we are a dispersed region. We don't -- we do not have cities of large populations, but we do have a couple.

And what this would do in our region, it would only allow two cities to be able to take advantage of that urban core and or the underserved areas. So we ask that if you are going to lower it, lower it to a level of about 100,000.

That would include several other cities, and give us all the same effect. Keep in understanding, in our area, you have a combination of cities that really border each other. And you may have a high populated area.

But if you took the city itself, the population
of the community itself, it is not. But if you took an
MSA, it is a large population. So by lowering it down to
100,000, I think you give us all a better opportunity to
do so.

But I do want to go back and just comment on
something that you have already visited. But just want to
from the perspective of measurements and issues such as
that.

From the experience of what we saw this past
year, one of the troubling effects was, you describe a
distance from a point to a point. You, in years past,
used as the crow flies. I understand this past year, we
used the route issue.

But I think one of the problems that we see is
when the RFADs come out. And obviously, which one we are
trying to award to have many RFADs. I can only ask that
you take the perspective of evaluating staff's review
first.

Because from our own personal experience, we
feel that some of the RFAD presentations are taken for
values that really shouldn't be taken. And maybe that is
an area that we should work on, beyond the QAP itself, is
actually the RFAD process itself, the RFAD and how it is
valued, how it is judged.

And then how it is determined to come back to
actually being forwarded to a competing Applicant.  
Because I believe that in many cases, RFADs are abused  
tremendously from the perspective of measurements and  
issues like that.  

If you have got someone from the state who is  
certified to give you a certification on an accessible  
route, and yet, you have an RFAD, where you have got  
someone, a developer sitting on the floor with a measuring  
tape and a level, and you give it the same value, then  
quite frankly where are we?  

You know, are we going to be taking photos from  
angles of the building to try to distort the true  
perspective of something. And I think that may alleviate  
some of your RFADs, if at the time they are submitted,  
they are actually evaluated correctly, and given the  
perspective that they should. Which is, in many cases, is  
foolishness.  

Take it out. Let's go back to what is  
accountable, whether it is an engineer's certified  
statement. People who are bound to accreditations. Bound  
to certain specifics that says, hey. If it has got my  
stamp, it has got my reputation on it.  

I think those things truly have value. And  
that might get you away from all of the silliness that we  
actually experienced this past year.
MS. BINGHAM ESCAREÑO: Thank you.

MR. JACK: Hi. Darral Jack again. My apologies. You know, as I mentioned previously, this is one of the areas that I think you are missing the opportunity to differentiate the scoring.

Because you know, we are dealing with five. Five points is a significant issue. And like I said, previously, there are areas of the state, both urban and rural that are underserved today, because of the way the scoring lines out.

I would disagree though, with Donna. Because if you are doing it statewide, and you have urban competing with urban, you have rural competing with rural. You won't have the rural town competing for credits out of an urban pool.

And so it opens it up, if you are trying to get geographic dispersion across the state, and serve underserved areas that haven't gotten allocations before, this is an area that you can do that, just by taking away the population requirement. There aren't going to be a lot of areas that qualify for this.

And eventually this year, and if you keep it next year, even those areas are going to burn off or they are going to change as the 15-year-rule cycles. So I encourage you to take this opportunity to make a change.
Thank you.

MS. T. ANDERSON: Terri Anderson again. As it relates to underserved markets and the tax credit applications not being awarded in a census tract within the past 15 years, I understand that the Department would like to go to 30 years. I would encourage at least we keep the previous language that discussed a 30-year property that still remains in the Department's inventory. Because, certainly, in high opportunity areas, you have other transactions that may be burning off or no longer have LURAs and restrictions on them. And they don't maintain any affordability.

So those properties essentially are no longer affordable, and that particular census tract still needs the affordable housing. Thank you.

MR. VASQUEZ: Please continue.

MS. HOLLOWAY: Okay. The next section is tenant populations with special housing needs. Participation in the section --

MR. VASQUEZ: I'm sorry, Marni. Which numbered section?

MS. HOLLOWAY: Six. We are at 11 -- (c)(6).

MR. VASQUEZ: Do we have it?

(Pause.)

MR. VASQUEZ: Okay. Thanks.
MS. HOLLOWAY: Okay.

MR. VASQUEZ: Yes. Please.

MS. HOLLOWAY: Okay. Participation in the Section 811 project rental assistance program is back in the QAP this year as a scoring item, rather than threshold, as it was last year.

We had moved it to threshold last year. That didn't seem to work out real well. We are going to put it back into scoring.

The specific requirements of the 811 program are in the proposed 10 TAC Chapter 8, which is on the Board agenda for tomorrow as a new rule. They are taking some of the items that were in the QAP, or in Chapter 10 last year, and some other parts of their program, and creating a new rule.

So that is on the agenda for tomorrow. Next, is proximity to urban core.

MS. STEPHENS: I am so sorry. Lisa Stephens, 811. This may be addressed in the rule that is coming up, if it is being moved to a new section. But under 811, there was a provision last year, that if you were trying to use 811 units in an existing development but your syndicator or your lender would not allow you to do that, that you would be exempt under existing development. And that you could use your current year's application for
your 811 units.

We just want to make sure that that is preserved. That is an important process. And it is very difficult to get syndicators and lenders to go back and open up deals that are closed and have converted, and are already operating. So we do need that provision to remain in the rule. And since we haven't seen the new 811 rules, I just wanted to comment on that. Thank you.

MR. VASQUEZ: Thank you.

MS. RICKENBACKER: Yes. I really have more questions than anything else with respect to this scoring item. Again, things may change. And I am looking at an earlier version that was not -- the version that wasn't posted in the supplemental.

But my first question has to do with, in order to secure the points, is you have to either score it first in A, then Section B, and then Section C. And so with respect to Section A, it deals with putting units in existing developments. But they have it qualified that the same units can't be used to qualify for points in more than one Housing Tax Credit application.

So what happens if you have got three applications that you have submitted. You only have one existing development that you are -- that is eligible to receive the 811 units.
So do you -- do you put it in one, and then the other two drop down to the third, I guess, section, which deals with an application that doesn't have an existing development, and therefore, can score the two points for special needs. So if there could be some clarity to that, that would be appreciative. Thanks.

MS. HOLLOWAY: So 10 TAC Chapter 8 draft is in the Board book that is published for the meeting tomorrow. It currently is a consent agenda item.

If anyone at the Board meeting tomorrow would like to comment on that rule before the draft is accepted for publication, they need to just let us know at the beginning of the meeting. We can pull it off of the consent agenda and make it an action item.

So much of what was addressed in Chapter 10 last year regarding how the program works is now in that program's own rule, Chapter 8. So that is where those answers are.

Next is proximity to urban core. You have heard a little bit about that one already. We have lowered the population threshold on urban core.

To qualify as a city for points, from 300,000 to 200,000. This increases the number of qualifying cities from eight to 13.

We focused on three criteria to determine where
to set the population threshold. One is total population and population growth. Presence of low to moderate income jobs. And the physical attributes of these cities' cores. And this scoring item is still worth five points.

MS. RICKENBACKER: This hopefully is my last set of comments. But this is a scoring category that is going to determine winners and losers. It is a five-point scoring category.

And every year, we have dropped the population or increased the population or dropped the population, excuse me, as to those cities that can qualify. So we are effectively every single year picking winners and losers in this program.

My suggestion is to go back and take a look at this scoring category. And limit it to our five largest cities that already statutorily have imposed on them a two-mile same-year rule.

So if you are in an urban core area, and you are within two miles of another development, the same year. The highest scoring one would move forward. The other one would not.

What happens is, when we increase the number of cities through populations that are eligible to receive these five points, when you get out of those five largest cities, and into regions where there is only one award or
maybe regions where there is two or three awards, everybody is going to go to that city that can get these five critical points.

You are concentrating housing in one area. The balance of the region that doesn't hit that population threshold don't qualify, effectively, to receive an award of tax credits.

I think that is a very unfair advantage on those cities. And again, there are now -- if this holds, there are regions where you only have one city that would be allowed to qualify for these five critical points.

Thank you.

MS. HOLLOWAY: Okay. Next is commitment of development funding by local political subdivision. Senate Bill 1316 from the 84th Legislature moved commitment of development funding by local political subdivisions from 2306.6710 to 2306.6725 in statute. And allowed the Department to set the amount of required funding at a de minimis amount. That was the language in the bill.

Since this change was implemented, many applications include local political subdivisions providing something of value equal to $10 or even a dollar. The bill included language that made the amount de minimis only for 2016 and 2017.
The language in F that speaks to this says, subsection E, which says it is a de minimis amount, and the subsection will expire September 1, 2019. Subsection E states that this de minimis amount provision applies for the 2016 and 2017 Qualified Allocation Plans.

Thus, staff has introduced a more substantial value requirement for development funding from a local political subdivision. Staff has proposed $500 for urban developments and $250 for rural developments. We had actually started out a little bit higher, and reduced it as a result of comment.

MS. BINGHAM ESCAREÑO: Do we still have the old one?

MR. VASQUEZ: Ours says $1,000.

MS. BINGHAM ESCAREÑO: Ours says $1,000.

MS. HOLLOWAY: So we have reduced it.

MS. BINGHAM ESCAREÑO: Okay, 500, 250?

MS. HOLLOWAY: Yes. This is the other one that we changed. Yes.

MR. BRADEN: And where were the comments coming from, that to reduce that dollar amount?

MS. HOLLOWAY: Those, the comments received in between last week. So they wouldn't be posted in the book anywhere, would they? Some of them are in the Board book.

MS. BINGHAM ESCAREÑO: In the supplemental, in
the back.

MR. VASQUEZ: It just seems that we are really saying that it just needs to be verbal, we back this project. Because the dollar amounts mean nothing, compared to -- I mean, that is not real support.

MS. HOLLOWAY: Yes. And it is my understanding, and this was before my time. That previously, those support amounts were tied to development sizes and a number of other issues.

Honestly, that is not something that -- that history of how we came to this date, is not something that I can effectively speak to. I can get you some information tomorrow.

MR. BRADEN: Statutorily when --

MS. HOLLOWAY: Statutorily, it was de minimis for >16 and >17. The de minimis expired. It said, specifically for 2016 and 2017. It may be a de minimis amount.

MR. VASQUEZ: I am just throwing this out. I am not saying, insisting that we make this change. But it would seem that since that de minimis word is how being dropped, that the Board could take an opportunity to say, change this to be real support. I mean, that there's --

MS. HOLLOWAY: Certainly.

MR. VASQUEZ: I mean, $500, that is like one
300th of the consultant fees. Okay. Well, let's move on.

MS. HOLLOWAY: And I think that that is something certainly that we can talk about, moving forward. I mean, that is part of what we staff hope to gain from you, the Committee. Is where would you, the Committee and where would the Board like us to see -- like to see us go next, with the next QAP.

MR. VASQUEZ: Again, I am just saying, this doesn't seem like a whole lot of real support.

MR. BRADEN: I think that is a good point. Right. It is commitment of development funding by a local political subdivision. You would think that it would be a real commitment.

MS. HOLLOWAY: Do you want to speak to that one?

MS. DULA: Yes.

MS. HOLLOWAY: Okay.

MS. DULA: Tamea Dula with Coats Rose. And I have been doing this for a while. So I have seen it in the past years, the last 19 years. It used to be that a substantial contribution was needed.

But the reality is, that small cities don't have money that they can use for this. They cannot use their general tax funds, because the project is owned by a private partnership. And so they don't have any money
that is available, unless they are a participating
jurisdiction, or have some kind of a grant.

And that is why it has come to this point where
a minimal financial support is required. Thank you.

MS. HOLLOWAY: That was good information.

Okay.

MR. VASQUEZ: Just again, there are other ways
besides cash to do things.

MS. HOLLOWAY: Uh-huh.

MR. MOREAU: Walter Moreau. I do have some of
a history with this. I think it is good public policy.
You know, you are going to have mayors, community leaders
coming to you asking for your support for the project in
their community. One measure is, you know, do they have
some skin in the game.

MR. VASQUEZ: Yes.

MR. MOREAU: I think that is the right policy.
In the past, it became hard, because some cities didn't
have as much money to put in. We work in Austin. Austin
always had a lot to put in.

So then developers are creative. So developers
would give money to the city to give back to them. So
that wasn't allowed.

So then developers would give money to the
bank. That would be collateral for a loan to the city to
give back to the development.

So I don't know the answer. I like the general policy that there should be a meaningful amount. That is it.

MR. VASQUEZ: We will work on that. Okay.

MS. HOLLOWAY: Okay. Next is community support from State Representative. We have modified this section to allow representative letters to include language similar to my constituents support this project, so I do too.

Which before, in the past, we have required that it was I personally, you know, I support this. We are hoping that this will allow representatives a bit more flexibility in their statements, and increase their comfort level in providing letters. We have also addressed vacant representative offices in this revision.

Okay.

Next is concerted revitalization plans. Other types of urban revitalization plans which may not be called a concerted revitalization plan but fits the description in the rule will now be allowed.

We are requiring that Applicants tell us exactly where in the plan to find the specific items addressed in the rule. And are requiring that the plan be current at the time of application and continuing for
three more years.

We have also added language that allows cities with plans that cover more than one distinct area to submit resolutions for each plan or area rather than limiting the city to one per year. For rural revitalization, we have added some clarifying language and corrected resolution requirements so that it speaks to the development itself, rather than a plan, which is not required under this category for rural applications.

MS. ABELN: Good afternoon. My name is Emily Abeln. I am the Vice President of Real Estate Development for New Hope Housing. Joy Horak Brown, my boss, would be here in front of you today, but she is busy working with the city with our current disaster relief from Harvey.

I specifically wanted to talk to you today about the CRP language. We have made some good progress here. We are allowing municipalities to designate more than one area. More than one deal in an area.

So for example, the City of Houston has multiple revitalization areas. And they could potentially have more than one deal in a city as large as Houston, with over 3 million people. One deal in the entire area, our region, is just not sufficient to meet the need. So we really appreciate that.

Of course, on the heels of Harvey and watching
what our local representatives that we have hired -- we
have elected them to do, are working in the interests of
the citizens of the community, they are putting aside, as
they should, some other objectives like the Planning
Department pushing forward the revitalization plan and
meeting all of the benchmarks that the Department has
outlined to qualify as a revitalization plan for the area.

So in our letter that we submitted on the 23rd
of August, we requested that the appropriate position or
person for Houston, it would be the Housing and Community
Development director be allowed to write a letter
designating the revitalization areas of a particular
region or city. They are equipped and capable of making
that determination.

And I am particularly concerned that a city as
large as Houston, with as much -- as many cogs are in that
machine to get fully compliant plan that meets the
state -- departments' requirements through City Council
and adopted. So that goes through the Planning Department
and housing and community development and neighborhood
vetting. Processes, time lines, budgets.

And then being able to implement that in time
for the 9 percent cycle. We think it is appropriate and
prudent for the Housing Director to make that decision.

I have one very small comment about the housing
thresholds in the multifamily rules. There was one very small comment made earlier today, that those items in the undesirable neighborhood characteristics were simply benchmarks. They weren't full stops.

And as someone who went through the pain and turmoil of overcoming the school threshold at our New Hope Housing at Reed Development, which is under construction right now. Yes, we were able to move past it, to the tune of about $75,000 in out of pocket costs for a small non-profit.

That is just an enormous amount of money. That doesn't include staff time on that. I just wanted to make sure that we are aware that it is not just a simple hurdle to overcome. Thank you so much.

MR. VASQUEZ: Thank you.

MR. MARKS: Hello. I am Scott Marks with Coats Rose. And I am also a Board member of TAAHP. I'm here to make the TAAHP comments on the concerted revitalization plan scoring item.

You know, Texas cities are not big on planning. And it is not like Oregon or something, where you know, there are these massive plans that the city governments prepare.

And if you think about the scoring item, it was really -- it comes from the ICP litigation. And it was
supposed to balance out high opportunity.

So you were allowing high opportunity sites in the suburbs. And then the concerted revitalization plan was supposed to capture those sites in the urban core that really needed housing.

But you know, because the city was saying, this is a targeted revitalization area. And but what we have seen is that high opportunity has become looser and looser in the definitions in many ways. Easier to get these points.

Concerted revitalization plan has become stricter and stricter. More and more bells and whistles on what has to go into a plan. And you know, if you look at Austin, you look at Houston, you look at Dallas. They just rarely do this type of planning with these types of budgets and three years and all of these strict requirements.

And especially as Emily just pointed out, with Harvey and in Houston, this is a big problem. And so we have seen in our state's largest city so few of the tax credit developments for the general population for families with kids have gone into the City of Houston since this scoring item, and since the ICP litigation.

And the scoring items have been so strict. And so TAAHP has offered a specific suggestion to loosen it
up. Which is very much what Emily just pointed out.

That in cities of 150,000, with a population of
150,000 or more, there could be a letter that is written
by the appropriate city official that could be submitted
with the pre-application. And identifies you know, these
neighborhoods are our concerted revitalization plan areas.
And if a full application comes in, in one of those
areas, then it would qualify for these points.

MS. BINGHAM ESCAREÑO: Thank you.

MR. BIBBS: Ryan Bibbs, City of Houston Housing
Department.

I wanted to support Emily's comment earlier in
regards to the City of Houston Housing Department
director, with them being able to write a letter,
establishing the revitalization areas. It would save on
time, as far as the different hoops that the
revitalization process has to go through.

Now, if it just -- if the Director was able to
write a letter establishing that area, that would be
fantastic. Thank you.

MR. VASQUEZ: Can I ask staff to just -- for
these instances where a region, and it doesn't have to be
a big city like Houston. It obviously has a Housing
Department. Or and then Harris County around that.

But for a region that has a recognized

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governmental or quasi-governmental entity that is their mission. Their mandate is development and housing and economic development. Is there a provision that we can put in to allow that kind of substitution?

MS. HOLLOWAY: So concerted revitalization plan that term actually appears in I believe in Section 42. So it goes back to the IRS.

They have provided some information about what they the IRS believes to be a concerted revitalization plan. That is something that they are continuing to work on. There was actually a set of procedures. What was it that went out for comment.

MR. ECCLES: It was a Revenue Procedure.

MS. HOLLOWAY: A Revenue Procedure that the IRS put out for comment that actually pretty much mirrors, or not mirrors, but it is really close to what we have in our QAP. So we are kind of caught here. You know, I recognize that the desire to get there more easily. And that some cities may not have plans that look exactly this way. And that in part, is why we have added -- we have said in this one, it doesn't have to be called a concerted revitalization plan. It could be a TIF. It could be a TURS. It could be something else entirely, as long as it has these components.

There is a huge difference between that and a
letter from the Housing Director. And we are talking
about four points, I think. And it is up to seven points
for a concerted revitalization plan. And that includes a
resolution from the City Council. So it is a really
valuable scoring item that -- I mean, I think that we
could look at continuing to sort of evolve what that plan,
what a plan looks like, or what is in a plan. But I don't
see a letter replacing a plan. My opinion. Of course, if
staff going the other direction --

MR. VASQUEZ: As a -- I am looking at it as a
department replacing a plan. Not the letter. Obviously,
like we have our housing regional group here being
represented. And we know that group has been around for
ten years, a dozen years, however. And they are going to
continue to be around, implementing these projects going
forward -- I am just worried about someone not having a
three-year plan being excluded from this.

MR. IRVINE: My comment on that would be, in my
mind, it is not whether the Department or assigned body is
replacing the city government or whatever as the planning
vehicle. It is that whoever is providing the evidence of
the plan, upon which we are basing our scoring, can
establish that the requisite things have been done.

That the situation was assessed. Things in
need of revitalization were identified. The local people
had an opportunity to participate and comment on that.

And that as a result of that public input process, a plan was devised to address those specific things. And a budget was put together to ensure that there was funding so that it would actually play out.

I think that in my mind, if that appropriate official has a letter that confirms that all of those substantive things were done, that might make sense. But I don't think that simply a statement that yes, we have a plan, and this is where it happens to reside is sufficient.

MR. VASQUEZ: Okay. I am just concerned about us boxing ourselves in legally with saying here is the absolute only way to clear this hurdle.

MS. HOLLOWAY: Well, and that is what we are trying to sort of describe what it looks like. But not say it has to be this shape.

MR. VASQUEZ: As long as we think it is sufficiently descriptive enough and not limiting that box to words absolute. Because we are going to get all these RFADs saying well, okay. This. The Brownsville Housing Authority, the El Paso Housing Authority did this. That is not really the City of El Paso.

MS. HOLLOWAY: Right.

MR. BRADEN: It could be done by delegation.
So if the City Council goes to that entity --

MR. VASQUEZ: But that is my point. I want to
be able to --

MR. BRADEN: It can be, currently.

MS. HOLLOWAY: And that is in the rule. Having
to be current, and extending for the next three years
means it is not a plan that expired. You know, most plans
have a time frame on them. They have a time line. And
then if the time line ended back over here, and here we
are a year later, how does that old plan apply to this new
thing. And how do we know that that work is going to be
continuing.

MR. BRADEN: And I guess some of my thoughts
are, we ought to let local government write this. It is
such a local government issue.

They have their own internal processes on how
to handle this. And you know, if they pass a resolution,
and that is an indication of where, if they decide I am
going to delegate it to this official or this department,
we can take that delegation too.

MR. VASQUEZ: Well, as long as we can do that.
I agree.

MR. KAHN: Barry Kahn again, with Hettig/Kahn
Development. Until, well, through 2013, the Department
used to accept the Consolidated Plans, which all the big
cities have to do periodically.

And if I can make a suggestion which would combine the two thoughts would be, that a letter would work if it was tied to the Consolidated Plan. In order to get a Consolidated Plan passed, they have to go through all these processes.

And when the Department changed rules for how they wanted the revitalization zones and all that determined, it left the cities in an awkward position because the rules wouldn't be final until later in the year. And then it was always too late for the cities who were also short-staffed, just like the Department is short-staffed, to do all of the things that were required.

So if we can go back to precedent with the Department and use the Consolidated Plan as a basis, I think you guys could work around this.

MR. VASQUEZ: Okay. I think we addressed that.

MS. HOLLOWAY: Okay. Ready for the next one.

Readiness to proceed. This is a new item.

We have been trying for some time to get to a readiness to proceed scoring item, but have really struggled with finding a structure that isn't punitive if an Applicant is not able to begin construction by the deadline. Staff has proposed the addition of a scoring item that will not necessarily affect applications in the
2018 competitive round, but will affect the scoring of applications in the 2019 competitive round.

If an application that receives an allocation in 2018 can commence construction by the last business day of the calendar year, then an individual associated with that application can add a point to any one application they are involved in for the 2019 competitive cycle. So if you get an allocation, you can start construction by the end of the year, you get a point next year.

Other structures have said, you claim that you are going to get started by X period of time, whatever it is. And if you don't, then you get penalty points the next year, or other horrible things happen to you.

Trying to find something that is more about a carrot than a stick. And this is something that we have proposed. And I think you have got some folks that want to talk to you about it.

MS. MARTIN: Hello, everyone. I am Audrey Martin. I am speaking on behalf of TAAHP this time, because Janine had to leave and take a call.

So TAAP's position on this new item is really that we understand where the Department is coming from in trying to establish some readiness to proceed measures. And you know, a lot of ideas have been kicked around throughout the years. But we do feel like it is kind of a
can of worms; that this is fraught with gray areas.

And a couple of things can get a little
difficult to try to determine what exactly is a firm
commitment. How do you get that, before you even have
your award of credits for one thing. I see a lot of RFADs
in staff's future for this one.

Also, there is kind of a -- it is sort of an
interesting idea to award points to next year's deal. So
we are essentially kind of picking next year's winners
based on factors that have nothing to do with that next
year deal. That has to do with the previous year's deal.

So I just wanted to present those comments.

That is it.

MS. BOYER: Hi there. My name is Theresa
Boyer. I am with Herman and Kittle Properties. I saved
my comments for my favorite section, so that I wouldn't be
up here too much.

But I wanted to say that this intended -- the
intent of this from the Department makes a lot of sense.
But as Audrey said, I think that there is going to be a
lot of problems with it.

First, I think it is going to create an
unintended legacy effect for the 2019 round. So
developers who are fortunate enough to receive awards in
2018 will have a large advantage.
I know we talk about five points being an advantage. But let's be realistic, every one point makes a difference. Every tiebreaker makes a difference. So the fact is, that it is not only going to punish those that weren't able to close by the end of the year, it is basically going to punish anybody that didn't happen to get an award in 2019.

The second thing is that it is going to disincentivize, I think, projects that have mixed sources and have some soft funds maybe, or other ways of getting the deal done. And one example of that is the HOME funding, and the environmental clearance process, which can end up taking an additional couple of weeks if not months to get it cleared.

So I think those projects are important. And by using other sources often, you can get more housing for less of the Department's funding.

And then third, I wanted to say that so much can change between the application deadline when you have these commitments and the end of September when you are turning back in your commitment to the Department. The equity market is one thing that changed in the 2016 round.

Then you know, this year, obviously for anything that was built, or is going to be built in the coast, Hurricane Harvey is going to totally change what
your deal looked like in March before December. And so I think that every developer wants to close as soon as possible.

No one is trying to drag their feet. Because the sooner we close, the sooner we can pay off our pre-development funds. And pay ourselves for all the work that we have been doing. So I think it is just a matter of the nature of development, why things are dragging out.

I would say that some of the ways that staff might be able to get towards where they are wanting to go without all of the unintended consequences. I don't know if there is a way to add in a reasonable closing deadline and pay for an extension.

Maybe if we have a two-year QAP, everyone can be queued up early enough, so that they are not dragging things into the next year, but I think there is probably better ways of getting to this intended objective.

Thanks.

MS. BINGHAM ESCAREÑO: Nobody likes carrots. You have got a bunch of carrot haters.

MR. VASQUEZ: Let me just clarify. Is this, the awards that we just awarded last month, the month before? We are saying that they have to start by December 31st of this year?

MS. BINGHAM ESCAREÑO: It would begin next
year.

MR. VASQUEZ: I use that as an example.

MS. BINGHAM ESCAREÑO: Okay. As an example, yes. If they would have received an allocation at the end of July, and would have had to have started construction by the end of the calendar year.

MR. BRADEN: But it doesn't apply to what we just awarded.

MS. BINGHAM ESCAREÑO: No.

MR. VASQUEZ: Okay. Well, next year in the July awards, we are saying they have to start by December 31, 2018.

MS. HOLLOWAY: Yes.

MR. VASQUEZ: Okay. I just wanted to make sure.

MS. HOLLOWAY: Okay.

MR. VASQUEZ: Thank you.

MS. S. ANDERSON: Sarah Anderson. And again, I guess I would like to speak in opposition to this particular item. Primarily, if all things being equal, if there was fairness in every city through their permitting in the same time frame, this might be something you could do.

But the City of Austin is a one-year minimum from the beginning of permitting to closing. Whereas, if
I go to an unincorporated area, I can be done in 30 to 60 days.

So I just don't see how we can -- I mean, it would be just such an unfair, such a disadvantage to the areas that we are sending everyone to urban core, yet not a single one of those would be able to close in that amount of time. We do talk about this every year. That the readiness to proceed is a problem.

I would contend that again, if we knew the rules more than a month in advance of having to buy our land and put in an application, perhaps our deals would be a little bit better formed. And by the time we got to award, our deals would be better.

A lot of things that happen, we have one month to put a deal together. They are difficult to think through. We then find ourselves having to go to closing. And we have amendments and changes.

And that can take six months, just to get an amendment through TDHCA. The best thing we could do to get deals done faster is to get a QAP faster and have more time for us to think through our deals before they get submitted to you. Thank you.

MR. VASQUEZ: And could I ask, again, more -- I'm sorry. This is for staff. More background. Is this related to -- wasn't there an instance where someone
hadn't started their project by the end of the following year? Someone was --

MS. HOLLOWAY: I think that it speaks to multiple concerns about getting started late, or whether or not the applications that we are receiving are really ready to go. I think it speaks to multiple concerns, at least from staff about the deals that we are getting.

MR. VASQUEZ: Is there an average time for projects to start?

MS. HOLLOWAY: I couldn't tell you.

MR. VASQUEZ: After award?

MS. HOLLOWAY: I really could not tell you. We have, of course, after award we go through commitment and then carryover. Is at the end of the calendar year. Or prior to the end of the calendar year. It is hard to say. I can tell you that they are supposed to be placed in service two years later. But beyond that, we know, we just -- we don't have a way of knowing that they are really starting unless they have direct loan funds in them. And that is a very small fraction.

MR. VASQUEZ: Okay.

MR. BRADEN: I would note too, when I read this, I thought it was unusual. I mean, I think seeing different than everything else --

MR. VASQUEZ: I am much more in favor of a
giant stick.

MS. HOLLOWAY: Well, so --

MR. VASQUEZ: But I want to make it reasonable.

MS. HOLLOWAY: A reasonable giant stick. A reasonably giant stick. So then the question becomes, if their delay in construction was because of local permitting or because of weather or because of availability of materials, or because their lender took too long, and it was a HUD deal.

I mean, it is -- my concern is that if we say, you must start by X date, then we need to be prepared for unless this or unless that. You know. And then you all would have be prepared for imposing the big stick penalty, you know. It is --

MR. VASQUEZ: I'm sorry. Donna.

MS. RICKENBACKER: Donna Rickenbacker. I really appreciate what staff is trying to do with this. What will be a new scoring item. I mean, it has been thought of over the years, but this year is really with respect to our rules, the only new, if you will, concept that has been incorporated into the >18 QAP.

I agree with you, that there needs to be a stick. And now that Harvey has happened, we need to do something with respect to scoring and incentivizing developers to get deals constructed and get units on the
So I actually provided some, a little different concept. And probably one that will not be supported by most of the development community and that was, incentivizing deals that can move forward in a timely manner. And I put some qualifiers in there. And those that choose the points.

And it would benefit >18 deals. Not >19 deals, but >18 deals. If they don't get it on the ground in a timely manner, then obviously, that impacts their -- the penalty is associated with their >19 transactions.

So I just think that we need to have a scoring item that encourages, incentivizes developers to get their deals moved forward. And if this is truly going to be a two-year QAP, then most people won't select those points this year, but they will be prepared with developments that are ready to proceed in a timely manner in >19 and be in a position to select these points. So I have given staff my recommendations.

I really hope we will kind of think through them, in especially in light of Harvey and the need to get product on the ground as quickly as possible. Thank you so much.

MS. ANDRE: Hi. Sarah Andre again. I think this falls under a perceived problem. Not necessarily a
real problem.

I would love to see data from the Department about the number of deals that are not placing in service within the deadline. The number that are not meeting their 10 percent test.

There is already a gigantic stick out there. It is called losing your credits. Losing your equity partner. And losing the hundreds of thousands of dollars and the two years you have already put into a deal.

So I don't know that this is actually a problem. I have been doing this since 2006. I have two deals give back credits. One because they could not get geothermal approved through the Department.

And the other, because they had a pipeline running through the middle, and there were issues with that. And we couldn't get the reporting we needed done in time. So in general, people don't give back credits, and they work very, very hard to close these deals.

MR. COMBS: Yes. Ryan Combs with Palladium USA. There are -- you know, I agree with many of the things that have been said. There are just countless issues that can cause delays in closing.

One issue that can be dealt with, that can be dealt with up front is zoning in place. You know, right now, applications are due at the beginning of March. If
there was an incentive for zoning to be in place by March. Currently, zoning has to be in place by within 30 days of when you get your commitment, so August.

So the difference between zoning in place and March, versus August, that is one big factor about being able to -- readiness to proceed. And so that is something I would love to see as a point incentive. Thank you.

MR. SCHMIDTBERGER: Hi there. Russ Michael Schmidtberger. I am a real estate attorney here in Austin, and in Houston.

I just want to go on the record real quick, just so it is out there, and say that I think that this particular provision, this new provision is going to be a disaster. And I don't think this is the year to do it. If you are going to do it, do it in maybe two years.

But with Hurricane Harvey and other things that we are trying to do, I think we should stay focused on that. I think that this kind of stuff is -- while we appreciate what staff is doing, I think that there is plenty of incentive for every developer in this room to get the deal done, and to get it over the goal line.

If I were to change one thing, or recommend one thing, rather than use points, maybe it might be something to try where you incentivize developers to waive fees for the next year, for example. Pre-app fees. Full app fees.
Maybe give us $500 for an RFAD, because we are going to be filing a bunch of those.

So you may be in a position to where, instead of giving us a point if we are ready to proceed, waive a fee for us next year, something along those lines. That might be something to try. We did recommend that.

Thought maybe that might be something to try.

And just since I am up here, because I am not going to get up here again. I just wanted to say something about Hurricane Harvey. I think one way, and I am in Houston in as well.

One way that you could potentially work with the parameters of the rules that are coming out in the Board book tomorrow is to potentially waive the refinery threshold item; that you have to be -- that you can't be within two miles of a refinery. I know that there is a threshold rule for site amenities. I'm sorry, for mandatory site characteristics, where if you are within two miles of a refinery, that you can't build.

And a city can pass an ordinance or a resolution to actually waive that. But if you want to open up Corpus Christi, Beaumont, Port Arthur, all of the places that were hit, you could do something with that particular language.

Either narrow it to one mile, or maybe just get
rid of it altogether, just for the next year or two. And you are going to open up a lot more development for those areas that were hit. Thank you.

MR. VASQUEZ: Thanks. I want to poll the members here, on opinion on this one.

MS. BINGHAM ESCAREÑO: On the readiness to proceed.

MR. VASQUEZ: Yes. And an extra point for the next cycle.

MS. HOLLOWAY: So and I don't have exact numbers with me at the moment. But to the question about how many 10 percent test extensions, last year it was more than half. This, yes. This most recent round in July, it was less than half. And then the year before, it was half, at least, of the applications requested a 10 percent test extension.

I can also tell you that we regularly have at least a few at the end of the year who are struggling to get to placed in service. You know, and there are provisions under which they can get one unit in each building with a temporary CO, and they get to placed in service. And they just make it over the line.

And I understand that that will happen, but I think that it is important to support the folks who aren't
doing that. The developers and the owners out there who
are headed down a different path.

So if this isn't the tool, this isn't the tool.

But I think that this is something that we need to
continue to discuss.

MS. BINGHAM ESCAREÑO: I like the idea of an
incentive. And I don't know what the workgroup thought
about like, the waiver or the reducing of pre-app fees or
things like that in the coming year.

MS. HOLLOWAY: We actually did not discuss fees
at all. And actually the last time we discussed readiness
to proceed in the work group, it was --

MS. BINGHAM ESCAREÑO: Tim is standing up.

MS. HOLLOWAY: All right.

MS. BINGHAM ESCAREÑO: It is probably against
the law. Look at the lawyers stiffen.

MR. IRVINE: Yes. Tim Irvine again.

MS. BINGHAM ESCAREÑO: A quick no. Is that a
factor?

MR. IRVINE: Yes. I think it is quick no. I
think fees have to bear a reasonable relationship to the
costs that they defray.

MS. BINGHAM ESCAREÑO: I have got you. So and
I mean, just in going back to your polling.

MR. BRADEN: A free set of steak knives maybe.
MS. BINGHAM ESCAREÑO: There you go.

MR. IRVINE: Before you conduct your Vulcan mind meld or whatever, I do really think that the various manifestations of a lack of readiness to proceed are very real problems.

I mean, the fact that after awards, we spend just astronomical amounts of time dealing with significant amendments and changes, changes not so much to the developments themselves, but to their financing structures and well, lots of things.

You know, and I get it. That it is really hard to put together a deal in a month. It is really hard to get a deal and put it together in a year.

But you know, we have to play the hand we are dealt. And the hand we are dealt is that this all moves along on a statutorily prescribed timetable.

And to the extent that we have more opportunity for people to have thought all the issues through, and put together better stuff, that is great. And to me, the best way that you ultimately get there is not necessarily through points and incentives or big sticks or whatever. It is through consistency.

I mean, I think that the faster that we can come together around a QAP which however imperfect is something that we can all live with, and we can live with
it for several years. I think that would be a wonderful thing.

MS. BINGHAM ESCAREÑO: What he said. I do. I think I see great -- and obviously, everybody wants to get their stuff out of the ground and in service in a timely manner.

I think some of this is kind of a -- you know, it is a vicious cycle that we have. Because we do -- we are, you know, as an Agency, we are trying to be responsive to issues that come up in the QAP, by addressing them every year, and revising.

But the product, the outcome of revising that, which is always well intended, too, is that some rules materially change. And then future developments are somewhat, you know -- are very dependent on those rules that change.

Not that that is the only reason. And if I had a dollar for every time those people out there told me something was shovel ready, I would be rich, right. I mean, everybody that comes up with appeals or whatever says, you know, our deal is shovel ready.

Give us another -- you know, let us come back again next time. So I understand the struggle from both ends.

I guess you know, I am leaning toward -- there
have been great ideas that have come out of this. And
obviously, great ideas that have come out of all the work
groups that happened prior to this.

Maybe over this period of time, when it is
published, more ideas will come out about some legally
appropriate way, like steak knives, to incentivize folks.
I think the intent is good.

And I will tell you this. You know, we know
human nature is if there were hard stops, we would all
find ways to get stuff done faster. If there were
impenetrable hard stops, you know, we have the luxury of
kind of moving things with good intentions to get projects
done.

And I appreciate the staff's, you know, attempt
to try to find something that was a reward instead of a
punishment. But I would like to see something come out of
it.

I don't know if this is the exact right answer.
But I would love to have somebody creative come up with
something.

MR. BRADEN: I don't think I'm [indiscernible]
in terms of I acknowledge there's probably a real problem
here, and it would be nice to have more readiness to
proceed.

I don't like the one point in the future. I
think that is -- like somebody mentioned, you are just setting up a whole new can of worms. And I think we should not do that, and try to figure out something else that works.

MR. VASQUEZ: And just, my thought is -- I have several thoughts. One, I don't see us rewarding people for doing what they have already agreed to do. I mean, that is what I think we are doing for this one point. Here, you agreed to do it. Oh, you did. Here is an extra point.

MS. HOLLOWAY: Here is your trophy for participating.

MR. VASQUEZ: I mean, it is -- and then for anyone new that is coming up -- I think we had several speakers talk about, again, even one point can make a difference. And if I am a new developer getting into this game, why should the old guy or gal be the one who gets an advantage over me?

I don't think we should be waiving fees for RFADs. Maybe a good stick is saying, Okay, you can't file any RFADs for the next five years. Just an idea. It is just an -- throwing it out there.

MS. HOLLOWAY: It is like a partial debarment from over here.

MR. VASQUEZ: I was looking for a stick. That
is a soft stick.

MS. HOLLOWAY: Yes.

MR. VASQUEZ: I think for the few groups, I am more concerned about the stories that I have heard so far in my relatively short tenure about groups coming back to us and saying, oh darn. I have got to refinance this whole thing.

I have got to restructure this. Because my costs went up 30 percent because I underbid it. That is not our problem. That is not the Board's problem. It is -- if the project doesn't work anymore, well maybe it shouldn't work.

I mean, we can give those funds to someone who can make it work. I agree that it's -- it would be great if we can find some way to incentivize. I am not sold on this being the answer, the additional point, the bonus point for the following year.

Help me understand the process again. Even if we put this out for publication, we are taking in comments. And perhaps we will get some other ideas on how we can still restructure this before the final version.

MS. HOLLOWAY: Yes. And I can pretty much guarantee you that we are going to get some comments about take this out. So we have the option through the public comment period to not make change to the rule. So to not
add this language.

And we have that option. You know, after we get through public comment and reasoned response, and we get to the final.

You know, if the comment that we are receiving is, no. This doesn't work, and this is why. Or you know, even receiving direction from the Board at the final meeting, we can just take it out.

MS. BINGHAM ESCAREÑO: Or tomorrow's meeting.

Right.

MS. HOLLOWAY: Or tomorrow's meeting.

MR. VASQUEZ: Okay. Let's move on.

MS. HOLLOWAY: Okay. We only have one more. Actually, two more. But the last one is really quick.

Okay. This is adaptive reuse or rehabilitation costs per square foot.

Staff has proposed removing the cost of acquisition from the cost per square foot basis for this scoring item. Instead, Applicants would provide hard costs per square foot for the purposes of this scoring item.

Thus, they look like they are lower compared to 2017. But this is because we have taken those acquisition costs out. We are just talking about your costs for the rehabilitation and your costs for the adaptive reuse work.
to your costs on the building. I am losing my mind.

MR. VASQUEZ: You are almost there. You're almost there.

MS. HOLLOWAY: Almost. This change came out of a concern that our amounts were not indicative of real costs. It actually came out of a conversation with Rural Rental Housing.

It is important to note that these are costs that are voluntarily included in eligible basis for purposes of gaining this score. And it does not limit the amount that can be spent in any way.

That is it. I don't know, if we have lots of tough questions, then Brent has to answer them.

MS. FINE: Hi. I am Tracey Fine with National Church Residences. This particular change is -- would be really detrimental to our mitigation projects.

I bring two examples: one based on my award from 2017, one from my example from 2016. My hard costs per unit will go down from $52,000 per unit to $20,000 under these rules. We had never used acquisition basis in our calculation, so removing it just automatically hurts our projects.

And a hard cost of $20,000 per unit, from $52,000 we wouldn't be able to meet our PC&A needs for our property. I wouldn't be able to secure a syndicator,
because they require more than $20,000 a unit in hard
costs.

I ask that this item not be changed in any
direction but -- any direction that would reduce the per
unit cost would be really, really challenging for any kind
of rehabilitation project.

I would also really invite you to come see some
of our properties, compared to perhaps other developers
that focus on renovation. I would be willing to say, ours
are incredible.

And you would be proud to be there, and proud
to be a part of it. And I just don't want those dollars
to be taken away.

MS. BURCHETT: Hi. Sally Burchett. This
change has a significant and detrimental impact on the
historic preservation projects. Historic preservation
falls into the adaptive reuse or rehabilitation category.
And as you know, a gut rehab of a historic building is
significantly different than a rehabilitation of an
existing unit.

Additionally, the acquisition costs of a
historic building that a city is wanting to revitalize are
usually very low. Because it is more of a liability
rather than an expensive asset.

So taking the acquisition costs doesn't help.
And so having this cost per square foot basically will eliminate any historic preservation project from proceeding.

MS. MARTIN: Hello. Audrey Martin again. On the change for acquisition rehab deals, I don't have a particular problem with the acquisition basis coming out. But it occurred to me when Tracey was speaking, she cited a $20,000 per unit rehab amount.

And I just wanted to point out that we also have a minimum per unit rehab threshold elsewhere in the rules. And I think it is $30,000 per unit.

So I would just say -- and I haven't done the math. But we just might want to make sure that the dollar levels are set so that people are still able to meet the minimums that are elsewhere in the rule.

MR. VASQUEZ: I have got you.

MS. BINGHAM ESCAREÑO: Yes.

MR. SMITH: Tim Smith, Hope Development Services. I actually just want to echo the exact same point; that you do have a minimum cost per unit.

And this might actually prevent you from meeting that. And why does the Department have a minimum cost per unit? If that is the threshold, I would assume they would want more costs in on a rehab.

And if you are having to put $30,000 a door,
you know, threshold, into it, I would assume you would
want more dollars per unit on a 9 percent allocation. And
the math that you just heard is showing that they already
can't even meet threshold based on this cost per square
foot.

MR. VASQUEZ: We definitely need to make sure
there is uniformity in the different dollar amounts. We
can get Darral to figure out all the cost differences
here, in this per foot deal. Plus or minus.

MR. ALTER: Hi. I am Craig Alter with
Commonwealth Development. Just to add one more thing
about historic adaptive reuse. Pardon me.

I would suggest that the allowed cost be equal
to new construction. Because essentially, it -- from a
financial point of view or from a cost point of view it is
very equivalent to new construction, although you have got
a building.

What you have to do during your renovation is
overcome a lot of issues that you need to overcome in an
older building. And so that is adding costs.

So in reality, they are very similar. And so I
would just encourage you to bring adaptive reuse,
historic, particularly up to new construction levels.

Thanks.

MR. BRADEN: I have a little concern with
changing this, especially in light of Hurricane Harvey, right. I mean, people here at the City of Houston making a promise earlier today that they would be encouraging rehab. And I wouldn't want anything that we are changing to make it that more difficult to do.

MS. HOLLOWAY: Thoughts?

MR. BRADEN: Are we changing this?

MS. HOLLOWAY: We had a meeting with the Rural Rental Housing folks. These are the ones who do general USDA type, USDA or potentially other types of rehabs. And what they were telling us is that our numbers as they sit were way too low for their deals.

And they are generally doing smaller projects, smaller numbers of units, in rural areas. And these numbers were just way too low for them to be able to do it that way.

The idea of pulling out acquisition, so that we are just looking at the rehab costs came out of that conversation. Whether or not these are the exact right amounts, you know, is kind of like the consultant's fees. Consultant fees, you know.

I don't know if these are the right amounts or not. And it could be that through public comment, we can gain a better understanding of you know, where those levels would be, and what would make sense.
MR. BRADEN: Why wouldn't we leave acquisition costs in there, and just increase the amount? You know, the cynics will say, you had a conversation and they said the amounts were too low, and you just lowered them more.

MS. HOLLOWAY: No. We took the acquisition costs out.

MR. BRADEN: I understand that.

MS. HOLLOWAY: Right.

MR. BRADEN: But we had somebody in the audience who just said she doesn't use acquisition costs right now.

MS. HOLLOWAY: Yes. And that is that situation with that Applicant. We made a change that we hoped would assist this group in moving their projects forward.

MR. BRADEN: But if we just left the language the same, but increased the dollar amount --

MS. HOLLOWAY: So what would we increase it to?

MR. BRADEN: I don't know. You are saying you are putting it out for comment.

MS. HOLLOWAY: Yes. That is what I am -- yes. We could do that.

MR. BRADEN: Increase it 10 percent and see what people say. I mean, why are you backing out acquisition costs? I mean, you came up with a number that way, too.
MS. HOLLOWAY: Uh-huh.

MR. VASQUEZ: Well, it is probably also keeping it apples to apples on the actual rehab.

MR. BRADEN: Right. If you kept it --

MR. VASQUEZ: If you take out the acquisition --

MR. BRADEN: Well, except I think it is keeping it apples to apples if you keep consistent language and just use the dollar amount.

MR. VASQUEZ: One size fits all.

MR. STEWART: I tried so hard not to have to get up here.

MR. VASQUEZ: You almost made it.

MR. STEWART: Brent Stewart, Real Estate Analysis. So the discussion about backing acquisition costs, how it came from the Rural Rental Housing Association meeting that was held, unfortunately, I was not at that meeting. So I am not exactly sure how those conversations went.

I think the bigger picture here is that we are really doing acq-rehab kind of the wrong way. We are trying to define a cost per foot, when really, I think we need to be defining what it is we want these projects to look like. And the costs come out where they do.

The needs of these projects are just so varied,
that it is hard to pick a number, because the minute you pick a number -- and Rural Rental will tell you this. The minute you pick a number, now you are targeting deals that may not be the ones that need the most rehab, right.

And so you get kind of caught in this well, we need some way to score it. Yet, at the same time, inadvertently, you might be causing other transactions that might need to be rehabbed, preventing them from playing. So it is kind of a paradigm shift.

As far as the numbers that are in the QAP, the draft now, I believe that those are all open to discussion. Those were some numbers that were -- I won't say just placeholders, but can certainly be discussed in terms of what those appropriate amounts should be.

MR. BRADEN: Yes. I don't think that really answers the question.

MR. STEWART: I'm sorry. But in terms of removing the --

MR. BRADEN: Well, you see, you weren't at this meeting. So did they suggest taking out acquisition costs? The rural group that you met with? Or that is the conclusion that staff came up after meeting with them?

MS. HOLLOWAY: I think it is the conclusion we came to after discussing it.

MR. BRADEN: And what is the downside of
leaving the language as it is, and just changing the number? Because we don't know what that number is?

MS. HOLLOWAY: I think, as Mr. Vasquez mentioned, if we are measuring on rehab, then we are measuring rehab to rehab, and we are not including that acquisition cost that is going to vary greatly across the state. And there is less -- I think it is a better chance for us to get to the real costs, as the measurement.

MR. BRADEN: I can understand the point about acquisition costs vary greatly.

MS. HOLLOWAY: Uh-huh.

MR. BRADEN: So I can see how you are trying to back that out. So maybe the problem is, the number is not high enough. But it just sounds like we tried to fix it, and we went the wrong way.

MS. HOLLOWAY: And that could well be. And it could well be that this number needs to be much different than it is. You know, until we are able to engage in that conversation we don't really know. Were you at that meeting?

MR. ALLGEIER: No. I wasn't at that meeting. I am on the board. I am on the Committee. Seriously. Dan Allgeier, Rural Rental Housing Board. I wasn't at the meeting, either. But here is the deal.

We took acquisition costs. We asked that
acquisition costs be removed. And it is reasonable, because all across the state, the acquisition costs vary.

At least in the rural rental deals, it is based on a third party appraisal. There is no control. It is what it is, what it is.

The construction costs, the rehab costs on the other hand, are too low. If you take a typical build to HUD minimum property standards, one-bedroom apartment is 624 square feet. That is not very much rehab. Some of the people are spending as much as $50,000 and $60,000 on rehab.

That number needs to be changed. It is too low. All of these numbers are too low. It costs $130 a square foot to build an urban style apartment complex now, or probably more, next year, thanks to Harvey.

It costs us $110 a square foot to build a three-story walk-up in Tyler, Texas, which will open, at least, on time.

So you know, these numbers are all too low. But that is the reason. I wasn't at the meeting, either. But that is what we talked about talking to them about. Our representatives in D.C. are trying to get us some more money right now.

MR. VASQUEZ: Do you have a comment? Come on up.
MR. CANALES: Roger Canales, Prospero Housing Community Services. I am not a rural person. We have rural properties. But our properties are 40 years old, and we are looking to rehab them. And we are doing it through this program of at risk.

At risk allows us to do this type of work. And the more you peel the onion, the more you spend. So it is the type of -- this is limiting the amount of rehab that we can do, is what this does for us. So we can either have a project that lasts 15 more years.

Or we can have a project that last 30 or 40 more years, depending on how much rehab work we can do. That is all I have. Thank you.

MR. BRADEN: Well, I think the gentleman before last is the one that answered my questions. It sounds like taking out acquisition costs maybe wasn't a bad idea. It is just the amounts are too low. And this public process will get that input associated with the rule.

MR. VASQUEZ: We encourage the public to propose ideas. Dollar levels that would make sense.

MS. HOLLOWAY: And that is absolutely a change that we would make through the public comment process. Our last item, 11.10, third party requests for administrative deficiency.

Staff has added a sentence that reiterates to
Applicants and stakeholders that information received after the request for administrative deficiency deadline will not be considered by staff, or presented to the Board.

MR. VASQUEZ: I'm sorry. Say that -- could you repeat that?

MS. HOLLOWAY: So RFADs submitted after the deadline will not be considered by staff, or presented to the Board.

You know, of course if it is evidence of some material misrepresentation or fraud or some other horrible thing, we would handle that appropriately. But if it is an RFAD, that is not something that we are going to be bringing back to you.

MR. VASQUEZ: Can we take a point away from anyone submitting an RFAD late?

(Simultaneous discussion.)

MS. HOLLOWAY: That is all that we have for today.

MR. VASQUEZ: Thank you.

MS. HOLLOWAY: Thank you.

MR. VASQUEZ: Marni, your staff and everyone, I mean, obviously, this is -- there is so much work that goes into this year round.

And you know, everyone needs to understand the
work that you all have put into this, is just amazing. And also, everyone needs to understand there is just nothing that can be a one size fits all.

I mean, you know, these rules I think, are trying to get everyone on a level playing field. If the government and the development community would just give the staff complete discretion on what we can approve and disapprove, this would be a lot faster process.

But I don't think it is going to work that way. Again, I encourage everyone to please submit comments. I mean, this isn't -- this is by no means the final draft of this coming out.

MS. HOLLOWAY: No. As I said, we will bring the draft to the full Board tomorrow for acceptance for publication. The public comment period will start on September 22nd, and end on October 12th.

And then of course, we go through a reasoned response period, where we go through all of the comments and potentially make changes to the final. And we will bring it back to the Board. So and written comments actually are --

I mean, yes we will go back through the transcript from the Board meeting if there is comments that we don't catch exactly. But those written comments are the ones that really helps us shape what we are doing,
moving forward.

MR. VASQUEZ: Is there any more final comments? Donna?

MS. RICKENBACKER: I just had one question actually. Especially for the new Board members. Once things, once the QAP is published for public commenting, of the last two or three years, the only comments that were considered were comments that were a -- I hope I am saying this right; correct me if I am wrong -- a natural outgrowth, if you will, of those scoring categories. So if there is a way we can explain how that works so that the Board members understand. And quite frankly, we understand how that process is going to work this year, I would very much appreciate it.

MR. VASQUEZ: Tim, any final words?

MR. IRVINE: Tim Irvine. Yes. And Beau can certainly correct me if I misstate this, under the Administrative Procedure Act, the Texas law that governs rulemaking, you put things out for public comment. And by definition, it only includes certain ideas.

It is looking for the public's input on those ideas. I think you retain a modicum of discretion and latitude with how you finally decide those ideas will be specifically addressed. But you can't bring in a brand new idea.
You can't just radically change an idea. For example, if you were leaving in readiness to proceed. And you said well, instead of that, why don't we just change that to this whole new thing where you need to have all of this great big long list of stuff already done.

That is a whole new idea. The public hadn't had an opportunity to look at it, and comment on it. So what you are really talking about, I think, are incremental adjustments to the words that are on the written page.

One thing though that we have done this time, that we haven't done for a number of years, maybe ever, always we have done in my memory, repeal and replace, when we are doing QAPs. This year, we are putting it out as amend.

And what that means is, if you don't like the new language, you simply don't adopt the new language. And it stays the way it was in in the current QAP. So that is a new tool that is available there.

You know, I think that for example, you might say, on the costs issue, you might put out a proposal that said, all right. The cost is capped in this manner. And you had a hard dollar cap.

Public comment could allow you to adjust that up or down, or leave it the same. But public comment
1 couldn't let you say, let's measure that in a completely 
2 new way, off some wholly different index. So that is my 
3 summary of the logical outgrowth concept. 
4
5 MR. BRADEN: So any new ideas that we want to 
6 put in there should be put in by tomorrow. 
7
8 MR. VASQUEZ: Yes. 
9
10 MR. IRVINE: Right. And some of these are new 
11 ideas that staff has you know, thought through to the best 
12 of our ability. 
13
14 But obviously, when you bring this many smart 
15 people into the room to add their comments, they raise 
16 issues that we hadn't considered, you know, and that is 
17 the cool thing about this process. 
18
19 MR. VASQUEZ: Great. Thanks. 
20
21 MS. BINGHAM ESCAREÑO: So with the Open 
22 Meetings Act or quorum issues and stuff, if there were any 
23 that we wanted to -- if we felt like there were any 
24 material alternatives that were presented today that would 
25 reflect a material change, and we were interested in 
26 revising the draft to represent those, how would we go 
27 about doing that? 
28
29 MR. IRVINE: Tomorrow, when the Board convenes, 
30 it is posted as an action item, and it is not a final 
31 action item until it is the way you want it to be. 
32
33 And if, for example, you say, well, there was
this idea about removing over-cap deals from the wait list. And you had some different way that you wanted to address that, you can say, I move that we modify the proposed draft in the following manner.

MS. BINGHAM ESCAREÑO: Thank you.

MR. IRVINE: All right.

MR. VASQUEZ: Okay. Thank you all again for your input and participation. It is a part of the process.

Thanks, Marni and Julie and Patrick and the rest of the team; Britt. Thank you, Beau, for letting us talk.

And the Texas Department of Housing and Community Affairs Qualified Allocation Plan and multifamily Rules Committee is hereby adjourned. It is 5:32.

(Whereupon, at 5:32 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF: QAP & Multifamily Rules Committee
LOCATION: Austin, Texas
DATE: September 6, 2017

I do hereby certify that the foregoing pages, numbers 1 through 158, 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.

9/13/2017
(Transcriber) (Date)

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