

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:30 a.m.
Tuesday,
July 31, 2001

State Capitol Extension
1400 Congress
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chairman
ROBERT BREWER
JAMES DAROSS
SHADRICK BOGANY
VIDAL GONZALEZ
C. KENT CONINE
MARSHA WILLIAMS
LYDIA SAENZ
NORBERTO SALINAS

STAFF PRESENT:

DAISY STINER, Executive Director
DELORES GRONECK

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1
2 MR. JONES: It's my privilege to call to order
3 the board meeting for the Texas Department of Housing and
4 Community Affairs for July 31, 2001.

5 The first thing I'd like to do is give a
6 special thank you to Representative Bill Carter, chairman
7 of the Urban Affairs Committee, who is the sponsor of us
8 using the Capitol Auditorium today.

9 State agencies can use the other rooms, but
10 anyone who wants to use the auditorium must have a
11 sponsor, and this has to be either a member of the House
12 of Representatives, the Senate, or the Governor's Office.

13 And Chairman Carter has so graciously agreed to be our
14 sponsor.

15 In fact, Chairman Carter has been a real friend
16 of this Department on many, many occasions. And we thank
17 him for everything he does for us. And we do appreciate
18 him allowing us to be here.

19 I think, for this particular meeting, at this
20 time of the year it's the most comfortable situation we've
21 ever been in. And I certainly thank him for that.

22 I know we have a number of special guests, but
23 I would like to recognize Donna Chatham, who is here from
24 the Urban Affairs Committee. Donna?

25 I thought she was here; maybe she's not. All

1 right. Well, if she comes, I'll be happy she's here.

2 With that, if I would, I have a number of
3 people who would like to participate in the -- oh, first,
4 we'd better certify the quorum, hadn't we?

5 James Daross?

6 JUDGE DAROSS: Here.

7 MR. JONES: Shadrick Bogany?

8 MS. BOGANY: Here.

9 MR. JONES: Robert Brewer?

10 MR. BREWER: Here.

11 MR. JONES: Kent Conine?

12 MR. CONINE: Here.

13 MR. JONES: Mr. Gonzalez?

14 MR. GONZALEZ: Here.

15 MR. JONES: Ms. Saenz?

16 MS. SAENZ: Here.

17 MR. JONES: Mayor Salinas?

18 MR. SALINAS: Here.

19 MR. JONES: And Ms. Williams.

20 MS. WILLIAMS: Here.

21 MR. JONES: And the chair is here -- and
22 everybody is here, and we do have a quorum.

23 The next item on our agenda is public comment,
24 and I have a number of people who have submitted witness
25 affirmation forms that would like to speak to the board.

1 In going through these, it appeared that
2 everyone who had submitted one wished to speak with regard
3 to the tax credit issues. Is that correct?

4 (No response.)

5 MR. JONES: Is there anybody that would like to
6 speak to other issues?

7 (Inaudible response.)

8 MR. JONES: Yes. Thank you.

9 MS. FORD: I'd like to speak regarding the
10 capacity building awards.

11 MR. JONES: Excuse me?

12 MS. FORD: I'd like to speak regarding the
13 capacity building awards.

14 MR. JONES: Okay. Would you like to speak now
15 or would you like to speak when that issue comes up?

16 MS. FORD: When that issue comes up.

17 MR. JONES: Thank you. Please remind me of
18 that, too, if, for any reason, we get by. Is there
19 anybody else that would like to speak on other issues?

20 Seeing that, I've talked to Ms. Stiner, and
21 what we would like to suggest is that staff has a
22 presentation with regard to the tax credit items, and that
23 we allow staff to make that presentation to the board and
24 then that we take public comment concerning those tax
25 credit items after that.

1 And I think that might be the most orderly way
2 to proceed unless one of my fellow board members might
3 object. Hearing no objections that the way, I suggest
4 that we proceed.

5 Moving then from public comment to item number
6 1 on our agenda, which is the presentation, discussion,
7 and possible approval of minutes of the board meeting of
8 July 12, 2001.

9 JUDGE DAROSS: I move the minutes be approved
10 as mailed.

11 MR. JONES: We have a motion they be approved.
12 Is it seconded? That was by Judge Daross.

13 MR. BOGANY: Second.

14 MR. JONES: It's been seconded by Mr. Bogany.

15 Any discussion? Comments? Amendments?

16 (No response.)

17 MR. JONES: Hearing none, I assume we're ready
18 to vote.

19 All in favor of the motion please say aye.

20 (A chorus of ayes.)

21 MR. JONES: All opposed nay? The ayes have it.

22 VOICES: Abstained.

23 MR. JONES: Okay. We have three people
24 abstained -- Ms. Williams, Ms. Saenz, and Mr. Conine. All
25 right. Motion passes.

1 With that, we'll turn to item 2 on the agenda,
2 which is the presentation, discussion, and possible
3 approval for Low-income housing Tax Credit items. And I
4 will refer it to staff's presentation. And, also, I
5 believe, board members, this is going to be a visual
6 presentation and we may want to go sit in the audience.

7 (Board members move to audience.)

8 MR. NJIE: Good morning, board members, ladies
9 and gentlemen. My name is Cherno Njie, manager of the
10 tax-credit program. Before we begin the slide
11 presentation, I wanted to give a brief overview of the
12 allocation process for this year.

13 In this allocation round the Department's
14 recommendation will provide housing opportunities for a
15 diverse group of low income and very low income tenants in
16 all areas of the state through the utilization of the
17 regional allocation process.

18 The overall demand versus available credit
19 statewide was three to one, with some regions showing more
20 demand than others. The qualified allocation plan
21 provides the Department with some opportunity to provide
22 adjustments to the regional targeted amount and set-asides
23 depending on the level of demand exhibited provided we
24 maintain the federally-mandated 10 percent non-profit set-
25 aside.

1 Our primary goal in evaluating projects through
2 the threshold and selection review process is to ensure
3 consistency and fairness in the evaluation of the
4 applicants. We do that by setting up a peer review
5 process of at least two staff members at each stage of the
6 evaluation.

7 Furthermore, after the threshold review we send
8 deficiency notices to applicants to clarify
9 inconsistencies in the application or incomplete
10 information.

11 The Department's underwriting staff, together
12 with the program staff, with the assistance of our
13 regional offices, conduct site evaluations to assess the
14 suitability of the different locations. The underwriters
15 also completed the evaluation of financial feasibility for
16 each project.

17 The compliance division reviewed the compliance
18 record of all the applicants, as a result of which several
19 were disqualified due to material noncompliance for
20 projects that they currently operate in the program.

21 Although our recommendations was determined
22 mainly by points, the Department took into account several
23 other factors. For example, in each region we took into
24 account the project's contribution to community
25 revitalization and also the number of existing tax credit

1 allocations in that city relative to its population.

2 Support of services were also important part of
3 the evaluation. Some of these services included computer
4 learning centers to provide computer training for tenants,
5 adult education services, health screen, et cetera.

6 The Department also provided consideration for
7 projects involving joint ventures between non-profit and
8 for-profit entities and those controlled by women or
9 minorities.

10 To ensure that the projects proceed as planned,
11 the recommendations are going to be subject to a number of
12 conditions. Firstly, carryover allocations must be
13 completed by the second Friday in October this year.
14 Number two, the project owner must close the construction
15 loan by the second Friday in June 2002. And thirdly the
16 project owner must commence and continue substantial
17 construction not later than second Friday in 2002 as well.

18 Staff will be seeking recommendations regarding
19 the issuance of forward commitments as well and to develop
20 a waiting list should the present applicants being
21 recommended are unable to proceed for whatever reason. We
22 will seek that the board provide us with some flexibility
23 to choose from among these projects in order to meet our
24 10 percent set-aside and to also be able to utilize the
25 available credits.

1 With that, I'll be -- I'm happy to turn it over
2 to Brooke Boston to go over the slide presentation.

3 MS. BOSTON: Hi. My name is Brooke Boston.
4 I'm the program analyst for the tax-credit program. As
5 Cherno mentioned, we will be presenting on the actual --
6 some of the numbers behind the recommendations this year.

7 The goal of the agency is to encourage
8 diversity through allocating our credits as much as we can
9 across the state and across the different regions and
10 getting the maximum bang for our buck for our credits.

11 To make sure that adequate public input was
12 received, we had two series of hearings. The first
13 hearing we had seven in both metropolitan and rural areas.

14 And that gave people an opportunity to comment on the
15 QAP, which is the qualified allocation plan and rules.
16 It's the document that governs our program.

17 At that time people were able to give comment
18 on the evaluation factors, selection criteria, and
19 threshold criteria that we've used to actually evaluate
20 the applications this round.

21 The next set of hearings that we held were
22 actually after all the applications had come in. And,
23 again, we went to metropolitan Amarillo areas and gave
24 people an opportunity to speak either in support or
25 opposition of the 162 applications that came in.

1 This year we issued 167 numbers. The first
2 five were issued to forward commitments that were made
3 last year for 2001 credits. Out of the 162 applications
4 we received six were withdrawn by the applicant, 13 were
5 determined, 102 were underwritten, and 41 were not
6 underwritten.

7 Upon receipt of the applications the staff
8 reviewed them for threshold criteria. At that point we
9 give -- have an opportunity for applicants to -- as Chernobyl
10 mentioned, to make revisions to specific administrative
11 errors.

12 We give people three days to submit those
13 documents. On the fourth day the applicant would lose
14 five points. On the fifth day they'll lose another five
15 points. And at close of business on the fifth day the
16 application would actually be terminated. This year we
17 issued 150 of those deficiency notices.

18 At the same time that we're reviewing
19 applications for threshold and selection criteria our
20 compliance division is also reviewing those applications
21 to make sure that the applicant entities associated with
22 those applications do not have any instances of material
23 noncompliance. In the case that someone does have
24 material noncompliance those are terminated. And this
25 year there were six applications that had that event

1 occur.

2 We also look to make sure, in reviewing our
3 allocation recommendations, that no one applicant receives
4 more than 1.8 million credits and that no one project
5 exceeds more than \$1.2 million in credits.

6 Chernob mentioned some evaluation factors. In
7 accordance with our QAP, in addition to scoring and
8 underwriting, we are required to look at several other
9 factors.

10 The first factor is project feasibility. We
11 look to make sure that the credits are actually the proper
12 amount to make sure that the financial feasibility can
13 take place. We also make sure that the project is going
14 to be a viable low income development over time.

15 We also look at the geographic dispersion of
16 credits within each region. We also evaluate the
17 concentration of tax credits and any other affordable
18 developments within the markets or submarkets.

19 We look at site conditions. Every single site
20 is visited. And staff ranked them based -- excuse me, not
21 ranked -- but they evaluate them based on a score rating
22 of excellent, acceptable, poor, or unacceptable.

23 We also evaluate the experience of the
24 development team to ensure that, as a group, they will be
25 able to pull off a successful project.

1 Likewise, we evaluate housing type so that we
2 might serve a broader segment of the population. And the
3 type in this instance would be elderly versus family.

4 We also make sure that the projects that we
5 allocate meet the goals of our program. We also try to
6 make sure that we're serving the needs of the local
7 entities which could involve local preservation plans,
8 revitalization -- whatever the case is.

9 And then, finally, we also would like to make
10 sure that we allocate credits among as many different
11 entities as practicable without diminishing the quality of
12 the housing.

13 This year one of the big changes was adherence
14 to a regional allocation formula, which was passed as law.

15 Basically, the regional allocation formula is developed
16 based on housing need across the state. There are eleven
17 service regions, and each amount -- each region has a
18 targeted amount based on the formula that we strive to
19 reach.

20 The formula is based on three components, which
21 includes severe housing cost burden on very low income
22 renters, substandard housing stock that's occupied by low
23 income renters, and poverty levels.

24 In addition, because tax credit developments
25 that are associated with bond deals are able to occur in

1 larger metropolitan areas, we also account for that in
2 developing the regional allocation formula.

3 This map just depicts the state broken out into
4 the eleven service regions.

5 The pie chart depicts basically the credit that
6 we had to allocate this year, excluding the 2001 forward
7 commitments -- those first five projects that I
8 mentioned -- broken out into regions showing what the
9 targeted amount should be for each of those regions by
10 both percentage and dollars. And there were handouts out
11 front as well that have the slide show in there, so you
12 can have these numbers to take home with you.

13 This actually shows what we are recommending as
14 an allocation to the board broken out in the same way. It
15 shows the percentage and the dollar figure for each
16 region, with our total credit allocation recommendation
17 being 27.9 million.

18 This shows -- we had a legend, but it kept
19 messing up. The red stars are actual recommended awards.

20 The small black triangles represent applications made.
21 And the little blue symbols, which, unfortunately, aren't
22 coming out very well, recommend forward commitments.

23 For each of the new few slides I'm just going
24 to go over -- we have some basic statistics for each of
25 the regions. We're going to go with the regional target,

1 which is what we're shooting for based on the allocation
2 plan, the number of credits that were actually requested,
3 the number of applications made, the recommended credit
4 amount, the number of recommended awards, the number of
5 recommended low income units, the percentage of the
6 state's population in that region, and the percentage of
7 the actual allocation that we're recommending to the
8 board.

9 In Region 1 people requested \$1.7 million in
10 credits. We're recommending 1 million. And that will be
11 155 low income units.

12 In Region 2 our target was .7 million. We are
13 recommending .9 million, which will be two developments
14 with 114 units.

15 In Service Region 3 we were targeting 4.5
16 million. We're recommending 4.7 million with nine awards
17 totaling 696 low income units.

18 In Region 4 people requested -- excuse me. We
19 were targeting 1.6 million. We are recommending 1.8
20 million, which will be through six developments with 339
21 low income units.

22 In Region 5 the target was \$1.2 million. We're
23 recommending \$1.2 million, which will be 212 low income
24 units with three park developments.

25 In Service Region 6 the regional target was 5.4

1 million. We're recommending 5.9 million, which will be
2 942 units at ten different developments.

3 In Service Region 7 we were targeting \$2.1
4 million, with a credit -- recommended credit amount of \$2
5 million, which will be through four developments with 276
6 low income units.

7 In Region 8A we were shooting to hit 3.0
8 million, and we are recommending 3.1 million, which is
9 seven developments with 574 low income units.

10 In Region 8B the target was \$5.4 million.
11 We're recommending 4.3 million, which ten developments
12 with 768 low income units.

13 In Region 9 the target was .8 million, and
14 we're recommending 1 million with four developments at 200
15 low income units.

16 And in Region 10 we were targeting 1.6 million.
17 We're recommending 1.6 million with eight developments
18 totaling 262 low income units.

19 This basically shows -- to the left of the
20 screen is what people requested, and to the right is the
21 recommended to the board. And it breaks it out by our
22 set-asides. This year we had, not only the rural set-
23 aside and non-profit set-aside that we've had in the past,
24 but also an elderly set-aside.

25 This just shows the actual breakout of credits

1 by construction type between the requested and the
2 recommended. Basically, new construction was \$89
3 million -- requested 4.6 million for rehab. And we're
4 allocating 31 million for new construction and .77 for
5 rehab is recommended.

6 I'd also like to point out that there's a -- it
7 looks like a very dramatic difference between
8 rehabilitation and new. Rehabilitation developments
9 typically don't use the same -- the development costs are
10 less than a brand-new development because they do have a
11 structure to start with and everything. We do require
12 that a rehabilitation project have a minimum of \$6,000 in
13 rehab per unit.

14 This just shows our credit distribution for the
15 requested credits and the recommended credits broken out
16 by type of housing, which is the population served --
17 family and elderly.

18 And this actually shows the same issues that we
19 just showed, but by units instead of by credit dollars,
20 broken out between new versus rehab and elderly versus
21 family. And, as you'll note, we're going to have -- we'll
22 be creating, based on this recommendation, 7,100 units of
23 housing.

24 This just shows affordable low income units --
25 a breakout by the -- 46 percent of the low income units

1 will serve people at 50 percent of area median income or
2 lower and 54 percent -- well, serve about 60 percent of
3 area median income. And also 29 units are at 30 percent
4 rents.

5 This just actually shows the recommended units
6 by -- broken down by bedroom size. The bulk of them, as
7 you can see, are two-bedroom units, with the remainder of
8 units going to one and three bedroom.

9 And just some final statistics that show
10 averages across the different awards. The average credit
11 award was \$450,000. The average credits per unit was
12 \$5,700. The average cost per unit was roughly \$69,000.
13 Looking at about 970 square feet per unit for their size.

14 About 92 units per development. And the average credit
15 value this year was 77 cents. And that summarizes our
16 presentation.

17 (Pause.)

18 MS. STINER: Thank you, Mr. Johnson. Thank you
19 on behalf of the staff. Mr. Jones now will be taking
20 public comments on the tax credit allocations.

21 MR. JONES: Thank you, Ms. Stiner. The first
22 person I have is Mr. Eric Boutte, and, if you would, come
23 right into the podium, sir.

24 MR. BOUTTE: Good morning to the members of the
25 board.

1 MR. JONES: Good morning.

2 MR. BOUTTE: My name is Eric Boutte. And, on
3 behalf of State Representative Joe Deshotel, as chief of
4 staff, we're here in support of the Port Arthur Townhome
5 Project.

6 And part of our process -- when requests do
7 come to our office, one of the things we try to find out
8 is how much community support is there. And the project
9 persons here that are associated with this project have
10 been involved extensively in the community in providing
11 not only information, but helping in planning for the need
12 of affordable housing in our community.

13 The Representative also wanted me, for the
14 record, to enter this letter of support, too, if that's
15 okay with you guys.

16 MR. JONES: Thank you.

17 MR. BOUTTE: But that's it for our testimony,
18 if that's okay.

19 MR. JONES: Thank you. Please thank the
20 Representative.

21 MS. STINER: I want to read this into the
22 record.

23 MR. JONES: Yes. And I think Ms. Stiner has
24 something else she'd like to read into the record. Thank
25 you, sir.

1 MS. STINER: Thank you. To the board,
2 Secretary Henry Cuellar's office would like read into the
3 record that the Secretary supports Clark Crossing in Webb
4 County -- would like for that to be reflected in the
5 record. Thank you.

6 MR. JONES: And I'll also submit this letter
7 into the record. The next affirmation form I have is from
8 Ms. Savoy.

9 MS. SAVOY: My name is Jackie Savoy, and I'm
10 the district director for Congressman Nick Lampson. For
11 the sake of time, we'll submit a letter from the
12 Congressman stating his continued support for their
13 project 01130. And that's all I have. Thank you.

14 MR. JONES: Thank you, ma'am.

15 MR. SALINAS: Excuse me, Mr. Chairman. Are
16 these projects that did not get approved or --

17 MR. JONES: Uh --

18 MS. STINER: It did.

19 MR. JONES: Yes, they'll go both ways.

20 MR. SALINAS: These projects did not get
21 recommended by staff or --

22 MR. JONES: No. They will be speaking on some
23 that did not and some that did.

24 MR. SALINAS: These last two ones, did they get
25 recommended by the staff?

1 MR. JONES: I'll let Ms. Stiner --

2 MS. STINER: May we see that -- the staff --

3 MR. JONES: The answer is, both of these were
4 recommended.

5 MR. SALINAS: Recommended by staff. Okay.

6 MR. JONES: Okay. If you would, Ms. Stiner,
7 you can inform us as we go.

8 The next witness affirmation form I have is
9 from Ms. Christine Myers. Ms. Myers?

10 And Ms. Myers, I believe, wants to testify
11 regarding Outspan Townhomes. And I believe that was
12 recommended by staff.

13 MS. MYERS: Board members, ladies and
14 gentlemen, my name is Christine Myers, and I would like to
15 thank you for the opportunity to support the proposed
16 development for Outspan Townhomes.

17 I would like to bring to your attention a few
18 unique aspects of this development. Number one, Outspan
19 Townhomes is in an area that is in need of refurbishing of
20 revitalization. Number two, it is a townhome community
21 with attached garages, not apartments, which makes us
22 perfect for families and more appealing to families as
23 well.

24 This development scored the highest in San
25 Antonio. The developer has a successful record of

1 completing the projects. Some of the amenities include a
2 junior-size olympic swimming pool, a clubhouse which
3 includes a rental office, community center, support
4 services office, laundry facilities, computer room with
5 internet connection and business center. There's heavy
6 natural landscaping and a basketball court, children's
7 play area, car wash area, property mail center, and
8 24-hour security gates.

9 In conclusion, Outspan Townhomes has a huge
10 community support. I also brought some signatures to give
11 to you all in support of that from the community. And I
12 urge you to kindly consider this development which will
13 make the dreams of many people a reality. Thank you.

14 MR. JONES: Thank you. The next witness
15 affirmation form I have is for Ms. Sheneka Johnson.

16 (No response.)

17 MR. JONES: Ms. Johnson?

18 (No response.)

19 MR. JONES: Ms. Johnson. We think we have it
20 right. Shemeka? Could it be Shemeka?

21 (No response.)

22 MR. JONES: Okay. The next one I have is Mr.
23 Donnie Shorts, and he also is speaking concerning Outspan
24 Townhomes.

25 MR. SHORTS: Good morning, board members. To

1 the board members and ladies and gentlemen. My name is
2 Donnie Shorts, and I would like to take you for giving me
3 an opportunity to talk about Outspan Townhomes in San
4 Antonio, Texas.

5 According to the City of San Antonio's Housing
6 Authority, there's currently an extensive waiting list of
7 persons seeking affordable housing, indicating a strong
8 need for affordable housing in that area.

9 The proposed Outspan Townhome development would
10 not only fulfill that goal, but would also bring about
11 real structural improvements in the east side area. This
12 will not only enhance the ability to attract more market-
13 rate housing development in the community, but it will
14 also make the area more attractive to new and expanding
15 businesses and existing commercial properties -- or
16 enterprises, rather.

17 We're also confident that the Outspan Townhomes
18 will serve as a catalyst for residences and businesses in
19 the area to implement a vision for change that will
20 increase the capacity of east side community to solve its
21 own problems and become self-sufficient.

22 In conclusion, I would like to read a letter
23 from Representative Ruth Jones McClendon in support of
24 Outspan Townhomes. Your cooperation and support to make
25 Outspan Townhomes a reality is truly appreciated.

1 This letter written to the honorable -- Ms.
2 Daisy Stiner, executive director, Texas Department of
3 Housing and Community Affairs.

4 "Dear Ms. Stiner" -- and this letter is written
5 from Representative Ruth Jones McClendon. "The plan by
6 Outspan Townhomes to build 200 units of multi-family
7 housing at the site encompassing 4318 East Houston Street
8 is one that I enthusiastically endorse as a state
9 representative for the area.

10 "As your office is well aware, for several
11 decades now San Antonio has witnessed a deterioration of
12 businesses and residences on our east side. Local
13 government has deemed this section of our city to be in
14 need of refurbishing and revitalization. This project
15 will put us one step closer to realizing that goal.

16 "The east side is historically distinguished by
17 supporting a number of diverse cultures. The Outspan
18 Townhomes Limited project, in close proximity to a growing
19 number of similar developments such as the Carver
20 Community Culture Center, sets a promising course for the
21 future of this area.

22 "It is essential that significant effort be
23 made to restore this area to a higher level of economic
24 competitiveness in order that its inhabitants may enjoy
25 the benefits of being an integral part of our community.

1 "To begin this project, Outspan Townhomes
2 Limited would like to utilize the low-income housing tax-
3 credit program offered by your agency. This is a need for
4 reasonable and quality residential accommodations in that
5 area. And it is my opinion that the proposed project will
6 assist by economically, socially, and politically
7 enhancing the lives of our east side residents.

8 "It is with great sense of duty and pride that
9 I endorse this project and encourage the cooperation and
10 participation of all who are in position to assist in our
11 efforts to revitalize this area of San Antonio.

12 "Sincerely, Ruth Jones McClendon, State
13 Representative, District 120."

14 Thank you very much. And I pray that your
15 support for tax credits will be awarded this project.
16 Thank you.

17 MR. JONES: Thank you. The next form is from
18 Ms. Patricia Jennings: Outspan Townhomes.

19 Ms. Jennings?

20 (No response.)

21 MR. JONES: Ms. Jennings.

22 (No response.)

23 MR. JONES: The next one I have is from Paul
24 Kamaul.

25 Mr. Kamaul?

1 (No response.)

2 MR. JONES: K-A-M-A-U-L.

3 (No response.)

4 MR. JONES: The next one I have is from Mr.
5 Tyrus Walker.

6 Mr. Walker?

7 (No response.)

8 MR. JONES: The next one I have is from Mr.
9 Paul -- John Paul.

10 (Pause.)

11 MR. JONES: Mr. Paul does not care to speak.

12 Thank you, sir.

13 The next one I have is from Ashley Robnett.

14 Ms. Robnett?

15 (No response.)

16 MR. JONES: I don't see Ms. Robnett.

17 The next one I have is from Mr. Keifer
18 Marshall, Jr. And this concerns the Encinas Group. He's
19 the mayor of Temple, Texas.

20 Mayor Marshall, thank you for being here.

21 MAYOR MARSHALL: Thank you, Chairman Jones and
22 Ms. Stiner, members of the board. It's my pleasure to be
23 here. I am Keifer Marshall, Jr., mayor of the city of
24 Temple, Texas, and I'm here on behalf of the Encinas
25 Group's application that's been recommended by the staff.

1 The city of Temple, our city council, and all
2 the members of our community are in favor of this. We
3 spent a tremendous amount of city money on infrastructure
4 and new roads to get to this site. We have a site that's
5 a beautiful site. It is going to be a great addition to
6 our community.

7 It's been endorsed by most of our community,
8 and our Rotary Club, which is the oldest service club in
9 the city of Temple, is behind this project, and has taken
10 it on as one of their projects to help us in the future.

11 So we appreciate what you're doing for the
12 state of Texas, and we appreciate your consideration of
13 the city of Temple. Thank you.

14 MR. JONES: Thank you, Mayor.

15 Mr. Gary Schmidt? And I believe he's speaking
16 concerning the same project.

17 MR. SCHMIDT: Chairman Jones, members of the
18 board, thank you this morning. I am Gary Schmidt, and I'm
19 before you today as the Chairman of the Board of
20 Commissioners of the Temple Housing Authority, in support
21 of the Encinas Group project, the Village at Meadowben,
22 which is recommended by the staff.

23 If I might, first, I would like to present for
24 the record a letter from Martha Tyroch. She is a
25 councilman of the city of Temple, District 3. District 3

1 is the area that this project would be in. Her letter is
2 in support of the project, Village at Meadowben, and I
3 would offer that for the record.

4 MR. JONES: Thank you.

5 MR. SCHMIDT: With regard to my remarks, Temple
6 was very fortunate this year in that it had not one but
7 three applicants for projects of this type in this
8 district.

9 This gave us the ability to evaluate several
10 different types and philosophies of projects and resulted
11 in our overwhelming support of the Encinas project, the
12 Village at Meadowben.

13 The reasons for our support are several,
14 including this area of the community has a significant and
15 definite need for housing of this type. Cost of
16 construction and capital is such that rents have increased
17 substantially, and many of these low to moderate income
18 residents cannot afford rents. This project includes 75
19 percent of its units which will be reserved for low to
20 moderate income residents.

21 Another important factor is the experience
22 level of the Encinas Group. Encinas Group has developed,
23 owns, and operates other projects of this type, including
24 a very successful project in our neighbor city of Killeen.

25 Thirdly, and most importantly, the Encinas

1 proposal is a multi-faceted concept. In other words, this
2 tax credit multi-family level would not simply be
3 isolated, but would be incorporated in a total
4 neighborhood concept.

5 A portion of the Encinas project -- the land
6 would be allocated for, in addition to the multi-family,
7 development of a senior or elderly housing project,
8 single-family residential lots, which could be used in our
9 very successful affordable housing and home ownership
10 program, and thirdly, retail development, which would
11 support the entire neighborhood concept.

12 For these reasons, we felt like the Encinas
13 project was a clear choice for this. It's supported by
14 the city council and the mayor, who spoke to you just a
15 moment ago. It's supported by our housing authority Board
16 of Commissioners, and it's also supported by our citizens,
17 in particular, a group by the name of Citizens for
18 Progress, which is a group -- a citizen group on the east
19 side in councilman -- District 3, which also has voted
20 their support for this project.

21 We think this is a very worthwhile project, and
22 we would ask for your support for the city of Temple and
23 the Encinas Group in this. Thank you.

24 MR. JONES: Thank you, sir. Our next
25 affirmation is from Mr. Terry Campbell, and he is speaking

1 concerning the Heatherwilde Park.

2 MR. CAMPBELL: Chairman Jones and board
3 members. My name is Terry Campbell of Campbell, Hoag, and
4 Associates. I am here to speak on Heatherwilde Park
5 Retirement Apartments.

6 This proposal is a 168-unit single-story
7 fourplex development to be developed in Pflugerville. And
8 it did receive a 2000 allocation, which is actually a '99
9 carryforward, in the amount of \$467,000 in tax credits.

10 Due to a number of increased development costs
11 through the process, that amount is no longer sufficient
12 to build the property. So in trying to remedy the
13 situation, we requested trust funds this year and some
14 additional tax credits.

15 The staff reviewed the proposal and recommended
16 funding with the option of either credits or housing trust
17 funds. And they moved forward with the housing trust fund
18 proposal.

19 I'm here today to ask that we forgo the housing
20 trust funds and receive an additional \$117,000 in tax
21 credits so the project can proceed.

22 Now, I realize that the credits have been
23 recommended for this year, and the only real option is to
24 be placed on the waiting list for potential return
25 credits, and we're willing to do that for this particular

1 property.

2 A couple of things that you might keep in mind
3 in making your decision: This property does include a
4 2,500-square-foot senior center that is being provided for
5 the community at no cost to the community. We also have a
6 partnership with a group called Family Eldercare, which
7 would provide services for the seniors who reside on this
8 particular property.

9 And the other issues, from a use of federal
10 resources, when this project is funded with additional
11 credits, if it does happen, the total amount of credits is
12 about 3,400 per unit, which I think is a pretty good use
13 of the credit.

14 I believe that the figure on the board earlier
15 was around 5,700 per unit, so I think it's a good use of
16 the federal resource, and I would request that the board
17 take action and approve additional credits. Thank you.

18 MR. JONES: Ms. Stiner, I believe the staff
19 recommendation on this is that it be put on the waiting
20 list. Is that correct?

21 MS. STINER: Staff recommendation is to make
22 the presentation to the board. It is not on the waiting
23 list, but, if the board so directs, it will be placed on
24 the waiting list.

25 VOICE: [indiscernible].

1 MS. STINER: Yes, sir. It was also
2 recommended --

3 MR. JONES: So the staff doesn't have a
4 recommendation other than that we consider it?

5 MS. STINER: Other than you consider it. It's
6 being recommended later for trust fund, but, other than
7 you consider it --

8 MR. JONES: Okay.

9 MS. STINER: -- here for being placed on the
10 waiting list.

11 MR. JONES: Thank you. The next witness
12 affirmation form is from Claire Morris from State
13 Representative Terri Hodge's office.

14 MS. MORRIS: Good morning, Chairman Jones, Ms.
15 Stiner, the board. I wish to speak with you on behalf of
16 my boss, State Representative Terri Hodge, who
17 unfortunately could not be here today. She wanted to
18 express her enthusiastic support for two of the proposed
19 projects, both in Dallas.

20 The first one was the Roseland Estates. And
21 I'm not sure -- I don't believe that made the staff
22 recommendations. The second one that she wishes to
23 support is Timbercreek Apartments -- and, as I said, both
24 in Dallas.

25 She has previously served on the Urban Affairs

1 Committee in the House, and she is acutely aware of the
2 need for affordable housing, both for families and the
3 elderly.

4 Again, she's sorry she can't make it here
5 today, but she wishes to go ahead and say publicly her
6 support for these two projects.

7 MR. JONES: Thank you. The next form I have is
8 from Mr. Barry Halla, H-A-L-L-A.

9 MR. HALLA: Good morning, members of the board.
10 My name is Barry Halla. I'm with Life Rebuilders. We're
11 a non-profit development company. Just a couple of things
12 real quickly. We were not recommended by staff, but I
13 wanted to point out a few things, if I may.

14 One, we came in in Region 3. We're a non-
15 profit. We came into the non-profit set-aside. I don't
16 think there are any staff recommendations for the non-
17 profit set-aside in Region 3. We scored 82 points.

18 We have an AHP grant out ahead of the tax
19 credits for \$500,000, and we were proposing a 60/40
20 community. Staff did not recommend this project. And the
21 comments I have here were disproportionate amount of tax
22 credits per capita. There has never been a seniors'
23 community developed under the tax-credit program in Ellis
24 County or in Ennis.

25 I also wanted to respectfully point out that

1 there was a comment made here that the location site was
2 rated as poor. Old Ellis -- I mean -- Ennis, part of
3 Ellis County, is to the north of us. The city strongly
4 recommended this particular site for Life Rebuilders to
5 acquire to develop.

6 The new Ennis, if you will, is being developed
7 along the 287 bypass. This is part of a planned unit
8 development that will be single-family for sale for both
9 elderly and for families.

10 Ennis Senior Estates is part of this master-
11 plan community, which includes 32 acres in front of us.
12 There's a bank we're negotiating with right now to be a
13 key anchor tenant for us.

14 But more significant to Life Rebuilders is the
15 fact that Helping Hands of Ennis would like to move to
16 this location. We have the Boys and Girls Club that would
17 also like space in our commercial to the north of Ennis
18 Senior Estates. And Golden Circle, which is one of the
19 major senior non-profit service providers in the city of
20 Ennis, is discussing space with us also at this point in
21 time.

22 We have a major developer who would love to buy
23 this land from us and develop a shopping center. So I
24 realize if you come north on I-45 and get off on the 287
25 bypass, you don't see a lot right there. But an aerial

1 photograph will show you that old Ennis is just north of
2 us, and the city is moving in a south, southwest direction
3 right towards us.

4 The city strongly support us. When I have a
5 bank that wants to buy the corner and be the anchor tenant
6 and we have the major social service providers of Ennis
7 wanting to be part of our development, I have to
8 respectfully disagree with staff that it's a poor site.

9 Thank you very much for your time.

10 MR. JONES: Thank you, sir.

11 Mr. David Clark?

12 MR. CLARK: Good morning. My name is David
13 Clark. I'm the director of community development for the
14 City of Wichita Falls. I'm here on behalf of the city
15 council of Wichita Falls.

16 I spoke in Dallas at the public hearing there
17 regarding the three projects that were proposed for the
18 city, urging that equal review be provided for those
19 projects.

20 We believe that the staff's recommendation for
21 the River Glen project is a good choice. We feel that it
22 is in conformance with community plans and will assist in
23 the revitalization of the community, and we urge your
24 eventual approval. Thank you.

25 MR. JONES: Thank you, sir.

1 Mr. William Hemphill. I think it's about the
2 same project.

3 MR. HEMPHILL: Chairman Jones, Ms. Stiner,
4 members of the board. My name is Bill Hemphill, and I'm
5 here on behalf of Excaliber Paint and Coating, which is a
6 paint manufacturer and distributor in Wichita Falls.

7 I've handed to you a copy of an aerial
8 photograph and also a color photo of the same, which gives
9 a depiction of the site area that we're talking about
10 today with respect to the River Glen project.

11 And my client, Excaliber Paint, and its
12 president, Randy Funston, who could not be here today
13 because of some medical issues, are in staunch opposition
14 to this project. We're not against, in any way, shape, or
15 form, low-income housing; we're just against this
16 particular location.

17 If you would look at the area, my client, the
18 paint manufacturing company, is located just south, I
19 believe, of the proposed site. This area in Wichita Falls
20 has been historically an industrial-zoned area.

21 It is right off of the Old Jonesboro Highway,
22 which has a speed limit of, I believe, 45 miles per hour.

23 Just to the north is an electrical contractor, a tire
24 shop. There's a concrete plant and a semi-truck repair
25 just across the street.

1 If you would look on the Jonesboro Highway,
2 this main thoroughfare, which would be the access to this
3 proposed site -- there are no crosswalks, there's no
4 traffic lights, there's nothing that would facilitate, I
5 guess, the safety for a residential community.

6 With respect to my client, about a year ago in
7 early 2000, late 1999, they had decided to open up a new
8 manufacturing plant in Wichita Falls, Mr. Funston's home
9 town. They manufacture heavy-duty paint products. This
10 is polyurethanes, epoxies, paint linings, and OEM paint
11 products -- stuff that -- our products -- it's like baking
12 a cake. You have to have solvents, hazardous chemicals,
13 et cetera, on the plant.

14 Many of these products, one, are not only
15 highly flammable, but, two, they are used in the
16 production of illegal drugs, such as methamphetamines and
17 crack cocaine.

18 With respect to this site, the Funstons spent a
19 good deal of time trying to find a proper location for a
20 manufacturing facility. And once they picked on this
21 area, they got assurances that this was an industrial-
22 zoned area; two, that the adjoining property was
23 compatible with opening up a heavy-duty paint
24 manufacturing area.

25 They also went to the fire department, the city

1 council, and all the local authorities, who gave them
2 their support, assurance, and approval of this project.

3 Shortly after they had spent a million
4 dollars -- or over a million dollars investing in the
5 property and in building the plant facility, there was a
6 proposed site that was put up last year, this same River
7 Glen project.

8 At that time they gave an address of Old
9 Jonesboro Highway. Senator Haywood opposed that project,
10 and that project was not approved. It is my understanding
11 that this year, instead of giving the Old Jonesboro
12 Highway address, they gave this access road right up
13 here -- kind of a dead-end road -- the address for the
14 property.

15 The site location for my client was critical
16 for many safety reasons. obviously. It would also seem
17 to, just from a perspective of a potential resident,
18 whether it's low-income or high-income or medium-income,
19 this is not a proper area to locate a multi-family
20 residential project.

21 Again, you can't go anywhere without crossing
22 this busy thoroughfare. TxDOT, the last study they did
23 over two years ago, there's over 9,000 cars that travel up
24 and down this highway every day. Many of them are going
25 to be going to this industrial location, such as the

1 concrete plant, the lumber company, and the paint
2 manufacturing.

3 So we're dealing with industrial heavy
4 traffic -- tractors and trailers -- in addition to the
5 semi-truck repair location just across from the proposed
6 site.

7 There are no parks, no swimming pools, no
8 recreational facilities. It doesn't appear that there's
9 anything that you would traditionally look for if you
10 wanted to have a neighborhood.

11 In addition, members of the board, you have
12 this Holiday Creek flood control system that is right next
13 to the proposed site. In heavy rains I understand that
14 this control system can get up to 18 and 20 feet of depth,
15 which would be dangerous for any children in that area.
16 And the property itself is located in a flood plain.

17 It would seem, ladies and gentlemen, from my
18 perspective, that it's not appropriate if -- at least I
19 wouldn't want to have my family living in such an area.

20 With respect to my client's perspective, you're
21 dealing with highly flammable products, premises-liability
22 issues. I believe there are over 90 units planned for
23 this project, which would entail upwards maybe of 200
24 children or more. And any time you have children, you're
25 going to have concerns. My client is very concerned about

1 premises liability, fumes from their paint -- heavy-duty
2 paint manufacturing process, and the south winds directly
3 affecting this community. They're concerned about
4 nuisance complaints, increased insurance cost.

5 It would just seem that it makes no sense for a
6 residential community to be located in this industrial
7 environment.

8 The late Senator Tom Haywood recognized this.
9 And last year he voiced his objection to this board, and
10 the project was not approved. He has maintained that
11 opposition up until the time of his death. My client,
12 Randy Funston, had visited with him just prior to his
13 death, and he, again, maintained that he was in opposition
14 to this project.

15 That was confirmed as recently as yesterday by
16 his own office. And I believe that there may have been
17 some type of miscommunication in some of the materials you
18 had received indicating that his -- he had no opposition,
19 when in fact he does oppose this project -- or did oppose
20 this project.

21 MR. JONES: Ms. Stiner, would you like to
22 address that issue?

23 MS. STINER: Yes, sir. Senator Haywood
24 called --

25 MR. JONES: I hate to interrupt.

1 MS. STINER: Pardon me, sir. Senator Haywood
2 called me to voice his verbal objection; he did not make a
3 written objection. And I passed that on to the staff --
4 Mr. Njie and his staff.

5 And when the summary sheet was prepared for the
6 board, opposition was not noted because it was not in
7 written form. The revised summary sheet has -- the
8 summary sheet has been revised to note that opposition,
9 and that opposition was duly considered in making a
10 recommendation.

11 In addition to the seven votes of opposition,
12 there were 36 votes of support, so that's how it was
13 weighed in terms of that particular vote. And we did
14 communicate to Senator Haywood's office late last evening
15 that the summary sheet had been revised to note that
16 opposition.

17 MR. HEMPHILL: Thank you, Ms. Stiner.

18 MR. JONES: Thank you, Ms. Stiner. Excuse me
19 for interrupting.

20 MR. HEMPHILL: In addition to Senator Haywood's
21 opposition to this, there's also the former state
22 representative and a Wichita Falls real estate
23 broker/developer, John Hershey, does not believe that this
24 is a site appropriate for multi-family.

25 Also, Mr. Chairman and board members, back when

1 the city -- just over a year -- recently decided to rezone
2 this property from industrial to commercial, over 2,000
3 signatures were obtained from voters voicing their
4 objection to changing this industrial area to permit
5 commercial and multi-family use.

6 In sum, Excaliber Paint and its president,
7 Randy Funston, just want to voice their strenuous
8 objection to this location and to the proposed River Glen
9 project before the board. Thank you.

10 MR. JONES: Yes. Mr. Conine has a question.

11 MR. CONINE: Do you know if this project is
12 currently zoned multi-family, or is zoned commercial with
13 a cumulative use for residential in Wichita Falls?

14 MR. HEMPHILL: My understanding, Mr. Conine, is
15 that it is zoned -- it was originally zoned in light
16 industrial zoning, and then they permitted commercial --
17 changed that to commercial, which encompasses multi-
18 family.

19 MR. CONINE: So it currently has a
20 commercial -- as far as you know, commercial zoning
21 category that allows residential uses if you want to.

22 MR. HEMPHILL: It's my --

23 MR. CONINE: Not specifically zoned for multi-
24 family.

25 MR. HEMPHILL: That's my understanding, but

1 that's hearsay.

2 MR. CONINE: Okay.

3 MR. JONES: Thank you, sir.

4 MR. HEMPHILL: Thank you.

5 MR. SALINAS: How about the flood plain? Is
6 it -- are you sure about the flood plain?

7 MR. HEMPHILL: Pardon?

8 MR. SALINAS: Is the property in the flood
9 plain area?

10 MR. HEMPHILL: My understanding, in talking
11 with my client, who has voiced his opposition at every
12 opportunity, is that this area is in the flood plain. And
13 it would make sense if you look at the flood control
14 system that's right next to the property, which is Holiday
15 Creek.

16 MR. SALINAS: It either is or not. Somebody
17 must know if it's in the flood plain or not.

18 MR. CLARK: Based on --

19 MR. JONES: If you would, come up to the
20 podium, please, sir, if you have the answer to the
21 question.

22 (Pause.)

23 MR. JONES: If you would, please identify
24 yourself for the record, sir.

25 MR. CLARK: My name is Dave Clark. I'm

1 community development director for the City of Wichita
2 Falls. The proposed site for the construction of the
3 buildings is not in the flood plain.

4 I think the city also finds it interesting that
5 when the paint manufacturer was constructed they made
6 absolute assurances that there would be no fumes. Now
7 they're claiming fumes are a problem. And I would repeat
8 the support of the City of Wichita Falls for the River
9 Glen project.

10 We find the objection -- you know, when the
11 implication is -- comes to you that these are the things
12 drugs are made out of, is this the kind of people that go
13 in these projects -- I, frankly, think not. And the City
14 of Wichita Falls finds out -- (applause from audience.)

15 MR. JONES: Sir? Sir? Sir? Excuse me. Have
16 you filled out a witness affirmation form.

17 VOICE: Yes, he spoke earlier.

18 MR. JONES: Okay. Thank you. I'm sorry.

19 MR. HEMPHILL: Mr. Chairman, I meant no
20 implication whatsoever regarding the chemicals and
21 solvents that are used at this facility. My only point is
22 that these are dangerous chemicals that need high control
23 factors.

24 And any time you're dealing with children it's
25 a serious concern if you're an owner of a premises in an

1 industrial area where you're planning on putting a multi-
2 family project. Thank you.

3 MR. JONES: Thank you, sir. The next speak is
4 Ms. Deanna Funston.

5 MS. FUNSTON: Good morning, members. My name
6 is Deanna Funston from Wichita Falls. And my husband and
7 I own Excaliber Paint and Coatings. And he does send his
8 apologies today because he does have a health condition
9 that did not permit him to travel to Austin.

10 First of all, I would like to clear up that we
11 have the property next door to this proposed site. And I
12 just received at the end of last week a letter from Wells
13 Fargo Bank requiring us to show proof of flood insurance.

14 I have not pursued on with sending to them the
15 insurance, but I -- my insurance company is Otto's Homes
16 and Insurance of Wichita Falls. And, should you want
17 documentation to that, when I return I'll be happy to do
18 so.

19 Randy has written his message to you and has
20 asked me to fulfill in his absence. After speaking to a
21 TDHCA board member last week it was brought to my
22 attention that the board seems to have incomplete or
23 inconsistent information regarding this project. And,
24 therefore, I would like to bring the following to your
25 attention.

1 Excaliber is against this project for the
2 following reasons. Spot zoning. Excaliber Paint and
3 Coatings is in the business of manufacturing and
4 distributing of heavy duty industrial paints and coatings.

5 Due to the nature of our business, as you could
6 imagine, site selection is very important. Prior to us
7 purchasing our property in February of 2000 we took the
8 necessary steps to ensure that the zoning was correct in
9 and around our site and that all relevant city officials
10 were aware of the nature of our business and they had
11 approved the location.

12 Excaliber started production in April of 2000,
13 and, to this date, we have made an investment that exceeds
14 \$1 million. In addition, our employment has now reached
15 approximately 16, and, with our current 2002 expansion
16 plans, we are anticipating that employment will exceed 50
17 in the next two years.

18 If River Glen should be approved Excaliber will
19 most likely stop any and all expansions.

20 Jacksboro Highway proper, which is all Business
21 281, has been commercial and industrial for years with
22 little or no residential housing existing on this busy
23 thoroughfare.

24 The vote to change the rezoning by the Wichita
25 Falls City Council to accommodate the proposed River Glen

1 development, after approving Excaliber's site plan last
2 year, is a classic example of spot zoning.

3 Safety issue. River Glen would be located on a
4 dead-end street that is a little over 500 feet long. On
5 one end, approximately 100 feet in front of this project,
6 is the Holiday Creek flood drainage canal that reaches 18
7 to 20 feet in depths in heavy rains.

8 On the other end, which is the only exit from
9 the property, is Business 281, or commonly known as the
10 Old Jacksboro Highway. Traffic count on this highway
11 exceeds 9,000 cars and trucks daily. There is no access
12 to schools, playgrounds, or entertainment without crossing
13 or traveling down Jacksboro Highway.

14 The residents of this site would be living in
15 the following surroundings. To the north, the electrical
16 contractor and tire facility. To the east, a Freightliner
17 dealership that sells and repairs heavy trucks, a concrete
18 batch plant, and an automotive -- automobile repair
19 facility. To the south, our paint manufacturing plant and
20 adjoining a large commercial lumber yard. And to the west
21 there's Holiday Creek.

22 Simply put, we just feel like this is not a
23 healthy or safe environment for kids. You have the aerial
24 photographs, so you can see by the proposed site what is
25 surrounding the area.

1 To summarize, it is very important that for the
2 board to know that Excaliber Paint and Coatings is not the
3 only person or business that is objecting to the approval
4 of this project. The rezoning of this property to include
5 multi-family development has become a very major political
6 topic in Wichita Falls.

7 Contrary to the board's current notes and
8 information, Senator Tom Haywood did have objections to
9 this project, and I would like to bring forth the
10 following to document this issue. But that's been taken
11 care of by William, so I'll pass that.

12 When River Glen applied for tax credits in 2000
13 Senator Haywood initially endorsed the project. However,
14 after hearing objections from the neighboring businesses
15 in the immediate area Senator Haywood took the time to
16 personally come out and inspect the proposed site.

17 That same week it was documented that Senator
18 Haywood wrote a letter to Daisy Stiner, executive director
19 of TDHCA, and withdrew his support. It is further
20 documented that Senator Haywood wrote a letter to the city
21 council of Wichita Falls for the May 1, 2001, meeting
22 stating he was against this project and any zoning changes
23 in this area.

24 As recently as two week's prior to the
25 senator's death, the senator personally conveyed to me

1 that his intent and objections to River Glen remained the
2 same.

3 Other objections are noted in a petition that
4 was brought forth to Wichita Falls to object to this
5 zoning change. In a short three-week period over 2,000
6 registered voters -- Wichita Falls voters -- took their
7 time to come in and sign this petition. Most of these
8 signatures were sent to the TDHCA as further
9 documentation.

10 Another name which most of you will probably
11 recognize is Wichita Falls real estate developer and
12 former State Representative John Hershey. Mr. Hershey is
13 one of our petitioners of record and also objected to this
14 zoning change.

15 And last, but not least, it was said by City of
16 Wichita Falls council member Harold Hawkins at the May 1,
17 2001, meeting that the rezoning of this property would
18 most likely not affect any business in the area, for he
19 felt that the support of tax credits or commercial funding
20 would surely fail, due to the location selected for this
21 type of development. We have the council meeting tape
22 here if you'd like to see it for review.

23 Let us always remember that individuals and
24 families seeking affordable housing do not have the luxury
25 of choice. They must live where the housing is available.

1 I am therefore asking you to please use our tax credits
2 and support the developers that have chosen sites that
3 will promote a safe and healthy family environment and not
4 affect the future expansion of industry that is vital to
5 our economic growth.

6 We have other applications available to us in
7 Wichita Falls that will meet all of these prerequisites.
8 Thank you, Randy Funston.

9 And, finally, I would like to add to you some
10 personal note. And, as a mother, you know, I sit there
11 every single day at 2019 Jacksboro Highway looking out of
12 my office window, and I see the traffic that goes up and
13 down the highway. And we have freight companies deliver
14 freight to us every day. They make U-turns out there.

15 The speed limit's 45 miles an hour. That
16 doesn't mean anything on Jacksboro Highway. And the only
17 way these kids are -- tenants -- proposed tenants that
18 would live there to get to any place as far as grocery
19 stores, schools, playgrounds, is down Jacksboro Highway.

20 And if you have kids, kids are going to have
21 bicycles. There's another problem. There's no place for
22 them to ride.

23 So therefore, as a mom also and a concerned
24 citizen, I please ask that you vote against this project.

25 Thank you.

1 MR. JONES: Thank you. And we hope Mr. Funston
2 feels better soon.

3 MS. FUNSTON: Thank you.

4 MR. JONES: Mr. Monday Esiere.

5 MR. ESIERE: Good morning.

6 MR. JONES: Good morning.

7 MR. ESIERE: Thank you for giving me
8 opportunity to talk to you about our project in Port
9 Arthur. It is called Port Arthur Townhomes. And I'm here
10 to ask your blessing of putting our project, which has
11 been recommended by your staff.

12 This project is very much needed in Port
13 Arthur. Our grounds were should that their need -- they
14 have a long list of families waiting for meet -- safe and
15 affordable housing.

16 I met personally with Bobby Timster [phonetic],
17 the local public housing director, and he told me they
18 were in dire need of three-bedroom units for families.
19 And in our proposal we are assigning 70 of the 104 units
20 in the three-bedroom category. The balance is in the two-
21 bedroom category.

22 We did some neighborhood walking on work. We
23 talked to the people living around there, and everybody's
24 every excited. Our project is going to be very good for
25 the community because it has -- is providing them with a

1 number of amenities: a swimming pool, a community center;
2 we have computer room that the kids will use free, and
3 then we have lots of green area for them to run in.

4 We have basketball courts and, of course,
5 swimming pool. And we are going to fence in the whole
6 property so that people who don't live there and have no
7 business being there don't get to that place.

8 We have gotten very adequate support --
9 overwhelming support, I may say. We've gotten support
10 from the mayor who attended the first -- the public
11 hearing in Houston, Texas. We've gotten support from the
12 county judge, Doug Griffith. We've gotten support from
13 Senator David Bernsen. We've gotten support from
14 Congressman -- Mr. Lampson. And we've gotten support from
15 Joe Deshotel.

16 In fact when I showed Mr. Deshotel and Mr.
17 Lampson our proposal, they were very excited. We are very
18 excited ourselves.

19 I ask that you approve our project, which is
20 very economically viable. And it's very close to our
21 heart. Thank you.

22 MR. JONES: Thank you, sir. Mr. Don Paxton?

23 (Pause.)

24 MR. JONES: He does not care to speak.

25 Mr. Kim Vowell?

1 MR. VOWELL: Chairman Jones, Director Stiner,
2 board members. Thank you for the opportunity to speak
3 today.

4 I'm with the Brisban Companies, and I'm
5 representing Wide Oak Landing Development, TDHCA 01092,
6 that is not recommended for approval. However, for the
7 new board members, the Brisban Companies has been involved
8 in the tax-credit program here in the state of Texas since
9 1994. We've won some and we've lost some.

10 And ordinarily we would not take the
11 opportunity to talk concerning the staff recommendation.
12 But this year is different, and I would like to point out
13 why.

14 I believe that some of the discussion that I
15 have today -- other developers in this room will agree
16 with us in terms of our perspective of how this program is
17 working and some of the concerns that we have. I'm going
18 to also offer a solution, I believe, that will help us get
19 this development funded at the end of -- at the conclusion
20 of my remarks.

21 The QAP rightly indicates that scoring is an
22 important criteria, and it is used effectively in a number
23 of developments. And we've seen that, and we also had a
24 development that we applied for in Alvin, Texas. We
25 failed to compete effectively against the other developer,

1 and we accepted conclusion of the staff.

2 However, in the case of Wide Oak Landing, that
3 development in Region 6 scored higher than seven out of
4 the ten deals that were funded in Region 6. We understand
5 that scoring is important to staff, yet it does appear
6 that in some instances scoring is not taken into full
7 consideration.

8 In the case of Wide Oak Landing, the sole
9 criteria used to disqualify our application was, we
10 believe, internal, not in the qualified allocation plan,
11 really only known to staff, and based on information which
12 was not available to us at the time of the application.

13 Further, staff's contention was based on a
14 singular statistic. It disregarded everything else but
15 the singular statistic that there are too many tax credits
16 in the city of Conroe.

17 It fails to account for the market study
18 evaluation that all developers here are required to put
19 together at a great expense and at great time and effort
20 on the part of the market analysts.

21 Our study went to great lengths because we
22 knew -- I talked to Cherno about this situation, and we
23 knew that there was going to be some concern about too
24 many tax credits in this particular market or area.

25 So our market study evaluated that and looked

1 at not only all of the developments that are at high
2 occupancy levels in Conroe but also took into account the
3 bond deal that's coming to town, which one -- a full one-
4 third of that is not competitive with us because they're
5 one-bedroom units.

6 It took into account that development as well
7 as ours and looked at all of the issues that a market
8 analyst takes into account. And I think we clearly
9 defeated the individual statistic that there are too many
10 units in the Conroe unit and for that reason alone should
11 be denied.

12 I have a statement by the housing authority
13 director, Dr. Joanne Callahan. She says, The census tells
14 us that the population of Montgomery County is the sixth-
15 fastest-growing county in the state. For those that may
16 not be familiar, Montgomery County is just the next county
17 north of Harris County and the Houston metropolitan area.

18 That county has gone up 63 percent since 1990
19 in terms of population and is expected to rise another 27
20 percent in the next five years. Continued explosive
21 growths will continue to fuel housing shortages. The city
22 needs to be proactive in dealing with the coming flood.
23 And that's from Dr. Callahan.

24 Although Wide Oak Landing had support from
25 State Representative Ruben Hope; State Senator David

1 Bernsen; the mayor; the city council, whom I appeared
2 before twice; and the county judge, Bob Sadler; and the
3 housing authority, this decision to disqualify our
4 application was made.

5 And I believe that it disregarded the excellent
6 support that we have -- the market study, the dynamics of
7 the marketplace. If you look at Conroe, that is the very
8 next area of growth destined outside The Woodlands north
9 of Houston.

10 People can't afford to live in The Woodlands.
11 Where are they going to go? They're going to go to
12 Conroe. That's where the dynamics of the marketplace come
13 into play.

14 And any single statistic can easily be defeated
15 when you talk about what's really happening. When you ask
16 the people of Conroe and the city council what's happening
17 in their community, they say, We support this development;
18 we would like to have you there.

19 We're well located. We're behind an
20 Albertson's. We don't have a paint store next door to us.
21 We have a bank in front.

22 (General laughter.)

23 MR. VOWELL: Cherno mentioned subjective
24 criteria by which development is determined. We placed
25 high on that list of subject categories: We're a

1 historically underused business. We're joint-venturing
2 with a non-profit. We're partners with the Montgomery
3 County Housing Agency in support of battered women. We
4 have a good program, one of the best that I've ever put
5 together in my seven years in doing developments in Texas.

6 We believe there's a solution to fund this
7 development, which is, I believe, highly qualified, and I
8 think would staff would say as well except for this one
9 statistic.

10 And that is the allocation cap was designated
11 at 65 percent of the general pool. By our calculation,
12 less than that number has been allocated to general pool.

13 Why not take the opportunity now to provide housing to
14 the city of Conroe? It really needs it, and it asks for
15 it and wants it.

16 We ask the board for it to allocate the balance
17 of credits needed to achieve the original intent of the
18 QAP. In the general pool it's 65 percent. Use those
19 funds toward qualified developments that were not funded.

20 And I'm speaking not necessarily on behalf of Brisban
21 Companies and this particular development, but also for
22 those developers who did a lot of hard work and
23 established their marketplaces and really were denied
24 based on single statistics that do not really take into
25 account the entire marketplace. Thank you.

1 MR. JONES: Thank you.

2 Question? Mr. Conine?

3 MR. CONINE: You mentioned 65 percent of the
4 general pool for 2001 -- that we're -- overall we're short
5 of that, based on your calculation?

6 MR. VOWELL: Based on our calculation, it
7 appears to be short by some number of dollars. When we
8 first calculated, it looked like it was actually 60
9 percent instead of 65. I don't know if something has
10 changed. So we think we're still under in terms of that
11 allocation.

12 MR. CONINE: But also, under the regional
13 allocation formula, I think we're in excess of what
14 allocated -- or targeted for Region 6.

15 MR. VOWELL: Exactly.

16 MR. CONINE: Is that correct?

17 MR. VOWELL: Yes. And yet --

18 MR. CONINE: So your proposal would then add on
19 to Region 6 allocation, but generally bring the general
20 pool from 60 to 65 or whatever it is.

21 MR. VOWELL: Well, I understand that. But I
22 saw discrepancies in between how much was estimated for a
23 particular region versus what was actually done. They
24 were really all over the board in that respect.

25 But keep in mind also that we scored higher

1 than seven out of the ten in Region 6. And we have, I
2 believe, the strongest support in the area.

3 MR. CONINE: Thank you.

4 MR. JONES: Thank you, sir.

5 Mr. John Barineau. Yes, sir.

6 MR. BARINEAU: Thank you, Chairman Jones,
7 ladies and gentlemen of the board, and Executive Director
8 Stiner. My name is John Barineau, and I'm representing
9 Scott Street Properties, which is the administrative
10 general partner of the Scott Street Limited Partnership
11 that has applied for Scott Street Townhomes in Houston,
12 Texas.

13 We're delighted and pleased that the staff has
14 recommended Scott Street Townhomes for funding. On the
15 other hand, we are concerned and disappointed that our
16 funding request was trimmed a bit, to the extent of 11
17 percent of my request.

18 And the last two days we've been evaluating how
19 that occurred, because we felt like we had a -- from what
20 we were doing, had a pretty tight budget as it was and
21 needed the funding we requested.

22 We understand that the main difference in
23 opinion was with regard to the probable rents that we
24 could achieve at this property versus neighboring
25 properties in the area.

1 This is an inner-city project of the truest
2 form in the heart of a sunny-side-up Foster Place district
3 south side of Houston. It is a project we've been looking
4 at for two or three years in hopes of being able to be
5 part of a revitalization efforts.

6 And, consequently, when we put our numbers
7 together, we had been realistic, in our opinion, as to
8 what would be the achievable rent level in that type of
9 neighborhood, vis-a-vis competing properties -- indeed,
10 competing tax-credit properties that are in that same end
11 of town.

12 And we were expecting that we would have to
13 charge slightly less rent than the competing tax-credit
14 projects that are already established down there in order
15 to attract and serve the lower-income neighborhood in this
16 inner-city area that we were targeting.

17 The staff obviously second-guessed us there
18 and, as I understand, made a reevaluation of our revenue
19 projections to the extent that we'd be able to achieve
20 almost the maximum tax credit rent that the published
21 limits would allow.

22 And, therefore, when you figure more revenue,
23 you figure more income for debt, you can raise your debt
24 and you can reduce the amount of tax credit you need. And
25 that's pretty good, in theory.

1 Our concern, however, is that the rents that we
2 understand the underwriting department may have figured
3 that we could achieve, being perhaps more optimistic than
4 we are, would in fact cause our rents to be higher than
5 three flagship competing tax-credit properties in the area
6 that are, from a real estate point of view, better
7 situated: on major freeways. And that's Plum Creek
8 Apartments, Park Yellowstone Apartments and a development
9 of our own group, Reed Park Townhomes.

10 We don't think it's realistic than an inner-
11 city property that's kind of a beginning of a
12 revitalization effort be expected to achieve rents higher
13 than other tax-credit properties in the area. Indeed, we
14 felt like we would be a better bet to figure on slightly
15 lower rents in order to be realistic in serving the lower
16 income community in the heart of the inner city that we
17 are targeting.

18 So, with that having been said, I think our
19 market analysts would agree with the concept that we don't
20 think that we could achieve premium rents. Indeed, we had
21 hoped that we would not be targeted to receive any more
22 than what the other tax-credit properties are, but
23 certainly not a premium rent.

24 And our vote would be an analysis as an
25 experienced developer: would be that we ought to figure

1 on slightly lower rents than properties that are in what
2 you might call better real estate areas.

3 So, having said that, I would respectfully
4 request that the board authorize the staff to look at our
5 numbers again and consider giving us back a little of
6 credit that we had lost versus our application so that our
7 property will not start out with a strain.

8 I think there's a trend on too tight
9 underwriting on a lot of these properties in the first
10 place. We want to do a good job with this property. And
11 starting off with \$60,000 less annual tax credits times
12 ten years times a syndication factor, you can see it's a
13 lot of money to have to make up somewhere else.

14 Thank you very much for your consideration.
15 Hope you'll take another look at it. Thank you.

16 MR. JONES: Thank you, sir. Reverend J. E.
17 Whitaker?

18 Reverend Whitaker?

19 REVEREND WHITAKER: Yes.

20 MR. JONES: Excuse me. I'm sorry.

21 REVEREND WHITAKER: Mr. Jones and Ms. Stiner
22 and the board. I'm here to speak already on behalf of the
23 developers for the Ewing Villa project that is there in
24 the city of Dallas.

25 I'm pastor of the Zion Hill Baptist Church

1 there and looking at the property directly in back of our
2 church. The property needs developing. And this group
3 have come in to develop this property. We've been in
4 several meetings already, and everything else seemed to be
5 approved.

6 And my family and I just came in -- if we're
7 asleep, you can understand we just drove in from Kansas
8 City and cut our vacation short -- came all the way here
9 from Kansas City, leaving around midnight.

10 At the same time, we're here. And I was
11 talking to the Lord even all the way down to the fact that
12 I wanted to arrive safely and then to simply to say to you
13 that we hope that you will allow this group to come in and
14 to approve this property.

15 We think that it will be a great venture for
16 us, because the area behind our church is a blighted and a
17 deserted area. And this property will be going directly
18 back into the DART rail line.

19 And with the townhouses that they're going to
20 be building, it's going to be the type of affordable
21 housing that my church is concerned about and that the
22 people in the community are concerned about.

23 And since I've been there as pastor, they have
24 been able to go along with many of the things that I've
25 asked them to go along with. So I think this will be

1 another one of the ventures that the Lord asked me to come
2 today to show our approval for this venture. And I'm
3 praying that you will look at this from that angle. Thank
4 you very much.

5 MR. JONES: Thank you, sir.

6 MR. SALINAS: Which was that?

7 MR. JONES: That was the Ewing Villas. And
8 it's on the recommended list.

9 MR. SALINAS: Okay.

10 REVEREND WHITAKER: Ewing, 1050.

11 MR. JONES: Thank you, sir. The next speaker
12 is Mr. Michael Lankford.

13 Mr. Lankford?

14 MR. LANKFORD (from audience): Chairman Jones,
15 at this time I'll pass on comments.

16 MR. JONES: Thank you, sir. The next speaker
17 is Mr. Rowan Smith. And this is concerning the El Pueblo
18 Dorado Apartments, which I think is on the recommended
19 list.

20 MR. SMITH: Board and Chairman, I have a
21 little -- my name is Rowan Smith. I'm from Houston,
22 Texas. And I have a little handout I want to give you
23 first.

24 MR. JONES: Thank you.

25 MR. SMITH: First of all I'd like to say that I

1 want to thank the board and the staff for coming up with
2 this particular allocation cycle -- the recommended list
3 and also just to thank you for the consideration that
4 you've given to the Rio Grande Valley -- to all projects
5 that were awarded in the Rio Grande Valley.

6 We've built several projects down there, and
7 these people, for generations, have needed affordable
8 housing. And when we see that these projects fill up
9 extremely fast and we see the smiling faces and the
10 success of some of the families that are living there, we
11 want to extend that appreciation that we've gotten from
12 the families to the board and to the staff. So thank you
13 very much.

14 MR. JONES: Thank you, sir.

15 MR. SMITH: In this year's allocation cycle El
16 Pueblo Dorado, which means the golden city, is recommended
17 for a forward commitment. And one of the things that I
18 was concerned about is that they cut the tax credits on
19 that from what we originally requested.

20 And let me tell you the reason why -- I have it
21 explained here in this little pamphlet. But one of the
22 main reasons I want to see if we can't get that
23 reinstated -- the amount of tax credits -- is that in the
24 Rio Grande Valley is the lowest median area in the state;
25 therefore the rents are the lowest in the state.

1 Therefore it's very difficult to get high mortgage amounts
2 debt for the project. So that requires a lot of equity.
3 So the only way these things work are in qualified census
4 tracts or in DDAs where you get the 130 add on.

5 And I noticed throughout the rest of the state
6 on the other recommended projects in several locations,
7 from Houston, San Antonio, Fort Worth, Dallas, Waco,
8 Temple, that the projects' credits per unit -- now this is
9 the credits per tax-credit unit -- on each one of these
10 units, there's the numbers, there's the credits. You can
11 do the multiplication. All of them are 7,970, 8,714 to a
12 unit and 11,486 to the unit, 9,262, and so forth.

13 We had requested \$7,345 per unit in an area
14 where we have to have every dollar to make it work. All
15 these other projects have rents that are \$150 to \$300 a
16 unit higher than what we have to work with down in the
17 Valley.

18 And yet they give them more equity. It ought
19 to be just the reverse. The Valley ought to be getting a
20 lot more -- be getting 8-, 9-, and \$10,000 a unit to make
21 these deals work.

22 But I can make them work at 7,345, which is
23 substantially lower per unit than other areas that can
24 raise a heck of lot more of debt than we can to make these
25 projects work.

1 The cost of construction in the Rio Grande
2 Valley is the same as it is everywhere else in the state.

3 I have a construction company. We do construction for
4 other tax-credit developers all over the state, and our
5 construction costs are just about the same, and in some
6 cases are a little bit higher in the Rio Grande Valley
7 because we have to import some of the skilled laborers
8 down there, and therefore they have a higher cost, because
9 they have housing costs and other kind of costs that they
10 have to incur in order to provide us the services that we
11 need down there.

12 So that is the argument that I have. And I'm
13 going to request that you restore our tax credits back to
14 a level that is sufficient enough to guarantee that this
15 project will be completed successfully, which is, I think,
16 the goal of everybody here is to have successfully
17 completed projects.

18 I'm not saying that I won't be able to
19 successfully complete it if I don't get that amount, but
20 it will be very difficult. Thank you.

21 MR. JONES: Thank you, sir. The next speaker
22 is Mr. Andrew Lee.

23 (Pause.)

24 MR. JONES: Mr. Lee?

25 MR. LEE (from audience): I'd like to --

1 MR. JONES: Thank you, sir.

2 MR. LEE: Thank you.

3 MR. JONES: The next speaker is Mr. Don
4 Jackson.

5 MR. JACKSON: Mr. Chairman, I have some
6 handouts.

7 Mr. Chairman, board members. My name is Don
8 Jackson. I'm here representing Bachon Townhomes in Wylie,
9 Texas.

10 We've given a handout showing you basically the
11 general surroundings area of the property that we plan to
12 build on as multi-family to the east, single-family
13 residential to the north, the west is vacant, and we have
14 Dallas Area Rapid Transit System on the south.

15 To this time no tax credit has ever been
16 awarded to Wylie, Texas. And we have proposed 120 units
17 with 90 allocated for low-income families. And they
18 consist of two and three bedrooms only.

19 There has been in Wylie no multi-family housing
20 built since 1980. And my business is in Wylie. It's been
21 in Wylie for a long period of time, and it's very evident
22 that we need some multi-family housing and some low-income
23 facilities for the lower-income families in Wylie.

24 This project has been recommended by staff, and
25 we appreciate the opportunity to speak with you this

1 morning. Thank you.

2 MR. JONES: Thank you, sir. Ms. Jill Braden?

3 MS. BRADEN (from audience): Same project.

4 MR. JONES: Thank you, ma'am. And I think
5 you're here in support of that project. Correct?

6 MS. BRADEN: Yes.

7 MR. JONES: Thank you. Ms. Karen Langley?

8 MS. LANGLEY: Hi. Good morning. And thank you
9 very much for this opportunity to address the board. I'm
10 Karen Langley, and I'm the executive director of Family
11 Eldercare. We are a non-profit elderly-services provider
12 in Travis and Williamson County.

13 Travis County, through United Way and St.
14 David's Hospital, just completed an elderly-needs
15 assessment. A lack of affordable and safe housing was
16 identified as the number one unmet need in our community.

17 I'm here today to support the Campbell Hoag
18 tax-credit project called Heatherwilde, located in
19 Pflugerville. This project has been designed to offer
20 support services to allow older adults to age in place.
21 It will help considerably in providing much-needed housing
22 for low- and moderate-income elderly and seniors in our
23 community.

24 I'm here also to personally thank the board for
25 their involvement in establishing a new state law which

1 provides clear admission policy with regard to Section 8
2 vouchers. And I just really want to thank Ms. Stiner for
3 her leadership personally in getting that passed.

4 These new policies will open up thousands of
5 units of housing across the state that use tax credits to
6 be built that were otherwise not affordable to low- and
7 moderate-income seniors and families with children.

8 The median income in Austin is so high that
9 seniors living strictly on social security could not
10 afford tax-credit housing. Section 8 vouchers will
11 greatly open up access for seniors and others to high-
12 quality affordable housing.

13 So I want to thank the board for that new
14 policy. It's going to do wonders for opening up
15 affordable housing in this state.

16 In closing, I also want to urge you to put the
17 Heatherwilde senior project on the tax-credit list -- I
18 think we're wait-listed -- as it is greatly needed in our
19 community.

20 And I also just want to thank you personally
21 for our capacity building project. We hope to become
22 larger in providing as a service providers for seniors.
23 And this will give us an opportunity to learn, to build
24 our board and our staff's capacity to be a provider as
25 well as a service provider.

1 We provide a lot of community support, and the
2 city and county has asked us to take a larger role in
3 actually building. And we have a Section 202 HUD support
4 services application in, so this will really help us be
5 able to be a good housing provider in our community.
6 Thank you.

7 MR. JONES: Thank you. Our next speaker is Ms.
8 Marlene Hagsfeld.

9 MS. HAGSFELD (from audience): [inaudible]

10 MR. JONES: Don't care to speak?

11 MS. HAGSFELD: Yes.

12 MR. JONES: Thank you. I love your occupation.

13 MS. HAGSFELD: Thank you. It's a lot better
14 than tax credits.

15 MR. JONES: I got you.

16 MR. CONINE: What is it?

17 MR. JONES: It's goatherd.

18 MR. CONINE: Sounds similar to me.

19 MR. JONES: I thought you were a goat.

20 Mr. Sherman Roberts.

21 (No response.)

22 MR. JONES: Mr. Sherman Roberts.

23 (No response.)

24 MR. JONES: Let's see. Ms. Charletta Compton?
25 She's speaking of Ewing Villas, which, I believe, is

1 recommended.

2 MS. COMPTON: Good morning.

3 MR. JONES: Good morning.

4 MS. COMPTON: My name is Charletta Compton.

5 I'm a member of the Dallas County Community College
6 District Board of Trustees representing District 7, which
7 spreads throughout southwest and southeast Dallas County.

8 I've been asked to be here this morning to
9 speak on behalf of Mr. Burl Ridge, president of the Cedar
10 Crest Neighborhood Improvement Association located at 1935
11 Cedar Crest Boulevard in Dallas, Texas. Mr. Ridge could
12 not be here today.

13 We are in support of the Ewing Villas project
14 Number 01050, Region 3. This project will represent the
15 first meaningful development in our community in the last
16 30 years. It will also start the revitalization of an
17 area in our community that has been stagnant and neglected
18 for far too long in terms of new and affordable housing.

19 We believe the project will set the tone and
20 serve as a standard of expectations for potential
21 developers in the futures. The project's developers have
22 been responsive to working with the community and
23 addressing our needs and concerns during their planning.
24 We are committed to working with them and offering any
25 support necessary to assure a win-win situation for

1 everyone.

2 We thank you for your recommendation and urge
3 you to approve this project. Thank you.

4 MR. JONES: Thank you. Mr. Jay Oji. He, too,
5 is speaking to the Ewing Villas.

6 MR. OJI: Yes, sir. Mr. Chairman, my name is
7 Jay Oji. I'm the president of Sphinx Whitman Corporation,
8 the applicant for Ewing Villas Apartments. For the
9 record, the number is TDHCA 01050.

10 The proposed development is an 80-unit all-
11 townhome development, mostly of two and three bedrooms.
12 It's really a gated community. The project is uniquely
13 qualified as an in-fill housing in a Dallas neighborhood
14 that has not received any tax credits in the last ten
15 years. The neighborhood has not received any major
16 development in the last 20 years.

17 After considering the handouts we have had
18 enormous from the neighborhood, from the city, from the
19 elected officials also. But most importantly, we have a
20 tremendous support from the dominant landowners in the
21 area: the Dallas Zoo, as well as DART, the Dallas Area
22 Rapid Transit System.

23 Not only will this project be complementary to
24 the area's current and future comprehensive land use, it
25 will enhance the utilization of the currently obligated

1 infrastructure within the area.

2 Our development team, Mr. Chairman, with all
3 due respect to our competition, is an array of top-notch
4 federal housing providers in the state of Texas. Three
5 years ago our company was lucky and became a recipient of
6 tax credit for the rehabilitation of development of an old
7 abandoned and dilapidated Fort Worth High School.

8 Mr. Chairman, that project, TDHCA Number 98169,
9 the Homes of Parker Commons in Fort Worth, was recently
10 completed and achieving a tremendous lease status for 192
11 qualified tenants.

12 Like Parker Commons, which is an in-fill
13 housing development, the proposed community of Ewing
14 Villas is yearning for revitalization. With your
15 approval, based on recommendation from staff, the proposed
16 townhome community will become a catalyst for a
17 substantive development of the area.

18 I ask your support, Mr. Chairman and members of
19 the board, in approving the tax-credits funding for the
20 proposed Ewing Villas. Thank you very much.

21 MR. JONES: Thank you, sir. I believe that is
22 all the speakers that I have concerning tax credits.

23 Okay. One more. Mr. Jay Stewart.

24 MR. STEWART: Mr. Chairman and board members,
25 my name is Jay Stewart. I'm an attorney here in Austin.

1 I'd just like to briefly discuss one application that has
2 not been discussed today.

3 The application I would like to discuss is
4 TDHCA Number 01061 in Temple, Texas. It's name is the
5 Veranda Apartments.

6 The application was not recommended by the
7 board -- or to the board from staff for approval
8 because -- and I quote -- the City of Temple provided a
9 ranking of which projects best met their needs. They
10 selected project number 01111.

11 We've had testimony today from the mayor of
12 Temple expressing their vote, and we certainly do respect
13 that. But I would like to bring to the board's attention
14 several issues regarding this recommendation.

15 While it's true that the city officials did in
16 fact support this other project, the support was by no
17 means unanimous. And I'm not sure whether the board is
18 aware of it or not, but there are several hundred letters
19 of support from citizens of Temple supporting the Veranda
20 Apartments project, and that's on file with the TDHCA
21 staff.

22 In fact, the citizens of east Temple community
23 supported the Veranda over staff's recommendations of
24 01111, and that's referenced in those letters.

25 From conversations that we've had with

1 officials of the city of Temple -- city council members,
2 city manager -- as well as state representatives and
3 members of the state senate or staff, no one has voiced
4 any opposition to the Veranda Apartments. And I think
5 that's important.

6 For those of you who are not familiar with the
7 two projects, the two sites are directly across the street
8 from each other. Both are new-construction, mixed-income
9 family developments.

10 The Veranda Apartments, the one that was not
11 recommended and the one I represent, scored 79 points,
12 compared to 77 points for the staff-recommended project.
13 The number of credits requested by our project was
14 \$637,945 versus \$817,075 in credits recommended to be
15 awarded to project number 01111. That is a difference of
16 \$179,130.

17 Staff's recommended projects provides for 103
18 units compared to 92 units that the Veranda Apartments
19 would provide. And that breaks down to an increase of
20 almost \$18,000 per credit for each unit or almost
21 \$180,000, or 1.8 million in tax credits over ten years for
22 only an additional ten units.

23 As we've heard earlier today, the staff looks
24 for the bang for the buck. That is not what I would call
25 the most effective and the most efficient use of tax

1 credits.

2 We'd request favorable consideration for
3 project number 01061, the Veranda Apartments in Temple.
4 And I would certainly be open for any questions.

5 Thank you, Mr. Chairman.

6 MR. JONES: Thank you, sir. The next speaker
7 is Mr. Brian Cogburn.

8 MR. COGBURN: Chairman Jones, my name is Brian
9 Cogburn. I submitted the Quick and Holly Townhomes in
10 Willis, Texas. It's located in Montgomery County, a fast-
11 growing county. And we were not recommended for credits.

12 However, I think it's appropriate to thank the
13 staff, respect their decision and acknowledge that they've
14 done very hard work on these projects in that there's not
15 enough credits available for everyone.

16 Their diligence on the applications is very
17 appreciated, and they've done an excellent job of their
18 objectivity in scoring and how they've gone about
19 approaching the process. And I really appreciate, you
20 know, getting the notice last week on how the scoring took
21 place and being allowed to meet with them, you know, later
22 in the process and see how those applications can be
23 strengthened in the future. Thank you so much, sir.

24 MR. JONES: Thank you. Mr. Todd Borck.

25 MR. BORCK: Chairman, ladies and gentlemen of

1 the board, thank you very much for the opportunity to
2 speak in front of you here today.

3 I just wanted to let you know this is our first
4 endeavor into Texas. We're originally from Florida. And
5 we had three applications in this cycle and were not
6 successful on any of those.

7 VOICE: Welcome to Texas.

8 MR. BORCK: Thank you. However, I have some
9 talk about your process going a little bit more towards
10 the Florida process. I urge you not to do that. It's
11 very painstaking, and staff here has a tough job. Don't
12 make it any tougher on yourself. Thank you very much.

13 MR. JONES: Thank you, sir. Now, I believe,
14 board members, that we have heard from all the speakers
15 with regard to tax credit. Is that correct?

16 (Pause.)

17 MR. JONES: Delores, is that correct?

18 MS. GRONECK: Yes, sir.

19 MR. JONES: If you handed me any more, I might
20 hit you. But go right ahead, you know. I would like to
21 read into the record for the board members a letter that
22 we received from State Senator Chris Harris. It concerns
23 the Barden House Senior Apartments in Arlington, Texas,
24 which, I believe, are not on the recommended list.

25 Is that right, Ms. Stiner?

1 MS. STINER: No, sir, it is not.

2 MR. JONES: "As you are aware, recommendations
3 were recently released for the allocation of low-income
4 housing tax credits for this year. At this time I would
5 like to request your approval of the Barden House Senior
6 Apartments in Arlington.

7 "Arlington is a city of approximately 332,000
8 residents, and, as to population, historically has
9 received roughly about one-half of what many other cities
10 have received of the overall financial credits issued by
11 the Texas Department of Housing and Community Affairs.

12 "I want you to personally know that Arlington
13 has significant affordable-housing needs. Please consider
14 the fact that Barden House is a special situation,
15 although it perhaps receives a lesser scores for too many
16 affordable units.

17 "While it is more than five miles away from the
18 closest Arlington senior apartment community and could be
19 considered concentration, it is a solid investment for the
20 program.

21 "This particular project has been designed for
22 the affordable housing needs in the Arlington market and
23 is extremely important for the residents in this area.

24 "Thank you for carefully reviewing this
25 application and giving serious consideration for this much

1 needed program for this growing area of our state."

2 Signed, Senator Chris Harris.

3 All right. With that, I would turn our
4 attention back to our agenda, showing that --

5 MR. CONINE: Could I recommend we take a five-
6 minute break --

7 MR. JONES: You sure can.

8 MR. CONINE: -- before we get too far into
9 this?

10 MR. JONES: That will be fine. So we will take
11 a five-minute break. We'll be back at 11:30.

12 (Whereupon, a brief recess was taken.)

13 MR. JONES: -- against Delores for handing me
14 another witness affirmation form. It will be some type of
15 execution, but we'll have to decide exactly what type.

16 Mr. Edelbrock.

17 (No response.)

18 MR. JONES: Mr. Larry Edelbrock.

19 (No response.)

20 MR. JONES: Mr. Larry Edelbrock.

21 (No response.)

22 MR. JONES: If somebody's out in the hallway
23 and could mention that name for me, I sure would
24 appreciate it.

25 VOICE FROM AUDIENCE: He's not in the room.

1 MR. JONES: Excuse me?

2 VOICE FROM AUDIENCE: He's not here in the
3 room.

4 MR. JONES: He's not here. Move on. The
5 audience is now taking the position of chair, which would
6 probably serve us all very well.

7 Mr. Edelbrock?

8 VOICE: Mr. Edelbrock is in the hallway, and
9 he'll be here in one second. Is there any way he can be
10 deferred for just two minutes?

11 MR. JONES: Excuse me?

12 VOICE: We're trying to get him right now. He
13 stepped into the hallway.

14 MR. JONES: Okay.

15 VOICE: He'll be -- I'll go get him.

16 MR. JONES: That would be wonderful.

17 (Pause.)

18 VOICE: I found him.

19 MR. JONES: Okay. Mr. Edelbrock?

20 MR. EDELBROCK: Yes, sir. After the testimony
21 on Wichita Falls at the beginning of the hearing, I felt
22 that I should probably respond to some of the inaccuracies
23 presented by some of the people.

24 Let's -- I want to talk site specific. The
25 zoning on this property was approved April 1 by a 6-0 vote

1 of city council. So it's properly zoned general
2 commercial. In that zoning you can build apartments and a
3 few other things.

4 This fits into the comprehensive general plan
5 for the city that was adopted in 1995. Dave Clark from
6 the city here to back me up on that. This is in the flood
7 plain. It's in the 500-year flood plain, which probably
8 half of Austin's in.

9 The entrance is on Jasper Street. The
10 difference in the project from last year's submittal to
11 this year is we reduced the size of the acreage from ten
12 and a half acres to six acres, made it a smaller project.

13 That's so the entrance is not on Jacksboro Highway. It's
14 on Jasper Street.

15 Some comments were made that there's no parks
16 or schools in the area. Well, in the maps that we
17 presented in the application, I have two parks within
18 three blocks; I have two elementary schools within three
19 blocks; I have a Boys and Girls Club, which I have 100
20 percent of their support on, three blocks away also. So
21 we have a lot of family stuff going on in the area.

22 The photo that was presented today, which I
23 didn't see -- but it was probably the same one that was
24 presented at the Dallas hearing -- was a -- you know, a
25 zoomed in photo -- aerial photo.

1 We had to present a photo from the city that
2 showed the area in a little broader area. And this
3 property -- there's a flood-control channel on the back
4 side of the property, which, by the way, has already --
5 they've already allocated the money for a city bike trail
6 that fits into the park system, which will be right on the
7 back side of the property.

8 In the zoomed-out photo you can see that there
9 are single-family residences right across the river
10 channel, which is probably 100 feet wide. There's housing
11 across Jacksboro Highway, which, there's two houses that
12 are even closer to this facility that's next door to me --
13 the opposition -- than my project will be as -- they're
14 closer than my project will be to his.

15 TDHCA staff visited the site. They're happy
16 with the site. They see no problems. My opposition
17 said -- of the seven opponents that were against this
18 project that voiced their opinion, I believe only four of
19 them were property owners. The people -- the 36 people
20 that were in favor of our project represent 75 percent of
21 the landowners within a mile of this property -- a radius
22 of a mile. They're all for the project.

23 As far as the senator's office, the senator's
24 office for some reason has been interested in this project
25 for 18 months. And he's talked to the city -- consulted

1 with the city on it.

2 The city has gone out and done a full
3 investigation of my opposition's business, of the site,
4 how the things interact. City Manager Jim Garzano
5 [phonetic] issued a letter that I think's in the
6 application -- it was certainly sent to TDHCA -- a two-
7 page letter saying the city has no problems with the site,
8 they like the site, they like the deconcentration issue.

9 They're hoping that this is going to provide
10 the impetus to get this area going a little bit. There is
11 a golf course within probably a thousand feet of the
12 property -- the night -- you know, country club in the
13 city. So it's a good area.

14 So that's the facts about the property. I've
15 been involved with this for 18 months. I visited with
16 Dave Clark, the community development director, January of
17 last year. Went into his office, said, Dave, I'm thinking
18 about submitting a project here. Have any ideas, you
19 know? How about on the south end of town where the
20 obvious QCTs were?

21 He says, We're not interested down there.
22 We're interested in deconcentrating -- spreading it out in
23 the city. We want to get a better mix in the whole -- as
24 far as the whole city goes.

25 Well, that's exactly what I did. I picked this

1 site out, talked to them about the site. You guys like
2 the site? We're 100 percent in favor of the site. The
3 city is behind you 100 percent.

4 I submitted the project last year. We didn't
5 receive the credits. We were a couple of points low. And
6 here we are this year. I have the same opposition from
7 January of last year. I guess the guy just purchased his
8 building in January of last year. He mentioned the fact
9 that they want to expand their business.

10 Well, as of today, this very minute, the city
11 has never talked to him, they've never gone in and talked
12 to him about expansion. And, furthermore, if they were to
13 want to expand their business, I'm sure the city is going
14 to have a say-so in that, because, you know, they're in a
15 light industrial zone now, and it's probably -- you know,
16 that's it.

17 And so for all this stuff to come up right now
18 and to downgrade this project, which is approved by
19 everybody in city government in Wichita Falls -- they
20 mention that they have 2,000 signatures. The 2,000
21 signatures they have -- they sent to registered voters.
22 They've never presented anything to the city.

23 These signatures were gathered at a flea market
24 on a Saturday and a Sunday. And the question, as I
25 understand, is -- the question was, Are you in favor of

1 spot zoning or not? Of course, everybody's going to
2 probably say, We're not in favor of spot zoning.

3 That somehow has tumbled into my project. My
4 project's not a spot-zone project. I'm in the
5 comprehensive general plan adopted in 1995. It's passed
6 zoning, 6-0 in favor. I've had support from all the city
7 council members. They spoke last year at the -- a couple
8 of them came down and spoke at the hearing in Dallas.

9 And, you know, that's the status of the
10 property. That's -- I didn't really want to get involved
11 this deep, but I think a lot of things had to be brought
12 to the table that -- you know, clear up a lot of issues.

13 And if you have any questions on some of the
14 stuff I said as far as from the city, you know, Dave Clark
15 will be happy to vouch for what I've said, I think.

16 MR. JONES: Yes, Mr. Conine?

17 MR. CONINE: Would you clarify for me again --
18 once again, the zoning, because I'm stuck up on that,
19 because in the application it says something about light
20 industrial, and then it says something about being
21 rezoned, May 1, I think, to commercial.

22 MR. EDELBROCK: General commercial.

23 MR. CONINE: So that's what the current --

24 MR. EDELBROCK: Yes.

25 MR. CONINE: -- zoning of the property is.

1 MR. EDELBROCK: Yes. And in general commercial
2 you can do this, this, this. And you can build multi-
3 family.

4 MR. CONINE: Okay.

5 MR. EDELBROCK: So it's properly zoned, 6-0 in
6 favor at city council. So the city's aware of what we're
7 doing there. They've been behind us for 18 months.

8 They're not interested in putting in more
9 housing on the south side of town. They already have two
10 Section 8 projects. Two tax-credit projects exist down
11 there. There's no transportation down there. There's no
12 parks. I don't the school is within two or three miles.
13 I've got two schools within three blocks.

14 MR. CONINE: But when the unsophisticated
15 business around that property checks on the zoning and it
16 says commercial, well, you know, logically, you would
17 think it's going to be a commercial-zoned piece of
18 property as opposed to the cumulative zoning which Wichita
19 Falls obviously allows.

20 MR. EDELBROCK: Well, it's interesting. Our
21 supporters, of which 75 percent are landowners -- the
22 largest landowners within a mile and a half of our
23 property are in favor of the River Glen Apartment project:
24 not zoning, River Glen Apartment project.

25 The only opposition I've had is from a next-

1 door neighbor and his wife, one of their tenants, and one
2 other landowner down the street. That's it. And that has
3 shaded, you know, what's happened here at the state -- you
4 know, I mean, it's a fact that we're here now and we're
5 talking so much about it.

6 But, please, I hope the board will take into
7 consideration the city's wishes, the time the city's put
8 into this. Dave Clark's come down here for the second
9 time in this operation. And he has so far been a good
10 friend, and he is totally in favor of this project, as is
11 the rest of the city. So -- I mean, that's the status
12 from our view.

13 MR. JONES: Yes. Mr. Bogany?

14 MR. BOGANY: Could you show me on here where
15 the elementary school is? You said it was three blocks.

16 MR. EDELBROCK (away from microphone): You
17 can't see it on the map, because the map is too close in.

18 MR. BOGANY: Yes. I know it's zoomed in, but
19 if you can just kind of give me an idea.

20 MR. EDELBROCK: Okay. There's a school about
21 right here -- one over here (indicating). And then
22 there's one over on this side over here (indicating).
23 There's probably a map in the application showing the
24 schools and the parks.

25 MR. BOGANY: So what's happening now is that,

1 to get to this school, I guess the Wichita Independent
2 School District will bus these people over here?

3 MR. EDELBROCK: No. There's a road right here.
4 This road goes through this bridge right here.

5 MR. BOGANY: Okay.

6 MR. EDELBROCK: So it goes over there. Here's
7 the trail that will be -- you can see. There's a school
8 right over here. This is all single-family right in
9 there -- all single-family. Of course, the single-family
10 houses are going to be closer to this building here end up
11 being right here.

12 MR. BOGANY: Okay. Thank you.

13 MR. EDELBROCK: Here's the map right here. Let
14 me -- a little more --

15 (Pause.)

16 MR. JONES: Any further questions?

17 MS. SAENZ: Mr. Chairman?

18 MR. JONES: Yes.

19 MS. SAENZ: Did the city conduct some type of
20 risk factor in building here or did they -- any kind of
21 assessment? Do we have a copy of anything?

22 MR. EDELBROCK: Well, I have two independent
23 third-party Phase Ones I've done on the property: Apollo
24 Engineering out of Houston, Morris Keene Associates out of
25 Wichita Falls. They say I have no problems. On my site I

1 have no problems.

2 The city went out in response to Senator
3 Haywood's questions for the last 18 months, and they
4 finally addressed them. They went out there and conducted
5 a survey themselves over a week period.

6 They sent a two-page report which is in the
7 record we presented at the hearing in Dallas -- I think
8 Dave did -- from City Manager Jim Garzano saying, The city
9 has no problems with that site, no problem with putting
10 multi-family there. And they were happy with the
11 selection of site. They think it would good for that
12 area -- that community.

13 The three largest employers in Wichita Falls
14 are within three miles of this facility. And there's bus
15 transportation -- a bus stop right on the corner. So it's
16 an area in transition, but it's definitely in the city's
17 plan that they want this project on that site.

18 MR. JONES: Any more questions?

19 MR. SALINAS: Would we have any liability as
20 far as enjoining the city support if somebody would walk
21 away from that project and go into that canal and drown?
22 Would those families have a legitimate way of getting to
23 the city and to you and to the state -- if we would kind
24 of have a legal opinion as far as the -- as our commitment
25 or liability on that site because you're going to have a

1 project next to a canal or a drainage.

2 MR. EDELBROCK: It's -- what is it? About 30
3 feet wide?

4 MR. CLARK: There are six apartment complexes
5 immediately adjacent --

6 MR. EDELBROCK: Exactly.

7 MR. CLARK: -- to this Holiday Creek.

8 MR. EDELBROCK: On the creek as it goes through
9 the city.

10 MR. SALINAS: Yes, but there is -- I mean, as
11 long as they give this body indemnification clause where
12 we will not be liable for anybody that would go into the
13 creek -- you know --

14 MR. EDELBROCK: It's a creek that goes through
15 the city that's open to every person who lives in there.
16 There's houses -- single-family houses throughout the
17 creek all the way through the city for miles.

18 MR. SALINAS: But who would answer that
19 question? Our legal counsel?

20 MR. JONES: Yes. Betty --

21 MR. SALINAS: Would we have any liability at
22 all?

23 MR. JONES: Betty? Betty? We've got a
24 question for you all. The question is, is there any legal
25 liability arising from the fact that the project is so

1 close to this drainage?

2 MR. EDELBROCK: A creek. It's a creek.

3 MR. JONES: You understand what we're talking
4 about?

5 BETTY: Yes. I'm sorry --

6 MR. JONES: If you do, will you come to the
7 podium, please?

8 Or, Don, do you want to?

9 MR. JONES: This is Don Walker from the
10 Attorney General's Office.

11 MR. WALKER: Yes. My name is Don Walker. I'm
12 with the Attorney General's Office. And this is not
13 specifically my area in terms of liability of this type of
14 nature.

15 But, generally speaking, the State has immunity
16 from liability, except under the Tort Claims Act. And
17 with that there are some requirements in order for that
18 act to apply.

19 Generally speaking, cities enjoy immunity from
20 suit and liability as well. In terms of the development
21 itself, I'm not really in a position to speak to that.

22 MR. JONES: Thank you, sir.

23 MR. EDELBROCK: You know, just a point of
24 clarification, is that, on the back side of the
25 property -- our whole complex is fenced. So, you know,

1 it's not like someone's just going to be walking out and
2 disappear into the bank. The water in this --

3 MR. JONES: Yes. Mr. Bogany?

4 MR. BOGANY: In the project itself, what kinds
5 of playgrounds and things of that nature are you going to
6 have for the children?

7 MR. EDELBROCK: Well, typically, you know, we
8 have, you know, you know, swings, a volleyball court,
9 community rec center, computer learning centers, barbecue
10 areas; I mean, you know, it's kind of the typical stuff we
11 do in all the projects.

12 MR. BOGANY: Okay.

13 MR. JONES: Further questions?

14 (No response.)

15 MR. JONES: Thank you, sir.

16 MR. EDELBROCK: Thanks.

17 MR. JONES: Now, I believe I don't have any
18 more witness affirmation forms. Right?

19 VOICE: Right.

20 MR. JONES: Get away. So we will turn our
21 attention to Item 2(a) on the agenda, staff
22 recommendations of projects for 2001 low-income housing
23 tax-credit program allocation round and issuance of
24 commitments.

25 MS. STINER: Thank you, Mr. Jones.

1 I'm going to ask the LIHTC staff to come
2 forward and make the presentation on applications and
3 applicants that are recommended under the 2001 tax credit
4 allocation round. Mr. Njie?

5 MR. NJIE: Before I begin, I think I'll take an
6 opportunity to respond to some of the comments that were
7 made earlier.

8 First, with respect to the project in Ennis,
9 Texas, we sent a team to evaluate the project and the
10 location of the proposed project, and they came back with
11 a report that it was a poor site; it was an isolated site
12 for an elderly project.

13 It may well be part of an ongoing or a planned
14 community development, including other developments --
15 single-family, et cetera, but at the moment right now
16 there is nothing on the site. And this will be a solitary
17 elderly project out of nowhere.

18 In addition to that, if you look at the number
19 of allocations made in the city of Ennis compared to other
20 communities in the region, looking at it on a per-resident
21 basis, it is three times higher than that made in the city
22 of Dallas.

23 So, for those two reasons, the project was not
24 recommended, although it scored high in the point system.

25 Regarding River Glen, because of the furor

1 relating to this project, I went to Wichita Falls to look
2 at the site, and I walked the site to get an assessment of
3 the concerns raised by Mr. Funston at the Dallas public
4 hearing.

5 I met with the city officials and found out
6 what their concerns were. The project has a creek on the
7 southern edge of it. It is also within walking distance
8 of elementary schools. If you stand on the property
9 within 200 feet, it is also within 200 feet of an existing
10 single-family development.

11 It is an area that is of mixed use, both light
12 industrial and residential, so this project affords the
13 City of Wichita Falls an opportunity to deconcentrate its
14 low-income projects, and that is part of the reason we are
15 recommending it.

16 There are recreational facilities close to the
17 site. There is a Boys and Girls Club just next to the
18 elementary school in that area.

19 So I just wanted to state that for the record
20 that we took special steps to go and look at the site so
21 we can get an independent assessment of the concerns.

22 On the Conroe project, as well, looking at the
23 score of the project relative to other projects in the
24 Houston area -- if you look at Conroe in terms of
25 population and look at the city of Houston in terms of

1 population, the allocations to Conroe were three times
2 higher than the city of Houston.

3 Given that disparity, we made a decision that
4 the credits would be better utilized in the city of
5 Houston rather than Conroe. That doesn't mean that we
6 don't recognize the need for affordable housing in Conroe.

7 It's a question of relative merit given limited
8 resources, and that choice was made.

9 There were other comments made regarding the
10 Scott Street Townhome project. I would like to call on
11 Tom to comment on that and also the project in Pharr that
12 Mr. Smith spoke about earlier.

13 MR. GOURIS: Tom Gouris, director of
14 underwriting for the Department. On the Scott Street
15 project, the reason that the rents that we did use for the
16 tax credit rents were higher than what the applicant had
17 indicated is because he also had some market-rate units in
18 that project which are higher still than the 50- and 60-
19 percent rents that we were utilizing. And the market
20 study substantiated those market rents.

21 And given that fact, we didn't feel that it was
22 appropriate to reduce those 50- and 60-percent rents,
23 because there would be no mechanism in place to ensure
24 that those rents would actually be ultimately the rents
25 that they would charge.

1 We did talk at considerable length the last
2 couple of days about other options for that project, and
3 one potential option would be to require that the rents be
4 LURA'd at a lower level, but allow the income level still
5 to be at the 50- and 60-percent rents. And that might
6 allow us to then evaluate that a little bit differently.
7 We didn't get to any firm resolution on that, but that's
8 one possible solution.

9 MR. CONINE: Which project are you talking
10 about?

11 MR. GOURIS: This is Scott Street.

12 MR. NJIE: In Houston. It's 1040, I believe.

13 MR. CONINE: Okay.

14 MR. NJIE: Region 6.

15 MR. CONINE: Okay. Got you.

16 MR. GOURIS: And the project in Pharr, did you
17 say?

18 MR. NJIE: 35.

19 MR. GOURIS: The project in Pharr, the issue
20 there was that the project costs were higher than what we
21 had anticipated using our evaluation techniques. And so
22 it's a simple situation where we believe that there's less
23 need for funds for that project, and we adjusted that
24 accordingly. And that's pretty consistent -- well, it's
25 not pretty consistent. It's absolutely consistent with

1 what we do with all the projects across the state.

2 MR. NJIE: With that, I will go ahead and read
3 the recommendation. Before I do that, just make a
4 statement that we will continue to work with these two
5 applicants. Hopefully we can, in the coming month or so,
6 see if there are additional ways that we can make those
7 projects a little bit more whole in terms of the credits
8 that were reduced.

9 We recognize the points raised by Rowan Smith
10 regarding the lower rents in the Valley and the need for
11 more equity to be able to finance the project. So we
12 don't want to handicap a project from the get go.

13 So we will pray to the board to go ahead and
14 look at those projects again and -- with the intention of
15 adjusting the credits upwards.

16 With that, I will commence the reading of the
17 list. We begin with the first region. Project number --

18 MR. JONES: Could I ask a question? Is there
19 any reason we couldn't submit the written list as opposed
20 to reading it to us since we've all been submitted it?

21 MS. STINER: Yes. And we've already discussed
22 changes that the staff is proposing to make to the list at
23 this time.

24 MR. JONES: Thank you. If you would do that, I
25 would appreciate it, and then submit the written list with

1 the changes to the court reporter so she can put it in the
2 record --

3 MR. NJIE: Okay.

4 MR. JONES: -- so we'll know what we're
5 speaking of. But we all have your written recommendation.

6 MR. NJIE: You're right. The only change --
7 well, there are a couple of changes that we would like to
8 make -- and that is in Region 8A.

9 One of the projects we had put on the
10 waiting -- on the forward commitment, number 1064,
11 O'Connor Road Seniors in San Antonio. Instead of a
12 forward commitment, we are recommending an allocation for
13 that project in the amount of 461,821.

14 MR. SALINAS: But that's not in your list here.

15 MR. NJIE: That's correct. That is in the
16 forward commitment recommendation. So we have --

17 MR. SALINAS: Wouldn't it be better that you
18 would look at all of them that have not been recommended
19 by your staff -- that all of them that are left over be
20 looked over again and finally put on the forward
21 commitment?

22 Wouldn't that be a lot better and give
23 everybody a chance to regroup with you, like you said,
24 about Pharr? And this way everybody else would have a
25 better chance of getting probably a recommendation from

1 the staff, and not only use one or two. I mean, there are
2 a hundred of them left over.

3 MS. STINER: Let me respond to that, please, on
4 behalf of the staff, Mr. Salinas. The forward commitment
5 is limited by the percentage of credits we could take out
6 of 2002 round. So that would be limited.

7 Staff recommendation, as it has been presented
8 to you, we had concurred with the Chair that we would just
9 forward those to the committee for your consideration.

10 What Mr. Njie's attempting to do is to offer
11 for the board's consideration -- moving one development
12 from the forward commitment to the approved list. But if
13 that presents a problem, we will defer to the board and
14 make the presentation as to what we've been presented.

15 But in terms of taking a look at all of the
16 other developments that have not been recommended, the
17 forward commitment is capped at a certain amount of
18 credits, so that would not be a possibility of funding
19 those projects -- all of them. You'd have to make some
20 decisions.

21 MR. SALINAS: Well, my question here --

22 MS. STINER: You have to make some decision --

23 MS. SALINAS: My question -- you'll have to
24 excuse my ignorance -- is, you know, this is my second
25 meeting. And the thing is that I'm looking at how much

1 money does a applicant spend to come in to compete and
2 when we're going to have the obligation to tell those
3 people that applied in the pre-application, say, Well,
4 you're not going to be able to get recommended by us, so
5 they can go ahead and go on their merry way back home and
6 they won't spend any more time.

7 Now, you have almost about a hundred of them
8 left over that did not get recommended by the staff. How
9 are we going to be able to address those people that are
10 asking for those tax credits? We just tell them to
11 reapply the following year?

12 Or do we have some people that have gotten tax
13 credits last year and the year before and the year before,
14 and therefore they're getting some this year? When do we
15 give somebody else the opportunity? Or is it graded on
16 their performance as far as their package?

17 MR. NJIE: Well, the -- as Ms. Stiner
18 indicated, the forward commitment is capped to 15 percent
19 of --

20 MR. SALINAS: I understand that.

21 MR. NJIE: -- next year's allocation. And the
22 normal process is to reapply.

23 MR. SALINAS: To reapply.

24 MR. NJIE: That's correct. To reapply next
25 year. Because this is a competitive process, some

1 applicants are successful and others are not. And the
2 avenue we have for most of them really is to reapply.
3 They will be awarding these from the forward commitment.
4 But the overwhelming number of applicants will simply have
5 to reapply for next year.

6 In making the recommendations we do take into
7 account the -- our desire and the QAP's admonition to
8 spread the credits around without diminishing the quality
9 of products.

10 MR. SALINAS: I understand.

11 MR. NJIE: But that is all factored into the
12 allocation process and the recommendation. You can do all
13 of that and still end up with about a hundred people
14 unsuccessful either as potential wait-list projects or
15 forward commitments. And their only avenue, therefore, is
16 to reapply next year.

17 MR. SALINAS: I understand that. But how about
18 the question when somebody gets funded '99, 2000, 2001 --
19 I mean, gets tax credits every single year, and other
20 people that continue to apply do not get tax credits?

21 MR. NJIE: Provided that --

22 MR. SALINAS: Is that performance on their part
23 or --

24 MR. NJIE: Provided their application is
25 competitive, we will evaluate it every year. Like I said,

1 it -- we don't take the position that, just because you've
2 applied three times in a row, the third time you're
3 automatically invested with an allocation.

4 MR. SALINAS: My question was, people that get
5 tax credits every year and approved by this board every
6 year -- I mean, that's just a question. I mean, one
7 got --

8 MS. STINER: I think --

9 MR. SALINAS: -- tax credits last year --

10 MS. STINER: -- we can answer that.

11 MR. SALINAS: Okay.

12 MS. STINER: The provision in the QAP is that
13 an applicant is capped on an annual basis. There's no
14 provision right now in the QAP that an applicant cannot be
15 successful from year to year. I think that's the answer.

16 And the QAP, of course, is the rules that we go by.

17 But there is no prohibition in the QAP
18 currently that if you successfully compete from year to
19 year that there's a cap or a limitation on how many times
20 you can compete well.

21 There is a provision in the QAP to provide
22 credits to as many applicants as you can without
23 diminishing the quality of the credits. So I think that
24 is the exercise that the staff went through this time
25 around. And, while there are some applicants that compete

1 every year that don't compete well, there are no points
2 or -- in the scoring criteria to advance them forward.

3 I do want to, of course, also answer the
4 question relative to the pre-application. The cycle, as
5 it's currently set up, as Mr. Njie has responded to your
6 question, those unsuccessful applicants are -- you know,
7 are not considered in this particular round, and a
8 business decision of the applicants is to reapply next
9 year.

10 One of the things that came out of this
11 particular legislative session is a pre-application
12 process that the staff has already started working on for
13 2002, which is upon us sooner than we would think. So
14 they've already worked through the mechanism of setting up
15 a pre-application.

16 So for those applicants who wish to take
17 advantage of that they'll then have some indication -- a
18 better indication of if they're going to be successful or
19 not and whether to pursue or forego an application in the
20 allocation round. So that is one thing that has come out
21 of this session in that we're implementing that.

22 But this particular application cycle, those
23 who were unsuccessful won't have an avenue for reapplying
24 until next year.

25 MR. JONES: I'd kind of like to piggyback on

1 the mayor's comments. I think he hits a point of concern
2 that this board has had for a number of years. I know at
3 the last round last summer many board members expressed
4 concern that we wanted diversity among the developers that
5 were, shall we say, the victors in this process each year.

6 And I do hear the board every year express the
7 same concern that the mayor just expressed. And, you
8 know, my feelings are that I know that staff has heard
9 that, and I know that I have heard from many staff members
10 that they are dedicated to the idea of diversity among
11 developers also.

12 But I don't see us all getting there and
13 viewing it the same way. And I do think that, you know,
14 the executive director has raised the issue of one way to
15 get there is to go to the QAP and those rules.

16 I think, unfortunately, when you do that you
17 take away discretion from staff. And I think one of the
18 things that has been of real benefit to the fact that this
19 program has been successful as it has been as compared to
20 other states is some of the discretionary features of it.

21 But the fact that we can't seem to resolve this
22 issue between board the staff and that the issue comes up
23 again year after year may mean that it is something that
24 will be addressed in the QAP. But I do understand where
25 the mayor's coming from and his comments.

1 MS. STINER: I will offer -- and, hopefully, I
2 can offer this. I hope this is not viewed as a issue
3 between the board and staff. It's an issue, as I've said
4 to you, Mr. Jones, on many occasions, that the QAP is the
5 rule that governs the program. And the success of getting
6 a prohibition of that nature in the program in terms of
7 criteria I think will need to be reflected in the QAP.

8 To the extent that it's the wishes of the board
9 and the public that a developer, you know, sits out a
10 round -- and I think that's what we're talking about --
11 and cannot be successful year after year, will have to be
12 reflected, I think, in order for that not to become a
13 discretionary criteria, to be very explicit in the QAP.

14 And I think, you know, making those kind of
15 decisions would have to be very explicit and rules that
16 the staff would follow. And --

17 MR. BREWER: Well, Mr. Chair, I'd have a
18 problem with that in that I believe that our charge is to
19 put houses on the ground for people, not necessarily to
20 pick developers, and that --

21 MR. CONINE: Mr. Chair, if I might, I've got a
22 couple of generic questions before we go much further.

23 Chernobyl, I want to get into the math a little
24 bit --

25 MR. NJIE: Sure.

1 MR. CONINE: -- right quick. This year's
2 credit had an allocation per region.

3 MR. NJIE: That's correct.

4 MR. CONINE: The regional allocations were
5 based upon population, or was there some other factor that
6 contributed to the allocation process?

7 MR. NJIE: Well, the formula was developed
8 years -- in three variables. I think that housing --
9 poverty levels, I believe, or cost burden for low-income
10 tenants. And the third factor was, I believe, substandard
11 housing. So those were the variables that we used to
12 generate the regional allocation formula.

13 MS. STINER: May I interject?

14 VOICE: Sure.

15 MS. STINER: Not that you are incorrect, Mr.
16 Njie, but the staff who developed the formula and took
17 public comment on it across the state is here.

18 Ms. Anderson -- didn't I see Sarah Anderson
19 here? If there are any further -- did he --

20 VOICE: He got it.

21 MS. STINER: He got them right. Okay. Thank
22 you.

23 MR. CONINE: Okay. And correct me if I'm
24 wrong, but the Legislature also has encouraged us to do
25 this as well. Correct?

1 MR. NJIE: That's correct. That is -- it is
2 law.

3 MR. CONINE: So I guess what bothers me in
4 looking at the numbers is that we fell short in five of
5 the eleven regions in hitting the allocation targets. Can
6 you just give me a generic comment on -- and then we might
7 talk about one specifically, being the Valley, that I know
8 the Legislature has an extreme interest in.

9 MR. NJIE: Well, the regional allocation
10 formula provided us with targeted credit amount in each
11 region, and we used that as a target to allocate. Now,
12 when you receive applications, some regions are more
13 competitive than others, so you move the credits around
14 based on that level of competitiveness that you have in
15 the allocation round.

16 And so that is exactly what we did in this
17 region -- in this allocation round. We made adjustments,
18 which are provided for in the QAP, because some regions
19 didn't have the level of demand that others have, in order
20 to make those projects viable and to make those
21 allocations and specific set-asides.

22 MR. CONINE: Did we not have enough
23 applications within a given region to exceed the
24 allocation in all cases?

25 MR. NJIE: Well, I think that -- in Region 1,

1 for example, I don't believe that we had enough in Region
2 1. Can somebody give me Region --

3 MR. DAROSS: Region 9 also, I believe.

4 MR. NJIE: Region 9.

5 MR. CONINE: You were \$100,000 short in Region
6 1. There's two projects that total 600,000, so there's --
7 that didn't get allocation. So that met that criteria.

8 MR. NJIE: The -- basically, the allocation --
9 or the targeted amounts in each region do not readily
10 translate to a project, so you have to make adjustments.
11 If you were to just look at each region and say, Well,
12 this is exactly how I'm going to make it, you'll have to
13 restructure a lot of projects to get that -- to be able to
14 use that. So we made adjustments for that as well.

15 MR. CONINE: But let me get back to the facts
16 here just a minute. Weren't there enough projects in each
17 region to be able to meet the allocation targets within
18 each region, if you wanted to -- if the staff chose to do
19 so?

20 MR. NJIE: Let me look at my map for the
21 regions.

22 MR. CONINE: Okay.

23 MR. NJIE: Brooke --

24 MR. CONINE: I can give you a quick synopsis,
25 if you'd like. You were \$100,000 short in Region 1. You

1 were \$30,000 short in Region 5. You were \$160,000 short
2 in Region 7. You were \$400,000 short in Region 8A. And
3 you were a million dollars plus short in 8B.

4 (Pause.)

5 MR. NJIE: Yes. The targeted amounts that you
6 have read -- those are the variances we have in the
7 different regions. That's correct.

8 MR. CONINE: So what you're saying is that the
9 staff, when they came up with their recommended list based
10 on the quality of the projects and all the other factors,
11 even though I guess I could probably pick a region and go
12 down and pick scores that were -- you know, was in the
13 range of acceptability, the staff still chose to weight
14 different regions with more projects, because, obviously,
15 if you were short in some, you were in excess in other
16 regions.

17 And I guess I would wonder how the Legislature
18 mandating the allocations in those regions affected your
19 decision in still coming up with shorting five out of the
20 eleven.

21 MR. NJIE: It's not a question of shorting
22 five. It's a question of rearranging the allocations so
23 that you can generate projects that are economically
24 viable. I mean, the regional-allocation target doesn't
25 say that if the region doesn't have any sufficient amount

1 of credits you should allocate anyway. That's not what
2 the mandate is. The mandate is to use those as targets --

3 MR. CONINE: Right.

4 MR. NJIE: -- and make adjustments where
5 necessary. And I think that is what we sought to do.

6 MR. CONINE: Okay. I got another question.

7 Based on what formula did we arrive at the
8 forward commitments for 2002 number?

9 MR. NJIE: That's a 15-percent number. The
10 forward commitment is always 15 percent of the allocation
11 per capita for the following year.

12 MR. CONINE: Yes. I'm more concerned with
13 specifics as to what -- we just had a census in this state
14 that showed we had 21 million people. We just had a bill
15 passed in Congress that said we get an increase in tax
16 credit over two years.

17 By my calculations we're woefully short in our
18 forward commitment list as to the amount of credits that
19 we should receive in 2002. And I would like to understand
20 specifically how you arrived at that target.

21 MR. NJIE: The forward commitment target did
22 not utilize all the credits we have available. In other
23 words --

24 MR. CONINE: Stop.

25 MR. NJIE: -- all 15 percent.

1 MR. CONINE: Stop. How did you determine the
2 amount that you had available? That's what I want to
3 know. I think you're short on that number.

4 MR. NJIE: No, I'm not short on that number.
5 It's --

6 MR. CONINE: Then tell you how you got there.

7 MR. NJIE: It is determined based on the per
8 capita for 2002. The 2002 per capita is \$1.75 per
9 resident.

10 MR. CONINE: Did you use 18 million people in
11 Texas or 19 million people in Texas?

12 MR. NJIE: We generated a 20 million --

13 MR. CONINE: 20 million.

14 MR. NJIE: 20.8 million.

15 MR. CONINE: 20.8 million times a buck, seventy
16 five. I think I came up -- let me just do the math here.

17 MR. NJIE: Okay.

18 MR. CONINE: I get 36,750,000 bucks close --
19 roughly times 15 percent is \$5.5 million worth of forward
20 credits.

21 MR. NJIE: Okay. Let me -- what we did was --
22 here. We used the population of 20.8 million --

23 MR. CONINE: Okay.

24 MR. NJIE: -- and projected a growth rate of 4
25 percent -- 4.3 percent for the state multiplied for \$1.75.

1 MR. CONINE: Okay.

2 MR. NJIE: And that gives us the 5.6 million as
3 the projected -- as available for forward commitment.

4 MR. CONINE: I'll buy that.

5 MR. NJIE: Of that number, the Department
6 didn't utilize all of it. I think we are currently about
7 a million short of --

8 That's correct.

9 MR. CONINE: And I guess the question would be
10 why.

11 MR. NJIE: Why?

12 MR. CONINE: Uh-huh.

13 MR. NJIE: Well, because of the regional
14 allocation formula we felt that sufficient number of
15 qualified projects were used up for the 2001 round. We
16 should leave the balance for 2002.

17 MR. CONINE: If -- logic tells me if we have a
18 waiting list of qualified projects that have achieved your
19 standards, then we could have given away another million
20 dollars roughly of credits in forward commitments we would
21 have gone away and done that within a QAP. I'm guess I'm
22 curious why staff didn't recommend that.

23 MR. NJIE: That is a decision we made not to
24 exhaust all the forward commitment. The forward
25 commitment says the Department may utilize up to 15

1 percent.

2 And, again, because the regional allocation
3 formula gives you this targeted amount, you want to be
4 able to give flexibility to oncoming projects sometime
5 around next year. It was basically based on that. It was
6 our decision not to exhaust all of the forward commitment.

7 MR. CONINE: Excuse me for dominating, but I've
8 got a couple more questions.

9 In regards to the recommended list, when I went
10 through and looked through most of them, in most cases
11 they're under the asked for credits by most of the
12 applications. Through the underwriting process and so
13 forth we reduced the amount of credits that we sought.

14 But there was a substantial list of projects --
15 and I guess I've -- looks like about 15 on my list -- who
16 actually received more credits than they asked for, which
17 is kind of an unusual situation. And as -- at least my
18 experience has been that you don't generally get more than
19 you ask for. You have to do -- you have to build a
20 project for what you ask for.

21 And if you add all the differences up between
22 ask for and what was recommended by the Department there's
23 another \$200,000 worth of credits there. Can you help me
24 with that?

25 MR. NJIE: Yes. I will also ask Tom to join me

1 in this. The -- we made an adjustment based on the --
2 sometimes based on the cost allocations for these
3 projects. Certain cost items that should have been
4 ineligible basis may not have been evident ineligible
5 basis.

6 And in some projects the Department used an
7 applicable percentage to underwrite these projects. The
8 projects owner themselves submitted applications with
9 lower applicable percentages. So when we use the
10 applicable percentages, the adjusted -- the credit amount
11 that was requested was adjusted as a result of that.

12 So the disparities you see there can be
13 accounted for by those two factors.

14 MR. GOURIS: And the reason for the increase in
15 credit in some cases is exactly that. The applicable
16 percentage is not know, and the requirements in the QAP
17 and the Application Submission Procedures Manual reflect
18 that -- the applicable percentage that we will use. For
19 the past two years what we had used is the rate that is
20 determined for the month the board meets.

21 And this is an area that we need to adjust for
22 the future I think and set it at the time the application
23 is made. But two years ago we set this rate and -- to be
24 established as of the date -- as of the month -- the
25 applicable percent is the month that the board.

1 And then this year the effect has been that the
2 applicable percentage was lower earlier. And, in many
3 cases, the applicants used a lower percentage than what we
4 ended up using when we evaluated them. And we used the
5 same rate for everyone.

6 MR. CONINE: Help me with what rate you're
7 talking about now. I'm confused.

8 MR. GOURIS: When you calculate the eligible
9 basis you derive that using good costs -- eligible costs.

10 And then you take a percentage that -- the 9 percent rate
11 or the 4 percent rate.

12 MR. CONINE: Uh-huh.

13 MR. GOURIS: Well, actually, we don't use the 9
14 percent rate, though that's -- you know, the thought
15 process there was that it was originally around 9 percent.

16 The actual rate currently is about 8.21.

17 We do a calculation based on the last three-
18 year, two-year, one-year trailing rate with the current
19 rate and add ten basis points in order to give enough
20 cushion to that rate. Because they -- it's kind of
21 complicated, but because they will sometimes lock their
22 credits now or they'll lock them later. And so we want to
23 be able to lock that rate at a rate that still gives them
24 enough cushion to be able to work.

25 So what we did is establish this across the

1 board that the rate that we'd use to underwrite is the
2 rate that's applicable the month that the board meets.
3 Does that --

4 MR. DAROSS: Does that have anything to do with
5 the maximum rent limits? Because I noticed in -- a lot of
6 those those limits hadn't been set at the time that the
7 applications had to be submitted.

8 MR. GOURIS: It doesn't directly. I mean, the
9 idea of using the rate that was available the month the
10 board met -- meets is related in that we always try to use
11 the most currently information when we evaluate an
12 project. And sometimes that information changes by days
13 or week.

14 You know, the rent limits weren't available for
15 the bonus round, but they were available for the
16 application round. So we used the maximum rents for all
17 the applicants if they were attainable.

18 So, you know, we try to apply the same rule
19 once it's established, and we always try to use the most
20 current information that's available when we're
21 underwriting it. So that's --

22 MR. CONINE: Can you express an opinion that if
23 we were to go back to the lucky applicants that asked
24 for -- whether or not it would impair the project
25 significantly?

1 MR. GOURIS: I don't believe it would, though
2 it's not what we had -- I don't believe it would. But, if
3 I can -- if I give you a longer answer, I think we have
4 made indications to applicants that we would -- in fact, I
5 think we specifically say it in the Application Submission
6 Procedure Manual -- that we would make that adjustment
7 upward or downward.

8 And, in some cases, they anticipated a higher.
9 There are a couple of applicants that used the 9 percent
10 rate, though I don't know why they did that. But -- so
11 that's -- would be the reason why some of those projects
12 got reduced credits. But I don't think it would
13 materially hurt them, although it wasn't what we told them
14 we would do.

15 MR. CONINE: Okay.

16 MR. JONES: Mr. Conine?

17 MR. CONINE: Let's spread it around and see if
18 anybody else has any questions.

19 MR. JONES: But you were on a roll.

20 MR. CONINE: I know.

21 MR. DAROSS: Well, let me throw in a question
22 just to take the heat off of Kent here a little bit. I
23 didn't make a count of these, but I noticed probably at
24 least a dozen -- maybe two dozen -- of the applications
25 there's a statement made that it was possible that the

1 debt coverage ratio could result in making a higher than
2 allowed profit, essentially -- above the 1.25.

3 Is there a mechanism for correcting that at a
4 later time if we get the information that they are
5 receiving a much higher rents than projected?

6 MR. NJIE: Yes. The initial allocation is only
7 one of three phases that the project goes through. One --
8 the other -- after they get a reservation pursuant to the
9 underwriting we've already done, we would look at it again
10 in October when they do a carryover allocation.

11 And, finally, at cost certification, when the
12 project is completed, then they've already -- from looked
13 at that and the construction cost, we would look at it and
14 make adjustments to the credits as are warranted by that
15 cost identification.

16 MR. DAROSS: And this is probably a rookie
17 question. But how that affect whether or not they've
18 already syndicated the credits?

19 MR. NJIE: Well, they may already have
20 syndicated the credits. But every syndicator knows that
21 before you receive your 8609s those credits are subject to
22 adjustment downwards

23 MR. DAROSS: Okay. Thank you.

24 MR. GOURIS: Can I just add that when we did
25 make that comment we did adjust the credit in most

1 cases -- or adjust the loan amount in most cases to cap at
2 125 debt coverage. And if that affected the credits then
3 we would adjust accordingly. In some cases it did and in
4 some cases it didn't. But we identified that as an issue
5 regardless and adjusted accordingly.

6 MR. DAROSS: Thank you. Back to you.

7 MR. CONINE: My understanding -- I think Mr.
8 Brewer actually mentioned it a minute ago that our desire
9 is to get housing units on the ground and in production.
10 And, to that respect, I have a concern about some of the
11 awardees this time around still having projects that they
12 may -- might have been awarded credits from last year who
13 haven't actually started those projects. Can you -- do
14 you have a feeling for what that might hold Department
15 wide?

16 MR. NJIE: Well, I've -- as I've mentioned to
17 you in private earlier, the -- we've looked at the
18 recommended list, and there are two project owners that we
19 are recommending who have not closed a construction loan.

20 The first one is for Las Brisas Apartments in
21 Del Rio. The other one is for a project owner in
22 Pasadena. In both instances the board awarded -- or
23 allowed them an extension for the closing time.

24 And so, therefore, we did not take that into
25 account in terms of not recommending them because there

1 were valid reasons submitted to us and we felt they were
2 meritorious and we recommended them.

3 And we -- are quite confident that these
4 project owners can continue with the project, I think the
5 Del Rio project certainly, as well as the Pasadena
6 project.

7 MR. CONINE: Does that include bond deals with
8 4 percent as well, or would you have to go research that
9 to see?

10 MR. NJIE: No, the bond deals -- we don't have
11 that stipulation with the bond deals. Those ones --

12 MR. CONINE: I know there's no stipulation.
13 I'm asking you a question. If you were to go down this
14 staff recommended list --

15 MR. NJIE: Uh-huh.

16 MR. CONINE: -- and see who, either on the --
17 this round, the forward, or the waiting list had bond
18 deals with 4 percent credits from the year of 2000 ending
19 in December that had not started construction yet, would
20 you have more -- do you think you would have more?

21 MR. NJIE: I don't believe we have any right
22 here for the simple reason that the bond deals are very,
23 very, time specific. Once you close those deals you close
24 them and you start.

25 MR. CONINE: Okay.

1 MR. NJIE: And so there is nobody here that has
2 been recommended that has a pending bond deal with a
3 reservation, and the reservation date has expired, or they
4 have gotten their reservation and they didn't close on it.

5 Those are specific time driven transactions
6 that, you know, you either proceed with the reservation to
7 close the bonds or you don't. And once you close you're
8 ready to start construction.

9 MR. CONINE: Where I'm heading with this,
10 fellow board members, is that, again, I have a concern
11 about those projects that were awarded last year that have
12 not started this year. And our concern is to get housing
13 units on the ground as quickly as possible so that Texans
14 can start renting and living in them.

15 And my hunch here is to go and do the homework
16 necessary to find those that are on the staff recommended
17 list in any category. And if they have one from last year
18 that has not started or under construction that we would
19 push that to the forward commitment list -- push those
20 projects that were going to be recommended this year in
21 2001 -- push them to the forward commitment list, so that
22 we're not yanking them off the list, but we're going to
23 make sure that they start the projects that they got 2000
24 credits for before we give them the 2002 credits -- if
25 that makes sense. And I'm just throwing that out just for

1 thought before we get to the final vote.

2 MR. NJIE: And I've indicated to you those are
3 the only two project owners on the list that have not
4 closed a construction loan.

5 MR. CONINE: Well, I would like to take your
6 word for that. But I think it needs to be proven to -- I
7 mean, you can show me later on afterwards, but we'll go
8 through and make sure that's the case.

9 MR. SALINAS: Well, anybody that has not
10 started construction should not qualify this year.

11 MR. BREWER: Well, I'm not so sure of that
12 if --

13 MR. SALINAS: Well, we have a hundred other
14 people that are waiting for tax credits.

15 MR. BREWER: But if we've already approved an
16 extension I don't think --

17 MR. SALINAS: Oh, an extension is different.

18 MR. BREWER: -- that's fair to --

19 MR. SALINAS: I'm talking about anybody that's
20 gotten one that's not started construction.

21 MR. NJIE: There are time lines that we have in
22 the QAP for starting construction. And, as I've
23 indicated, at least to Mr. Conine, we're not recommending
24 anybody on this list right now who has not started
25 construction or who has not closed a construction loan,

1 except for these two projects for which the board awarded
2 extensions.

3 MR. CONINE: Those two projects -- those are
4 two developer individuals who have projects here.
5 Correct?

6 MR. NJIE: That's correct.

7 MR. CONINE: Those projects here are in which
8 list, the recommended list, the forward commitment list,
9 or the waiting?

10 MR. NJIE: They're both in the recommended
11 list.

12 MR. CONINE: They're both in the recommended
13 list.

14 MR. NJIE: That's correct.

15 MR. CONINE: Mr. Chairman, I think I'd just
16 start this thing off by making a motion that we consider
17 moving any project sponsor or developer or whatever you
18 want to call them that has any interest -- even a minority
19 interest -- in a 2000 credit that has not started
20 construction. That we immediately move those to the
21 forward commitment list for 2002 and have the caveat that
22 that particular forward not be granted if the 2000 project
23 hasn't commenced construction by January 1, 2002.

24 MR. SALINAS: I'll second that motion.

25 MR. JONES: We have --

1 MS. STINER: May I just make a comment before
2 we do that? I think you should consider that some of
3 those may already be in a contractual obligation to the
4 Department where they may have a later start date. So we
5 may need to look at those with that --

6 MR. CONINE: Did we extend any of them past
7 2001?

8 MS. STINER: Yes. The dates -- the
9 construction dates are timed for so many days after
10 certain dates. I'm just saying that -- and Mr. Njie, you
11 may know better than me. That just was something that
12 came to my head that, in the carryovers that we signed
13 with them and with the commitments, those dates are
14 prescribed in starting construction.

15 MR. NJIE: That is correct.

16 MS. STINER: You may have some that haven't
17 started yet, but that time limit hasn't come. I think
18 we've hit all those for 2000 --

19 MR. NJIE: We have --

20 MS. STINER: I'm just throwing that out for
21 consideration.

22 MR. NJIE: I think you were talking about
23 closing construction loans. Are you talking about
24 starting construction? Because there are time lines for
25 starting construction pursuant to the QAP as well.

1 MR. CONINE: Tell me what the difference is.

2 MR. NJIE: Well, closing the construction loan
3 under the QAP is 150 days.

4 MR. CONINE: All right.

5 MR. NJIE: And the Department also has a
6 stipulation that you must commence and continue
7 construction within a year of the allocation. So I'm
8 representing to you that the project owners that we're
9 recommending who have not closed a construction loans are
10 only these two projects.

11 MR. CONINE: I'm talking about starting
12 construction by December 31, 2001.

13 MR. NJIE: Well --

14 MR. CONINE: And I'm not -- and these are
15 projects who received credits in 2000.

16 MR. NJIE: Uh-huh.

17 MR. CONINE: And for anyone to take more than a
18 year and a half to start a project -- to actually start a
19 project -- is inconceivable to me, to begin with, number
20 one.

21 And, secondly, what I'm saying is that they go
22 on the forward commitment list for this year, meaning the
23 project that they submitted which has absolutely nothing
24 to do with the one that's delinquent -- it's not
25 delinquent, but the one I'm addressing -- the project they

1 submitted this year go on the forward commitment list.
2 And if they haven't started construction on their 2000
3 credit job by the end of this year, December 31, that we
4 would withhold their 2001 project that received a 2002
5 forward at that point.

6 And the reason I'm saying that is because there
7 is -- we would obviously be giving credits this year to
8 someone who's having a problem with last year's project
9 getting it started, much less lumping another one on top
10 of him.

11 And if we are going to evaluate those who --
12 and I'd rather spend -- him spend his time or she spend
13 her time focusing on the one we've already given them
14 rather than giving them another one and lumping it on top
15 of that.

16 Now, I know that's going to take a little more
17 research than we can do in the time frame allowed today.
18 But I think it's important, board members, that we get
19 housing units on the ground and get them on the ground as
20 expediently as possible.

21 As the mayor has said there's a bunch of other
22 folks waiting in line that could get their projects under
23 construction immediately.

24 MR. JONES: If I could -- and I think that
25 there are good points being made here that we, number one,

1 want to get housing on the ground. Everybody agrees with
2 that. It's kind of like what Mr. Brewer said -- I know
3 all board members agree with him.

4 I know, two, we're also committed to other
5 concepts. I know one of the things that does that is when
6 you have diversity among developers. We're all committed
7 to that.

8 I think the other thing that Ms. Stiner has
9 raised that we don't need to forget is how this impacts
10 the QAP and the fact that we can't retroactively do
11 anything concerning the QAP. And we have a member of the
12 Attorney General's Office that would like to comment on
13 that. Don?

14 MR. WALKER: Thank you, Mr. Chairman. I was
15 born here, so I guess I'm kind of used to it.

16 MR. JONES: Get a rope.

17 MR. WALKER: I got a horse. I believe an issue
18 I see that raises a concern to me is that part of Mr.
19 Conine's motion had to do with moving from the recommended
20 list to the forward commitment list. That doesn't cause
21 me too much concern.

22 If they don't start construction by December 31
23 then to in effect disqualify them I believe would be a
24 ground of disqualification that is not listed in the QAP.
25 And that's what causes a concern to me.

1 And I'm -- just from the overall sense, I'm
2 concerned to the extent that the board has granted an
3 extension in the process to these individuals and then
4 comes back and penalizes them even though they are within
5 the extension -- that that could cause a problem, too.
6 And, again, this is no comment on the merits of the
7 concept --

8 MR. CONINE: Right.

9 MR. WALKER: -- because that's certainly within
10 the board's policy to set. But when the QAP sets certain
11 factors that disqualifies applicants and other factors
12 that are to be weighed and considered in awarding points
13 or otherwise evaluating these applications relative to
14 each other, then those have to be followed. And going
15 outside of that I think would put us in a weaker position
16 than I prefer to be in case there was some challenge to
17 it.

18 MR. CONINE: Is there a provision in the QAP,
19 Chernobyl, for a subsequent review of the forward
20 commitments?

21 MR. NJIE: Subsequent review in terms of what?
22 The recommendation?

23 MR. CONINE: Yes.

24 MR. NJIE: In light with what you're saying, I
25 think probably not. I mean, the QAP merely says that you

1 would use up to 15 percent of credits for forward
2 commitment. And the deadline that those applicants are
3 subject are enumerated in the QAP.

4 I think Don is correct in saying if you would
5 go against or layer additional requirements it might cause
6 some concern. But there is nothing that's in the QAP.

7 MR. CONINE: Mr. Chairman, then I would like to
8 amend my motion to take away the removal of the 2002
9 forward credit list, but I'd like to still stick with my
10 motion of moving them from the recommended list to the
11 forward commitment list, because that will create some
12 dollars that we can utilize here a little later on I
13 think.

14 MR. JONES: Any comment from the Attorney
15 General's Officer concerning that amendment to the motion?

16 MR. WALKER: I beg your forgiveness. I was
17 asking Mr. Gonzalez --

18 MR. JONES: Would you make the motion again so
19 our friend from the Attorney General's Office --

20 MR. CONINE: Yes. I'll try to restate the
21 motion.

22 MR. JONES: Thank you.

23 MR. CONINE: That any of the approved projects
24 that have developers who, either in a majority or minority
25 interest, received 2000 credits, and those -- that those

1 particular projects be moved to the forward commitment
2 list -- the 2000 credits being not -- are not being under
3 construction currently as of July 31 -- that those
4 projects be moved to the forward commitment list. That's
5 it. That's my motion.

6 MR. SALINAS: Would that be projects that were
7 awarded in 2000?

8 MR. CONINE: No.

9 MR. BREWER: No, the ones who --

10 MR. CONINE: Cherno's indicating there's two
11 projects on our recommended list that are -- which have
12 sponsors or developers that have projects in 2000 that
13 haven't started their projects.

14 MR. SALINAS: Are those --

15 MR. CONINE: I assume we would verify that post
16 this meeting. But assuming we verify that and that's the
17 case, I'm recommending we take those two projects and move
18 them to the forward-commitment list.

19 MR. SALINAS: Are those the only two?

20 MR. NJIE: That's correct.

21 MR. SALINAS: Then I second to his motion.

22 MR. JONES: Okay. We have a motion made by Mr.
23 Conine. It has been seconded by the mayor.

24 MR. DAROSS: I have a question.

25 MR. JONES: Yes.

1 MR. BREWER: I have a question.

2 MR. JONES: Yes.

3 MR. DAROSS: As a, I guess, corollary to that,
4 if we're -- by moving these two projects to the forward
5 commitment list, we're obviously reducing the amount
6 that's recommended for 2002 allocations by whatever the
7 dollar amount of those two projects are.

8 What then do we do with that dollar amount? Do
9 we move that amount to someone --

10 MR. CONINE: I'm not handling that question.

11 MR. DAROSS: -- on the waiting list?

12 MR. CONINE: Let's just do this one step at a
13 time.

14 MR. NJIE: Can I make a comment before we
15 proceed? I think in the case of the Del Rio project, they
16 already have 2000 allocations. The project is being
17 submitted for additional credits. If you move it to the
18 forward commitment I think you will greatly create
19 difficulties for them in moving forward with this project.

20 Essentially you're going to have two separate
21 allocations, one for the modest sum of \$40,000. So the
22 project needs to get the 2001 allocation to be able to
23 blend those and move with the project. If you put it in
24 one that has a 2000, the other one a 2002, I think it
25 would create serious hardship for the partnership to blend

1 those together.

2 MR. BREWER: Cherno, didn't we -- the two we're
3 talking about, didn't the board approve the extensions?

4 MR. NJIE: Yes. The board approved the
5 extensions.

6 MR. BREWER: Okay. And on forward commitment,
7 I was under the impression anything that's on forward
8 commitment comes back to the board for a thumbs-up later
9 on on allocating those funds on forward commitments.

10 MR. NJIE: Well, the forward commitments are
11 approved by the board, but they're also subject to the
12 same rigid time lines for closing construction loans and
13 carryover as the regulation allocations.

14 MR. CONINE: But we don't reapprove them, Mr.
15 Brewer.

16 MR. BREWER: They don't come back?

17 MR. NJIE: No, they don't come back to the
18 board.

19 MR. CONINE: On your list here you don't have
20 the forward commitments that we issued for this year.
21 Last year's are not on this list. There's five -- I think
22 in the presentation earlier there was five projects who
23 got forwards last year that aren't on this list.

24 MR. SALINAS: But they got 2001 commitments?

25 MR. NJIE: Excuse me?

1 MS. STINER: 2000, yes.

2 MR. SALINAS: That they got 2001 commitments
3 again.

4 MS. STINER: They got 2001 commitments because
5 they were approved for forward commitments in 2000. Yes.

6 MR. CONINE: Which -- can you tell us one more
7 time which projects -- let's get specific here.

8 MR. NJIE: We're talking about the -- in Region
9 8B --

10 MR. CONINE: Okay.

11 MR. NJIE: -- 1024, Las Brisas Apartments in
12 Del Rio --

13 MR. CONINE: Yes.

14 MR. NJIE: -- in the non-profit for 40,000.

15 MR. CONINE: Okay.

16 MR. NJIE: That was approved last year. And
17 they resubmitted that to get additional credits because of
18 a funding gap. To move those to a 2000 forward commitment
19 I think is going to separate those two allocations and
20 create hardships for the partnership to blend those
21 together and move forward with the project.

22 MR. CONINE: Are those two separate phases?

23 MR. NJIE: Well, it's the same phase. It's
24 just one project.

25 MR. SALINAS: They just haven't been able to

1 put it together.

2 MR. NJIE: Excuse me?

3 MR. CONINE: So we gave them credits last year.

4 MR. NJIE: That's correct. We gave them
5 credits last year.

6 MR. CONINE: They haven't started construction
7 as of this date.

8 MR. NJIE: They sought extensions. The
9 Department granted the extensions. They resubmitted the
10 application because of a funding gap, which we evaluated,
11 and are recommending for additional credits.

12 MR. CONINE: The 71,522 that we're recommending
13 this year, is that inclusive of the 40- that they got in
14 2000 or in addition to?

15 MR. NJIE: No, we are recommending 40,947 for
16 this year.

17 MR. SALINAS: And last year?

18 MR. NJIE: In addition to what they got last
19 year.

20 MR. SALINAS: How much was last year?

21 MR. NJIE: Let me see. We can check that for
22 you.

23 MR. CONINE: What was -- I missed the answer to
24 the question. Was it in addition to or --

25 MR. NJIE: That is in addition to what they got

1 last --

2 MR. CONINE: So they got two \$40,000 shots, one
3 in 2000 and one in 2001?

4 MR. NJIE: No. The 2001 was much more than
5 40,000.

6 MS. STINER: They're checking underwriting.
7 They have to go look at that.

8 MR. CONINE: Okay.

9 (Pause.)

10 MR. NJIE: The allocated amount last year was
11 563,864. And that was for 76 units in Del Rio.

12 MR. SALINAS: But that was for the same project
13 that you gave them last year in 2000, but they were kind
14 of short, and so they applied again.

15 MR. NJIE: That's correct.

16 MR. SALINAS: And then you gave them 40,000
17 more this year.

18 MR. NJIE: That's right.

19 MR. SALINAS: What happened before? Why
20 couldn't they keep the commitments that they made in 2000
21 and be able to start their project the way they said they
22 were in 2000? Why did they have to come back and ask us
23 for 40,000 more?

24 MR. GOURIS: The situation was that they had
25 some site work costs that weren't well documented in their

1 original report. We conditioned our report last year and
2 the recommendation on them coming back to us if they could
3 substantiate the costs that they had, and, if so, that
4 there may be ability for additional credits to be
5 considered for the project.

6 We cut their credits last year because they
7 didn't document it. They came back and documented it
8 after the fact. We worked with them in the fall and over
9 the winter. We weren't able to get release of other
10 credits in time in order to provide additional credits.

11 They were able to substantiate the site work
12 costs, so they -- we recommended -- or staff recommended
13 that they come back and apply for the additional portion
14 of the credits in this cycle.

15 MR. SALINAS: So anybody that got tax credits
16 is this year can have the ability and -- to come back next
17 year if they fall short of their project and ask for more
18 credits and given the same treatment you've given Del Rio?

19 MR. NJIE: Well, issues arise in structuring
20 these deals as did in this particular project. The costs
21 weren't not documented so we went with what we had with
22 the understanding that, if they were able to substantiate
23 it, we would look at it again. And this is not unusual in
24 terms of we've had project owners come back for additional
25 credits in the past if it is documented.

1 MR. CONINE: Give me the other project that we
2 were talking about.

3 MR. NJIE: It's in Region 6. It's Number 1152,
4 Parkway Senior Apartments in Pasadena.

5 MR. JONES: We have someone from that project
6 that would like to speak -- Mr. Darrell Jack.

7 MR. NJIE: Yes. I was informed that --

8 MR. JONES: Why don't we give him an
9 opportunity? And we will need you to complete this, if
10 you don't mind, sir.

11 MR. JACK: Yes, thank you. My name is Darrell
12 Jack. My firm is Apartment Market Data. We do a vast
13 majority of the market studies for many people in this
14 room, including both the Floresville project that you're
15 talking about that has not closed its construction loan
16 and also the Pasadena senior project. I think once you
17 understand some of the circumstances that -- of the
18 Floresville you'll be willing to proceed with the
19 Pasadena.

20 After the tax credits were issued last year,
21 Mr. Gilbert, which I have not seen in the room today,
22 applied with the FHA for FHA-insured mortgage. Through
23 the backlog at the Department of HUD in San Antonio, that
24 application was deferred to an inexperienced office in
25 Houston.

1 They were not familiar with the Floresville
2 sub-market, which this project is located in, and there
3 were several delays in getting it through the process.

4 I know that at the same time Mr. Gilbert was
5 doing a second tract where he does now have a Fannie Mae
6 forward commitment for the project. He does have a
7 construction loan ready to go. His extension, from what I
8 understand, was to the first part of September, and he
9 fully intends on closing on that loan and has the
10 whereabouts in the loans in place to close on that loan.

11 I think it would be unfortunate at this point
12 to penalize him for delays, you know, beyond his control.

13 He is a developer and a contractor that has proven
14 himself to the state in developing another project in
15 Fredericksburg, Texas. That project has been very
16 successful and, from what I know of that one, met all the
17 necessary deadlines that the state imposed on that
18 project.

19 I feel sure that he will be able to do that
20 with the Pasadena project also and close the construction
21 loan on the Floresville project post haste.

22 MR. JONES: Thank you. Okay. We have a motion
23 on the floor that has been seconded. Any further
24 discussion of the motion?

25 MR. CONINE: I'd like to amend my motion.

1 MR. JONES: Okay.

2 MR. CONINE: In light of the unusual
3 circumstances of the Del Rio project, where it's actually
4 the same project coming back for some more credits rather
5 than a totally separate isolated project, I'd like to
6 remove that particular project from this motion.

7 MR. SALINAS: Are you -- why would that be?

8 MR. CONINE: Well, I'm going to go ahead and
9 leave it on the recommended list and let it go on through,
10 and let's see if the guys can get the project started now
11 with the additional 40,000 in credits this year.

12 MR. SALINAS: How about Pasadena? You have how
13 much from last year and this year? They're asking 501-
14 this year.

15 MR. NJIE: Pasadena didn't get an allocation
16 last year.

17 MR. SALINAS: It's a different project. I'll
18 go ahead and amend my motion to you, sir.

19 MR. CONINE: Just to further clarify, Mr.
20 Chairman --

21 MR. JONES: Certainly.

22 MR. CONINE: -- that would still leave 1152.
23 We would move it from the -- Project 1152 we'd move from
24 the recommended list to the forward-commitment list. I --
25 you know, for the life of me, I don't see how that hurts

1 anybody.

2 MR. JONES: I'm going to permit one more
3 speaker to speak with regard to tax credits. Public
4 comment for tax credits had been closed. And let me
5 explain to the audience my reason for doing so.

6 Obviously, we're debating a motion at this
7 time. There is one speaker who would like to speak to the
8 debate of the motion. That is probably not appropriate.
9 I am going to allow it as Chairman unless some board
10 member objects.

11 You certainly have an opportunity for public
12 comment with regard to tax credits. We have afforded
13 everybody who wanted to speak to the board an opportunity
14 to speak to that.

15 I don't think public comment though goes over
16 to the right to participate in the debate. If you do
17 participate on motions, we will be here forever and a day
18 and we will never get down to business of the State.

19 Having said that, I want the audience to know
20 that I am closing the public comment with regard to tax
21 credits, but I will allow Mr. Lynch to speak. Thank you.

22 MR. LYNCH: Mr. Chairman, first I want to say I
23 do not have a tax-credit application in here. But there
24 was one concern that I had in regards to this motion, and
25 that was that if it's a specific deal that's moved

1 forward, I don't think there's a problem. But when you
2 said start date -- we talk about start date -- and Mr.
3 Njie has been referencing construction loan starting.

4 But, in essence, the QAP requires for the
5 construction loan to be closed by June 15, but you're not
6 to prove that you've got the construction under
7 substantial starts until November 15. Therefore, if you
8 use the date of July 31, which was first used, there might
9 be as many as 20 or 30 of these projects that have
10 actually closed a construction loan that really hadn't
11 started construction. And that's just a concern that I
12 had in reference to that -- the way it was worded.

13 MR. JONES: Thank you, sir. I appreciate your
14 comment.

15 MR. CONINE: Well, let me clarify once again.

16 MR. JONES: Before you do that -- I will come
17 back to you, Mr. Conine.

18 MR. CONINE: Okay.

19 MR. DAROSS: Isn't there a limit on amendments
20 to motions?

21 MR. CONINE: I'm going to --

22 MR. JONES: Excuse me. I'm losing control
23 here. Okay. I would like to, as the Chair, officially
24 bring to a close the time for public comment with this
25 meeting, with the exception of the one individual that has

1 asked to speak on another issue that we will come to later
2 in the day, and do that, after noting for the record that
3 opportunity has been allowed for any member of the public
4 to speak to this board that wanted to speak to this board
5 on the issues on our agenda and that, secondly, there was
6 no time limitation placed on any speaker who desired to
7 speak. And I thank each of you who did speak. Thank you
8 very much.

9 Now, with that, we will go back to your motion,
10 Mr. Conine.

11 MR. CONINE: I'm confused now. In reference to
12 his specific points about dates we -- under last year's
13 QAP they had until had until June of this year to close
14 their construction loans unless otherwise extended by the
15 board?

16 MR. NJIE: That's correct.

17 MR. CONINE: And from the point that they
18 close -- under the QAP, from the point that they close
19 their construction loan they have 150 days to start
20 construction?

21 MR. NJIE: No. The QAP basically says that you
22 have a year -- you have a year basically to start and
23 continue construction. So it gives a lag time between the
24 time you close your construction loan and when you
25 actually commence construction.

1 MR. CONINE: It gives what how much time?

2 MR. NJIE: A lag time between closing
3 construction and actually putting something on the ground.
4 Says 150 days --

5 MR. CONINE: His point was that we may have a
6 lot -- all of them -- virtually all of them, except for
7 one, based on what you're saying, have closed construction
8 loans.

9 MR. NJIE: That's correct. But --

10 MR. CONINE: But not all have started
11 construction.

12 MR. NJIE: Yes. Your issue was start of
13 construction and not close of construction loan. And I
14 was speaking to a closing of construction loan as the
15 benchmark for which we allowed these two developers an
16 extension.

17 MR. CONINE: You also mentioned there was a lag
18 time. Do you know what period of time that really is?

19 MR. NJIE: Not really. Any time after that
20 six-month time to close the construction loan. You have a
21 five-month period between that to the year. That's
22 another seven months basically.

23 MR. CONINE: You're confusing me. If we have
24 extended several projects on being able to close their
25 construction loan --

1 MR. NJIE: They have one till June of this year
2 to start -- to close their construction loan.

3 MR. CONINE: Under the QAP.

4 MR. NJIE: Under the QAP. And until the end of
5 the year to commence construction. So that's an
6 additional six months is --

7 MR. CONINE: He said November. Is that
8 accurate, or is it December?

9 MR. NJIE: No. It says a year.

10 MR. CONINE: A year.

11 MR. NJIE: A year.

12 MR. SALINAS: 365 days.

13 MR. NJIE: That's correct.

14 MR. SALINAS: Okay. That's a lot of days.

15 MR. CONINE: Okay. I think my motion on the
16 floor is keyed to closing of construction loan. I know I
17 talked about both, but I think my motion on the floor is
18 closed -- is tied to the closing of construction loan.

19 MR. JONES: I'll tell you what --

20 MR. CONINE: Is that still applicable?

21 MR. JONES: What if we tried this? What if we
22 let you make a new motion and withdraw your prior one and
23 say exactly what you want to, Mr. Conine?

24 MR. BREWER: Good idea.

25 MR. CONINE: I think I -- okay. I withdraw my

1 previous motion if the second allows me to.

2 MR. JONES: Yes, go ahead.

3 MR. SALINAS: My problem is not the
4 construction. My problem is that you're funding -- you're
5 giving credits to people that have not gotten their
6 contracts in 2000 ready, and you're giving them more
7 credits for 2001.

8 And, you know, if they haven't been able to get
9 their paperwork together in 365 days what can you assure
10 us that they are going to do it in 2001? And that was my
11 question a few minutes ago.

12 I don't have any problem with your contracts.
13 I mean, you can take -- as long as you stay within the
14 days. The thing is that why these people that cannot get
15 their things together in 2000 are still getting tax
16 credits in 2001 and probably will get 2002. That's my
17 concern.

18 Now, he can make the new motion, and I'll go
19 ahead and help him with a second. But I have no problem
20 with the construction and the developers; my problem is
21 with the staff and recommending people that have problems
22 with their contracts in 2000 and then giving them more
23 credits in 2001.

24 MR. NJIE: No, we're not recommending anybody
25 with problems with their contracts. Like I said, you have

1 a requirement to close the construction loan within 150
2 days and, within six months thereafter, to commence
3 construction. And they are meeting that requirement.
4 They are meeting it. They are placing the project in
5 service within two years allows under the law.

6 They haven't gotten a lot of credit returns as
7 a result of prior allocations. Credits are being awarded
8 to project owners who are able to proceed, build the
9 projects, and place them in service within the 24-month
10 period allowed under law. This is a national standard.

11 MR. BREWER: So you're saying that on the
12 recommended list there's nobody there with that problem?

13 MR. NJIE: That's correct.

14 MR. JONES: All right. We do -- all kidding
15 aside, would you like to restate your motion or stay with
16 the one you have?

17 MR. CONINE: No. I'll restate it one more
18 time.

19 MR. JONES: Okay.

20 MR. CONINE: This is becoming clearer as we go.

21 Mr. Chairman, I make a motion that we examine
22 the ultimate recommended list that we agree on here
23 today -- for those developers who have received prior
24 year, 2000 or earlier credits, that have not closed their
25 construction loan by July 31, which is today, or the

1 extensions that have been granted by this board
2 previously -- that we move those projects from the
3 recommended list to the forward commitment list for 2002.

4 And I would also urge that -- I'm sure Cherno
5 is up to speed on most of this stuff, but I would like an
6 additional review done after this meeting. And if we find
7 any today, tomorrow, or the next day that meet those
8 qualifications that they, too, be moved to the forward-
9 commitment 2002 list.

10 MR. JONES: We have a motion made by Mr.
11 Conine. Is it seconded?

12 MR. SALINAS: I'll second it.

13 MR. JONES: Motion seconded by the mayor.
14 Discussion?

15 MR. DAROSS: As I understand Mr. Njie's
16 statements, there is no developer who fits that motion
17 currently, from what you know right now.

18 MR. SALINAS: But if there is, you know, you
19 look into it.

20 MR. DAROSS: Right.

21 MR. BREWER: Yes, but is it authorized in the
22 QAP? I mean, did -- are we legally okay?

23 MR. NJIE: That is correct.

24 MR. JONES: Further discussion?

25 Mr. Walker, do you have anything you would like

1 to say? You look pensive. I can't get this right, I've
2 got a feeling.

3 MR. WALKER: One of the biggest risks for a
4 lawyer is to give advice about something without much
5 preparation. The --

6 MR. JONES: Ah, but go ahead.

7 MR. WALKER: So it will be conditional.

8 MR. JONES: Yes, sir.

9 MR. WALKER: The issue I see, as I understand
10 Mr. Conine's motion, is if a prior award winner is not
11 meeting the deadlines for closing construction loans
12 that -- and has been put on the recommended list for the
13 2002 credits -- that they be identified and then removed
14 to the forward commitment of 2003.

15 MR. DAROSS: And has not already asked for and
16 received an extension.

17 MR. WALKER: Yes. Well -- and that way,
18 whether they've received an extension or not, those who
19 are not in compliance with the deadline for closing of
20 construction loan -- if I understand it. Is that the
21 motion?

22 MR. JONES: That's as I understand it. Yes,
23 sir.

24 MR. CONINE: Yes.

25 MR. WALKER: Right. And one thought that comes

1 to mind is that if an applicant who has been awarded
2 credits in the past has not met the deadline for closing a
3 construction loan, as I understand it, they lose those
4 credits. Is that correct?

5 MR. NJIE: No.

6 MR. WALKER: No? Okay.

7 MR. NJIE: No. The Department has the ability
8 to extend that deadline.

9 MR. WALKER: I'm saying if it hasn't been
10 extended.

11 MR. NJIE: That's correct.

12 MR. WALKER: That is correct that they would
13 have lost those credits. So if anybody is not in
14 compliance with the deadline for closing a construction
15 loan, then they either have to have received an extension
16 before the deadline or they will have lost their credits.

17 MR. NJIE: Right.

18 MR. WALKER: So they would be out and that
19 project will be dead.

20 MR. CONINE: What I'm trying to do, Mr. Walker,
21 is to take -- and those developers may have city problems.

22 They may have lender problems. For whatever the
23 reason -- but to have them granted another project here on
24 top of the problems they're already having seems like a
25 disservice to me. And I'm not wanting to take them off

1 the list, because everyone in this room know if you get a
2 forward commitment you've got a deal.

3 So -- but I am creating a gap -- I am creating
4 at least a hole in the recommended list by putting them on
5 the forward list. And I think I demonstrated in my
6 earlier comments about the allocation numbers that we've
7 got some room there. And I just think that's the, quote,
8 right thing to do.

9 Now, I may have made a motion that doesn't fit
10 in those bounds, but I'm trying to get one on the floor
11 that will fit within those bounds and not step on any of
12 the QAP criteria -- this year's QAP criteria, because what
13 we're doing is examining the background of that individual
14 and factoring in other things that that individual or that
15 development team has done in the past in our decision for
16 this year. And I think that's, under the QAP,
17 appropriate.

18 MR. WALKER: Yes, sir. And discussion I could
19 have with the staff could clear my mind up on that as to
20 how it fits into the QAP in this context.

21 And getting back to where I started this
22 particular time, I think that this -- this raises an
23 issue, too, in my mind. It's not as clear as the previous
24 issue.

25 And in situations like that, I feel somewhat

1 uncomfortable in giving legal advice to the board that may
2 not be quite so clear but that could raise a hope or a
3 thought to someone who might want to contest the board's
4 action that could lead to a lawsuit. And I would prefer
5 not to give that type of legal advice in open session.

6 MR. JONES: I understand. Thank you. All
7 right. We have a motion on the table. It has been
8 seconded. Any further discussion?

9 (No response.)

10 MR. JONES: Hearing none, I assume we're ready
11 to vote. All right. All in favor of the motion please
12 say aye.

13 (A chorus of ayes.)

14 MR. JONES: All opposed to the motion please
15 say nay.

16 (A chorus of nays.)

17 MR. JONES: All abstentions.

18 (Pause.)

19 MR. JONES: Okay. Let's do it by raising our
20 hands. All in favor of the motion raise your hand.

21 (A show of hands.)

22 MR. JONES: All opposed to the motion raise
23 your hand.

24 (A show of hands.)

25 MR. JONES: Ah, yes. Got a tie breaker. The

1 motion does not pass.

2 MR. SALINAS: How do you address that problem
3 of having to fund or give tax credits continuously every
4 year when you have problems with construction loans in all
5 these sites? You continue recommending the same
6 applicant.

7 MR. NJIE: As I've indicated before, the best
8 applicants in this program sometimes ask for extensions.
9 It is a normal part of the development process, and we
10 take that into account and make our recommendation to the
11 board.

12 Recently everybody has been completing their
13 projects and placing them in service under the required
14 federal guidelines, so there is no recurrent problem in
15 the state of Texas of credits not being utilized. We
16 don't have that problem.

17 MR. SALINAS: Well, I don't agree with you
18 there.

19 MR. DAROSS: Okay.

20 MR. SALINAS: There's a hundred --

21 MR. DAROSS: All right.

22 MR. SALINAS: -- a hundred applicants here that
23 didn't get any tax credits, and I'm sure that you have
24 programs there that are waiting two and three years while
25 you could give some of the other people some

1 opportunities. Are they -- that's okay. That's fine.

2 MR. DAROSS: Mr. Jones has asked me to
3 temporarily take over as chairman. He had a commitment to
4 a judge to make a telephone call at this time. So I will
5 act as chairman until he returns from that telephone call.

6 I'm sure Mr. Conine probably has some more
7 comments he would like to make.

8 MR. CONINE: I have another motion I'd like to
9 make. Back to the issue of having recommended more
10 credits than they asked for, I think I alluded to the
11 fact, in my math, there's probably \$200,000 worth of
12 credits over 17 projects that I counted -- and I may be
13 wrong -- that we have -- that staff has recommended that
14 we give more credits than what the applicant has asked
15 for.

16 And I guess my motion would be simple, in that
17 we would, again, go through the recommended forward
18 commitment and waiting list for those projects recommended
19 by staff to be on any of those three lists and revert back
20 to the applicants applied for credits versus the one that
21 staff has recommended. And that should, I think, free up
22 a couple of hundred thousand dollars. That's my motion.

23 MR. DAROSS: There's been a motion by Mr.
24 Conine. Is there a second?

25 MS. SAENZ: I second it.

1 MR. DAROSS: Second by Ms. Saenz. Discussion?
2 Mr. Bogany.

3 MR. BOGANY: The only comment I have is that,
4 you know, it seems as though we have a staff that we have
5 here to go and look at these particular projects. And
6 even though I don't agree with everything they do, I do
7 feel that if the staff thinks that these projects are
8 going to need more credits to make them work even better
9 than what we've got them set up, then I think -- because
10 I've not sat down and met with these developers and staff
11 has looked at them.

12 It looks like we're taking the -- I guess the
13 bat out of the staff's hand who sat down and looked at
14 these projects, ran the numbers, and then all of a sudden
15 we say, Oh, well, you know, we can take away the tax
16 credits because we're giving them too much -- give them
17 only what they want.

18 It just seems as though we're micromanaging.
19 And I'd like to see, you know, if Mr. Chernob can tell us
20 why he pays those on each project -- and I'm okay with
21 that. But I'd like to get an answer from him versus us
22 sitting here trying to determine that whatever he
23 decided -- that we're now going to undo after they sat and
24 tried to put the project together and talked with the
25 people and understood the numbers, because I haven't

1 looked and talked and ran every number on this thing. And
2 I'd like to get your opinion on that.

3 MR. NJIE: Let me address that. The -- I think
4 Tom alluded to the fact that some of these were because of
5 eligible basis items. These are costs upon which tax
6 credits are allocated.

7 The other reason is because we are using an
8 applicable percentage which has an adjustment factor that
9 the developers did not take into account.

10 When it's all said and done, you don't get tax
11 credits for costs that you didn't incur. So whatever
12 credits we give these applicants, there's ample
13 opportunity for the Department to re-underwrite those
14 projects when they are completed, with a full-blown audit
15 from a CPA of the costs that are included in eligible
16 basis. They can't -- it's not magic. They have to incur
17 those costs to be able to utilize the credit.

18 MR. CONINE: I guess my comment -- and the
19 reason for the motion -- was -- you know, I generally come
20 from the school that if you bid a job and you're low
21 bidder, then you got to stick by the bid. And if the
22 applicant asks for a certain percentage -- dollars of
23 credit, and then he needs to stick by it and make the
24 project work, and that then creates room for other
25 projects around the state to be able to be awarded

1 credits.

2 And that's just, you know, my concept. And I
3 think Mr. Gouris spoke on his opinion that it would not
4 economically impair the particular project. It would
5 still be able to get done.

6 MR. JONES: We have a motion made and seconded.
7 Further discussion?

8 Are we ready to vote?

9 (No response.)

10 MR. JONES: I assume we are. All in favor of
11 the motion please say aye.

12 (A chorus of ayes.)

13 MR. JONES: All opposed to the motion say nay.

14 (A chorus of nays.)

15 MR. JONES: Okay. Here we go again. All in
16 favor of the motion raise your hands please.

17 (A show of hands.)

18 MR. JONES: Gosh. How did I know that's where
19 we'd be? All opposed to the motion please raise your
20 hand.

21 (A show of hands.)

22 MR. JONES: The motion carries.

23 MR. CONINE: Okay. Cherno, my understanding
24 now is we've got at least -- that freed up -- let's just
25 call it 200,000, for lack of a better word.

1 And, actually, I had two -- one project on the
2 forward list and one project on the waiting list that that
3 also impacted. So it might not be a total of 200,000, you
4 know, within the recommended list.

5 MR. NJIE: Okay.

6 MR. CONINE: But it's close to the aggregate
7 total. And I -- and do we -- based on the previous motion
8 did the one project -- 1152 -- is it now going to move to
9 the forward list?

10 MR. NJIE: I believe that motion failed --

11 MR. CONINE: That's right. Okay.

12 MR. NJIE: -- so that will stay --

13 MR. JONES: Your first motion failed.

14 MR. CONINE: Forget that one, then. So -- what
15 am I thinking? And we also have, in your estimation,
16 another million dollars on the forward list -- the
17 difference between 4.5 million and --

18 MR. NJIE: That's right.

19 MR. CONINE: -- the 5.5 million that we
20 probably are going to get? Staff recommended 12.2 percent
21 of the forward list being applied. And I guess, in just
22 thinking about -- I'm thinking out loud, Mr. Chairman, a
23 little bit. But we've got some room here, and I want to
24 figure out how to best utilize that.

25 I'm also -- will say to the board, back to my

1 earlier comments about the regional allocations being
2 short, I know we have a waiting list sitting there, and
3 those projects are tied to regions, obviously. And we
4 might want to take a look at, as they come off of the
5 waiting list, being able to fill spots in either the
6 recommended or forward commitment list -- that we focus on
7 some of the regional allocations that the Legislature's
8 mandated us to do.

9 MR. NJIE: Can I -- I was going to suggest a
10 change or two to the recommendation list before you
11 started your motion earlier. And may I be allowed to make
12 that change?

13 MR. JONES: Please do.

14 MR. NJIE: One of the projects in Region 8A,
15 the San Antonio region, that we had proposed a forward --
16 an allocation instead of a forward commitment is project
17 number 1064, O'Connor Road Seniors. And this is an
18 elderly project. And the amount of credits that we're
19 recommending is 461,821. If you add that to the -- so
20 that will be moved from the forward commitment to the
21 allocation list.

22 MR. CONINE: Can you say what staff's reasoning
23 for moving that one would be?

24 MR. NJIE: We have about \$450,000 available for
25 the 2001 credits.

1 MR. CONINE: Correct.

2 MR. NJIE: And that was an arithmetic on our
3 part. It should have been on the allocation list instead
4 of the forward-commitment list. And that -- that's going
5 to count for any forward commitments. We can fund it out
6 of 2001 credits.

7 The other change we would propose is to add the
8 Heatherwilde project that was the subject of testimony
9 earlier. That project was recommended for Housing Trust
10 Fund or tax credits. And the developers has urged the
11 board that they be put on the waiting list for the tax
12 credits in lieu of the Housing Trust Fund.

13 And we would recommend that we add that to
14 Region 7 in Pflugerville. And that project number is
15 1079, Heatherwilde Park, for an allocation of \$117,000 in
16 credits.

17 MR. CONINE: So staff's making two changes from
18 what we received in the mail -- one, taking one off the
19 forward list -- the one in San Antonio -- and putting it
20 on the recommended list.

21 MR. NJIE: That's correct.

22 MR. CONINE: And then taking one that wasn't on
23 any list at all and putting them on the waiting list --
24 the Pflugerville project.

25 MR. NJIE: The Pflugerville project was on the

1 Housing Trust recommended list. I think that's an agenda
2 item --

3 MR. CONINE: Yes.

4 MR. NJIE: -- coming up later. And our -- the
5 recommendation we got from the underwriters was either to
6 look at additional tax credits or additional Housing Trust
7 Funds.

8 MR. CONINE: Correct.

9 MR. NJIE: And we met with the developers to
10 discuss their project. And as they've indicated today,
11 they would take their chances on a waiting list for
12 additional tax credits in lieu of the Housing Trust Fund
13 that is recommended and was presented to you earlier.

14 So we support that recommendation, and we will
15 make the amendment to add them to the waiting list for
16 \$117,000 in credit. And that is in Region 7.

17 MR. CONINE: Didn't I read in the Housing Trust
18 Fund that staff recommendation though was the opposite --
19 that they'd rather go ahead and do the Trust Fund
20 allocations as opposed to the credits? Didn't
21 underwriting --

22 MR. NJIE: No. Underwriting gave two
23 alternatives --

24 MR. CONINE: Right.

25 MR. NJIE: -- Trust Fund or tax credits.

1 MR. CONINE: But didn't underwriting suggest
2 one of those two, Tom?

3 MR. JONES: I think we're getting different
4 answers from different staff members.

5 MR. GOURIS: The underwriting recommendation
6 was to go forward with the Housing Trust Fund award and
7 not the additional tax-credit award. But we provided the
8 alternative of going forward with the tax-credit award
9 instead of additional Housing Trust Fund.

10 MR. CONINE: So by putting them on the wait
11 list, it doesn't necessarily help. If no one moves, they
12 don't get the credits. And if we change and don't do the
13 Housing Trust Fund, then the project ultimately dies.

14 MR. NJIE: That's an -- that's something
15 they're willing to -- a risk they're willing to take,
16 apparently.

17 MR. CONINE: Can you comment on that, Tom?

18 MR. GOURIS: This project is similar to the Las
19 Brisas project, in which there was additional costs from
20 their original information they provided. They came back
21 in last year and received an allocation of HOME funds from
22 the Department -- and received what they requested for
23 that and then came back and indicated that they still
24 needed some additional funds.

25 And we used the two methodologies to determine

1 what would be in the best interest of the state and felt
2 like we would get more bang for our buck with Housing
3 Trust Fund.

4 MR. CONINE: And you -- and that will fix the
5 economic viability of that project if we approve this
6 here.

7 MR. GOURIS: Well, it would seem to -- to me to
8 because they had made application for that amount of
9 funds, and we're recommending that amount of funds. So if
10 the Housing Trust Fund request was what it was, then it
11 should.

12 MR. CONINE: Well, then I -- based on that
13 information, I think I would recommend not putting them on
14 the waiting list and letting -- get the economic
15 consideration through the Housing Trust Fund.

16 MR. JONES: We were letting Mr. Njie go through
17 his recommendations. Have you completed them?

18 MR. NJIE: Those are the only two changes so
19 that --

20 MR. JONES: Thank you. I just wanted to make
21 sure we completed those. With that in mind, we have the
22 staff's recommendation in written form, with those two
23 changes by Mr. Njie.

24 MR. NJIE: May I also add the conditions to the
25 recommendation? I think those are in your memo. Should I

1 state them?

2 MR. JONES: All right.

3 MR. NJIE: I just want to --

4 MR. JONES: Go right ahead, please.

5 MR. NJIE: Yes. The conditions will be that --
6 we have two conditions. One is that they will close their
7 construction loan within the time stipulated in the QAP
8 and that they would also commence construction within that
9 same period stipulated in the QAP.

10 In addition to that, we will ask that there be
11 some flexibility with respect to the waiting list so that
12 the Department can utilize any additional credits that may
13 be returned in view of the demand of credits that project
14 owners are seeking, with the caveat that no more than 10
15 percent -- no less than 10 percent be still allocated to
16 the non-profit set-aside pursuant to federal law. So
17 those are the conditions.

18 MR. JONES: Thank you. At this point the Chair
19 would entertain further motions.

20 MR. DAROSS: I move that we approve the staff's
21 recommendation as to the allocation of low-income tax
22 credits with the amendments previous made by the board.

23 MR. GONZALEZ: Second.

24 MR. JONES: We have a motion made and seconded.
25 Mr. Bogany, would you like to speak to that?

1 MR. BOGANY: I would like to pull out the River
2 Glen project and vote on it separately on it, because --
3 you know, after hearing -- it was very, very good to see
4 the developer -- and I liked his comments, because I was
5 wondering where he was earlier. And I liked the comments
6 that were against the project.

7 And I honestly believe I've looked at this, and
8 I don't -- I personally don't believe that's the best and
9 highest use for that land. I believe in what the city
10 wants to do, and that is diversify. I do not like a
11 concentration of the credits all in one area. I think it
12 does need to be diversified.

13 But I don't think any board members who lived
14 with that project would wonder whether or not their child
15 can get to school on that busy street there in that
16 project. And, I mean, to me it's obvious the school's on
17 the other side of the creek there. So unless a bridge is
18 going to be made for the creek -- the developer said he
19 was going to put a fence there. So I'm not as concerned
20 about kids going in there.

21 But at the jogging path -- if you looked at the
22 big map that the city had, and it showed -- it's not
23 really around the corner. It's on the other side of the
24 creek. The only way for that child to get to that school
25 is to cut through the back side of the lumber yard or go

1 down the street, which is the busy street, to get over to
2 that elementary school.

3 And I don't think I would want my child making
4 that trip. And I don't think anybody on this board would
5 want to move there.

6 And then the real key to me in this project is
7 that, would this be a viable project if it wanted income
8 tax credits there? This is a commercial deal, and the
9 residential is on this other side of the creek.

10 But I can assure you, because I'm going to see
11 a map, I don't think it's got commercial on the other side
12 of that creek where the other residential is. The
13 elementary school is across -- the other elementary school
14 is across the main busy street. I don't see anywhere for
15 the kids to play. I don't see anywhere for them --
16 they've got to make that trip down that busy street just
17 about to go anywhere.

18 And I have a serious problem with that project
19 of River Glen being in that project. And I don't want to
20 vote on it, and I'd like the board to vote on it
21 separately from the rest of the projects.

22 MR. DAROSS: In order to expedite matters, I
23 will withdraw my motion as to all of them so that you can
24 make a separate motion as to River Glen.

25 MR. JONES: And the Chair will allow you to

1 withdraw your motion. So it -- would anybody -- probably
2 the easiest way to do this is does anybody would care to
3 move separately with regard to River Glen? Does any
4 member of the board want to do that?

5 MR. CONINE: Just to get it on the table I'll
6 move we remove it from the recommended list.

7 MR. JONES: You move we remove it from the
8 recommended list.

9 MR. CONINE: Remove.

10 MR. JONES: Is there a second?

11 MR. BOGANY: Second.

12 MR. JONES: Okay. We have a motion to remove
13 it from the recommended list. We had a second to that
14 motion.

15 Further discussion?

16 (No response.)

17 MR. JONES: Hearing no further discussion are
18 we ready to vote?

19 (No response.)

20 MR. JONES: I assume we are. All in favor of
21 the motion please raise your hand.

22 (A show of hands.)

23 MR. JONES: Okay. All opposed to the motion
24 please raise your hand.

25 (A show of hands.)

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MR. JONES: The motion carries.

MR. CONINE: I need some math help now, I think. Have you been keeping track of this? How much room -- let me ask a follow-up question. You stated some -- in your overall staff recommendation the policy of the waiting list, I think, just a minute ago. What was that?

MR. NJIE: Well, the waiting list is not put in any particular order. What I was alluding to is that we have the flexibility to utilize the credits we have, depending on the amount of request the application and the project owner is making.

So if you have a smaller deal on the project, you will move forward if you have fewer credits rather than wait for a bigger chunk of credits to do another deal. So some flexibility on the waiting list.

MR. CONINE: How does that solve my regional allocation problem, Cherno?

MR. DAROSS: I'd like to know for the record, by approval of the preceding motion we removed \$790,000 from Region 2. There are only four applications for Region 2. I don't know what the amounts were on the two applications -- two other applications in Wichita Falls.

MS. STINER: We can get that.

1 MR. DAROSS: But we're putting a pretty big
2 hole in Region 2 by removing that one project.

3 MR. NJIE: We have another project in that
4 region, and that is for -- actually, two projects.

5 MR. JONES: I think Ms. Stiner's already got
6 that information for you, Chernob.

7 Ms. Stiner?

8 MS. STINER: I don't have the amounts, and
9 that's the most critical piece.

10 MR. JONES: Oh, I'm sorry.

11 MR. CONINE: Should we take a five-minute
12 recess and maybe do some accounting right quick?

13 MR. JONES: That will be great. Why don't we
14 take a five-minute recess. We'll come back at 1:35.

15 (Whereupon, a short recess was taken.)

16 MR. JONES: Okay. Mr. Njie?

17 MR. NJIE: Yes. We have looked at the numbers
18 in view of the actions of the board. What we have in
19 terms of access credits, being the differences between
20 what the applicant recommended -- or requested and what we
21 recommended is 185,828. And the River Glen project was
22 790,399, giving you a total of 976,227.

23 Now, assuming that the San Antonio project that
24 we had moved from the forward commitment is back on the
25 allocation list, we will have that amount to allocate:

1 976,227.

2 If you add that San Antonio project still on
3 the waiting list -- rather, leave it on the forward-
4 commitment list, then you have an additional 1.4 million
5 to allocate for 2000 credits.

6 MR. CONINE: Hang on. I lost -- you lost me on
7 that one. Back up. If we take the San Antonio, which was
8 the O'Connor Seniors project --

9 MR. NJIE: That's correct.

10 MR. CONINE: -- off of the forward and bring it
11 on to the recommended --

12 MR. NJIE: You have this 976,227.

13 MR. CONINE: Okay. Then that frees up some on
14 the forward.

15 MR. NJIE: That's correct.

16 MR. CONINE: How much?

17 MR. NJIE: The forward commitment will be
18 1,544,742.

19 MR. CONINE: That's how much is allowable --

20 MR. NJIE: That's correct.

21 MR. CONINE: -- including the million dollars
22 that we talked about earlier. That gets us up to a full
23 15 percent for next year.

24 MR. NJIE: That's correct.

25 MR. CONINE: So we've got 2-1/2 million dollars

1 to go.

2 MR. NJIE: That's right.

3 MR. DAROSS: Do we have the numbers for the two
4 projects in Wichita Falls?

5 MR. NJIE: Yes. We have two projects. One is
6 1090 for 112 units for 766,065 and another project, number
7 1006, for 120 units for 762,577.

8 MR. CONINE: Can I ask another question?

9 MR. JONES: Certainly.

10 MR. CONINE: And I -- again, I appreciate Judge
11 Daross' question about again regional allocation. Our
12 regional allocation did not figure in the forward
13 commitments that we're issuing this into whether or not it
14 meets the regional allocation because we're just
15 necessarily just dealing with this year's credits. Is
16 that correct?

17 MR. NJIE: That is correct, yes. The regional
18 allocations were weighted to regions which had the most
19 demand for this year.

20 MR. CONINE: So if I go to the forward list and
21 I kind of glance down at the forward list, I can see which
22 regions those, in essence, kind of take care of, even
23 though it's going to be for next year.

24 MR. NJIE: Well, I suppose.

25 MR. CONINE: Correct? Cherno, how would --

1 we've got a wait list that's now going to shrink pretty
2 quick. In fact, it may go to nothing here shortly.

3 How would you recommend that we make additions
4 to the wait list at this point if -- because my concern is
5 that, after reading through all the documentation that
6 I've read, there's projects on either the recommended list
7 or forward list, based on the numerous conditions to
8 funding that may happen, we're going to need some back
9 stop there somewhere.

10 How would we get more projects at this point
11 onto the waiting list so that we can be comfortable that
12 we -- that Texas wouldn't be letting some credits go by
13 the wayside?

14 MR. NJIE: We can just look at it in terms of
15 taking some of the best or highest-scoring projects in
16 each region as a stopgap measure or give us some time to
17 come up with a waiting list.

18 Some of the regions do not have any additional
19 projects to consider, so that wouldn't work. But by and
20 large you could look at the regions that are considerably
21 oversubscribed and develop two or three projects from that
22 region as at least for -- as a waiting list project.

23 MR. DAROSS: Well, I think in view of the fact
24 that the Legislature has spoken pretty clearly about the
25 regional allocation of funds, we really need to look

1 seriously at one of the other two projects in Wichita
2 Falls to put it in the place of the one that was just
3 removed --

4 MR. NJIE: Yes.

5 MR. DAROSS: -- regardless of what goes on the
6 waiting list. I mean, we've got a hole in Region Number
7 2, and I think we need to fill it.

8 MR. NJIE: That's right.

9 MR. JONES: Mr. Bogany?

10 MR. BOGANY: Cherno, because I haven't been at
11 the site -- and I'm not trying to micromanage, once
12 again -- how does this site at River Glen compare to the
13 other two sites? And what were the things that came into
14 play that made you choose River Glen over those other two
15 sites?

16 MR. NJIE: The other project on -- in Wichita
17 Falls, if you look at the address, is also on Jacksboro.
18 So it's a little bit about a mile down the street. It's
19 in the same general vicinity, although on the little bit
20 edge of town in terms of development.

21 The other project is not very far from that.
22 So we're talking about sites that are very dissimilar in
23 terms of the land use surrounding those -- the
24 neighborhood. They are generally within the same areas --
25 within the same sub-market certainly.

1 It's only that this site was a little bit more
2 removed from those other sites. It has a little more
3 activity in terms of commercial development. It had
4 better access, in my opinion, in terms of transportation,
5 et cetera.

6 And the project really complements what the
7 city is trying to do, and that is deconcentrate low-income
8 projects from where they are right now. The two other
9 projects in Wichita Falls are in the same general area
10 that other Section 8 or other tax-credit projects are
11 right now. So they wanted to move a little bit further
12 from that concentration.

13 MR. BOGANY: Now, the traffic pattern on the
14 main street that goes through there, what are your
15 thoughts on that? Would traffic lights slow that down?
16 Would lowering the speed limit? -- because the kids
17 undoubtedly have to cross that street to get to the
18 elementary school.

19 MR. NJIE: Sure. I think --

20 MR. BOGANY: I mean, you've seen it. So I'm
21 asking -- you know, you have to be my eye, because I only
22 see a picture. Can you tell me, you know, do you think by
23 slowing the traffic down, putting up traffic lights there,
24 putting a 20 mile traffic for kids, or things of that
25 nature, would that make a nature? Is there shopping

1 near -- down the street?

2 MR. NJIE: Oh, yes.

3 MR. BOGANY: I mean, what's going on there?

4 MR. NJIE: Shopping is there -- is down the
5 street. It's, again, half a mile really -- less than half
6 a mile from major shopping -- supermarket, et cetera.

7 So I don't think I had the same concerns with
8 adding traffic as may have been voiced here, because I
9 crossed that same street. And, again, it is within
10 walking distance of an existing elementary school.

11 And, you know, on the other side of the creek
12 you have a single-family subdivision. I'm sure they have
13 kids who currently journey through that pathway to go to
14 school.

15 You know, certainly the city of Wichita Falls
16 can do some things, I think, to ameliorate any traffic
17 issues regarding tenants of that property. But I didn't
18 get the feeling that we were basically allocating credits
19 to a project where it would be detrimental to house the
20 safety of the tenants.

21 MR. JONES: Okay. Any motions at this point?

22 MS. WILLIAMS: Mr. Chair, I'd just like to ask
23 some questions.

24 MR. JONES: Certainly. Please feel free.

25 MS. WILLIAMS: There were four projects, number

1 1938 in Region 2, number 1148 in Region 3, number 1072 in
2 8A, and 1162 in Region 6 -- one more -- 1072 in 8A, all of
3 which originally, from how I read them, said they were
4 recommended to decline the application. And yet now we're
5 asked to approve.

6 So I'd just like to know what went on between
7 the -- I guess the underwriting recommendation to decline
8 versus now.

9 MR. CONINE: Before he answers that, could you
10 read those off one more time, please?

11 MS. WILLIAMS: 1138 -- that's Region 2. And I
12 understand some of these are non-profit set-asides and
13 elderly, which make a difference, but I'd just like to
14 know. 1148 in Region 3, 1072 in Region 8A, 1162 in Region
15 6, and 1031 in Region 8B.

16 MR. CONINE: And those are on the recommended
17 list or on all three lists?

18 MS. WILLIAMS: They're in the recommended list.
19 But the original recommendation was to decline it, I
20 guess, from underwriting, if I'm not mistaken.

21 MR. NJIE: I'm not sure --

22 MS. WILLIAMS: Am I incorrect?

23 MR. CONINE: No, I think you're --

24 MR. NJIE: I don't think that those are
25 accurate numbers. Let's --

1 MS. WILLIAMS: Here, Tom. These are the ones
2 right there. Those are the numbers.

3 (Pause.)

4 MS. WILLIAMS: I'm sorry. 1138 forget. That's
5 okay. That's okay. But the others --

6 MR. NJIE: Okay. 1162. Okay. 1035 and --

7 MS. WILLIAMS: Okay. I'm sorry. 1148. I was
8 incorrect. There must have been something else on that.

9 (Pause.)

10 MS. WILLIAMS: I'm sorry. I misspoke. There
11 was something else evidently I had questions about. Okay.
12 1072, Region 8A, and 1162 in Region 6.

13 (Pause.)

14 MS. WILLIAMS: And 1031 in Region 8B.

15 MR. NJIE: And 1035, I believe.

16 (Pause.)

17 MS. WILLIAMS: I just was curious how the
18 original -- evidently what came from underwriting, I would
19 assume, was to decline, and then --

20 MR. NJIE: In each of those instances, if you
21 look at the underwriting report it will provide an initial
22 recommendation of decline with an alternative. And that
23 meant that the project is still feasible if they did
24 certain things.

25 And these were basically administrative things

1 that didn't involve a lot of modification to the project,
2 except for the one in Fredericksburg, where we were
3 experiencing some difficulty trying to determine demand
4 for elderly projects in that city. So the recommendation
5 came that the project should be downsized from 88 units to
6 48 units, and we agreed to do that.

7 Regarding the 1131, there was a funding gap
8 there that the underwriters said could be closed either
9 through additional funds from the city or syndication.
10 And the syndicator was able to plug an additional three
11 cents to close that gap.

12 Regarding 1162 in Houston, the issue was
13 whether the developer intended -- that as an elderly
14 project -- intended to put elevators in the project as
15 required under the QAP. There were inconsistencies in the
16 application, and some of the units -- he said he was going
17 to do them, but we didn't see any evidence of that in the
18 application.

19 So that is provided for on the deficiency
20 requirements, to contact the developer and have them
21 clarify the application, which we were able to do.

22 On the two projects in Region 8B, 1035 and
23 1031, the issue there was whether the market analysts have
24 sufficiently evidenced to us that demand for those
25 projects exist in the city of Pharr and the city of

1 Weslaco.

2 What we did there was to require the market
3 analyst to provide additional information, which we took
4 into consideration. It was still not cleared up
5 completely, so I asked that another market analyst provide
6 additional information so that we can rely on that as
7 evidence that the need existed.

8 I think we all believe that the need exists in
9 Pharr and in Weslaco, but the market study didn't just
10 address it sufficiently to our satisfaction. So the
11 underwriting came as a decline subject to certain
12 conditions. And we were able to satisfy ourselves that
13 the demand exists in Weslaco and Pharr. And, as a result,
14 we recommended the projects.

15 MR. CONINE: How do you bridge the gap between
16 those applications at that point and the ones earlier that
17 were terminated because of inconsistencies or problems
18 within their applications?

19 MR. NJIE: Well, the ones that were terminated
20 were given an opportunity to submit additional information
21 with the required period of time. If you do not do that,
22 then you will be terminated after the time elapses.

23 The terminations were also with respect to
24 material noncompliance that had nothing to do with the
25 application. It had more to do with the existing projects

1 that those principals operate in the program.

2 So we believe that overall we were not treating
3 these applications any different under the rules. We were
4 giving them the same opportunity which obtains for other
5 applicants.

6 MR. DAROSS: I would like to move that we add
7 Project number 01090, which is the Parkstone Crossroads
8 Apartments in Wichita Falls, to the approved list. That's
9 to replace -- essentially, to replace the River Glen
10 project. That leaves approximately \$24,000 still
11 available.

12 MR. JONES: We have a motion made and a second.
13 Discussion on the motion?

14 (No response.)

15 MR. JONES: The second was by Mr. Conine --
16 excuse me. The motion was made by Judge Daross.

17 MR. BREWER: Is that project on either one of
18 the other lists, or is this just --

19 MR. NJIE: No, that one --

20 MR. CONINE: Nothing left in 2. I don't think
21 there's anything left in 2, Mr. Brewer, on either -- on
22 any of the lists.

23 MR. NJIE: That was not on any list.

24 MR. BREWER: Well, can we do that? Where's our
25 legal counsel?

1 (Pause.)

2 MS. STINER: Mr. Brewer's question is, can you
3 do that.

4 MR. JONES: I believe the reason they are doing
5 it is due to geographic dispersement.

6 MR. DAROSS: That's correct.

7 MR. JONES: Is that part of your motion?

8 MR. DAROSS: I'll make it a part of the motion.

9 MR. CONINE: I'll accept the amendment.

10 MR. WALKER: I believe the board has the
11 authority and discretion to place -- to award projects if
12 they're not disqualified or otherwise eliminated from the
13 process, which these four in Wichita Falls, including the
14 one under the motion -- those have not been. As long as
15 there is a rational basis for it, I think, and it does
16 comply with the QAP -- the board has discretion to make
17 those awards.

18 So, yes, I believe that would be legal, Mr.
19 Brewer.

20 MR. DAROSS: And the notation in the material
21 sent to the board regarding that particular project was
22 that another project -- the River Glen project -- is more
23 competitive. I take it from that that this was one
24 competitive, just came in second.

25 MR. JONES: Mr. Bogany?

1 MR. BOGANY: I'm just -- you know, if we're
2 going to do a project in Wichita Falls, I just want the
3 best project done. And we take River Glen off and then we
4 put the other two projects -- and, I don't know, those
5 other two projects may be as dangerous street as the River
6 Glen project -- and I guess is my question.

7 And so I am -- you know, I'm kind of -- I want
8 the best project in Wichita Falls and the safest project
9 for the people who are going to live in that community.

10 And my question -- because we didn't see -- I
11 didn't see the information or anything in regards to the
12 two projects other than what I've got. And I rely back on
13 you, Mr. Chernob.

14 Are you still saying if you took everything in
15 consideration, River Glen is still the better project, or
16 are you just taking the worst of two evils.

17 MR. NJIE: Well, I thought River Glen was
18 already off the list.

19 MR. DAROSS: Yes, it is.

20 MR. NJIE: Well, if you ask my opinion, again,
21 I would say that it is, of the three applications, yes.

22 MR. DAROSS: Of the other two, which one is the
23 better, since we've already taken River Glen off? And I
24 would have to go with the score, I would think.

25 MR. CONINE: Points awarded, yes.

1 MR. DAROSS: Points awarded.

2 MR. NJIE: Yes. This is the project
3 [indiscernible] on 0190 scored 63 points. The other one,
4 1006, scored 60 points.

5 MR. JONES: Don't we have a motion on the
6 table? Mr. Brewer?

7 MR. BREWER: What did -- the one we took off,
8 how many points did they have?

9 MR. NJIE: Sixty-six.

10 MR. JONES: So we have a motion on the table.
11 It has been made and seconded. Further discussion on the
12 motion?

13 (No response.)

14 MR. JONES: Further discussion on the motion?

15 (No response.)

16 MR. JONES: Anybody have anything else they
17 want to say?

18 (No response.)

19 MR. JONES: Hearing none, I assume we're ready
20 to vote. All in favor of the motion please say aye.

21 (A chorus of ayes.)

22 MR. JONES: All opposed to the motion please
23 say nay.

24 (One nay.)

25 MR. JONES: The ayes have it.

1 Any further motions?

2 MR. CONINE: Yes. Mr. Chairman, I think in
3 order to move this along, by my calculations, based on
4 what Chernov's had -- and you guys correct me if I'm wrong,
5 but I'm just going to take a stab at this.

6 Off of the waiting list, if we take Project --
7 in deference to my friends in El Paso -- 1120, which has
8 189,000 -- I think if we plug that into the recommended
9 list right now that would pretty much fill up the boat on
10 the recommended list.

11 VOICE: What project number is that?

12 MR. CONINE: That was 1120. And if we take --
13 so I move that we move that to the recommended list. And
14 then I move that we take Project 1105 in Ingleside, 1156
15 in Dallas, and 1015 in Brenham and move them to the
16 forward commitment list.

17 And I think it -- that will give us -- we
18 probably have a little more room on the forward list at
19 that point, but somebody needs to help me with the math.

20 So I move we move those four projects -- the
21 one in El Paso to the recommended list, the other three to
22 the forward-commitment list.

23 MR. NJIE: Can you tell me those projects --

24 MR. CONINE: Sure.

25 MR. NJIE: -- again by the project number?

1 MR. CONINE: Yes. The one to the recommended
2 list is 01120, Arrowhead Place, Ltd. in El Paso.

3 MR. NJIE: Uh-huh.

4 MS. STINER: That's on one of the lists, Mr.
5 Conine?

6 MR. CONINE: That's on the waiting list.

7 VOICE: Waiting list.

8 MR. CONINE: That's on the waiting list. All
9 these are on the waiting list. I'm sorry. The other
10 three would be 01105, Portside Villas in Ingleside, goes
11 to the forward-commitment list. And that's in Region 8B.
12 01156, Prairie Commons in Dallas, is in Region 3 -- to
13 the forward. And 01015 in Brenham in Region 7.

14 Now, for the rest of the board members that
15 would leave a couple of El Paso projects still on the
16 waiting list. And that would increase El Paso's
17 allocation from five projects to six projects on the
18 regular. And they don't have any on the forward list that
19 I can see.

20 MR. JONES: Okay. We have a motion made by Mr.
21 Conine. Is there a second?

22 MR. BOGANY: Second.

23 MR. JONES: A motion has been made and
24 seconded. Further discussion on the motion?

25 (No response.)

1 MR. JONES: Hearing none, I assume we're ready
2 to vote. All in favor of the motion, please say aye.

3 (A chorus of ayes.)

4 MR. JONES: All opposed, nay?

5 (One nay.)

6 MR. JONES: The motion carries.

7 MR. CONINE: Now, can you help me with some
8 math? We have some room up from the forward commitment
9 list -- and how close to we get on the regular list?

10 MR. NJIE: We have 161,078 on the forward
11 commitment left and 22,193 on the allocation list.

12 MR. CONINE: I am -- I'll go back to my -- once
13 again, my regional allocation concerns. And I don't know
14 how to solve the problem, because it involves going to
15 Region 8B, which has the most deficiency as we -- as -- at
16 least when we got started today. I don't know where it
17 stands right this minute.

18 MR. NJIE: For what? The million --

19 MR. CONINE: We've got 161,000 left on the
20 forward commitment list, and we've got 22,000 left on the
21 regular list, according to some calculations. And there's
22 not a project in 8B that meets either one of those two
23 standards.

24 MR. SALINAS: Well, we need to -- do you have
25 any on the waiting list for 8B?

1 MR. CONINE: We don't necessarily have to burn
2 up all the forward, just as much of it as we possibly can,
3 although that was my complaint earlier today, I think.

4 And I am concerned about the waiting list. We
5 need to figure -- board members, we need to figure how to
6 get more on the waiting list because I just got a hunch
7 that some of these are going to fall by the wayside based
8 on some of the "subject tos" I read in the whole book.
9 Well, all we've got is El Paso on the waiting list.

10 MR. BREWER: Mr. Chair, I -- I have request,
11 Mr. Chair.

12 MR. JONES: Yes, sir.

13 MR. BREWER: And that is, as far as the waiting
14 list goes, does that have to go forward at the same time
15 as we forward our credit allocations in -- our forward
16 commitment? Or can that waiting list be worked out and
17 looked at next month?

18 MR. JONES: In other words, does that waiting
19 list have to be done today?

20 MS. STINER: It is subject to the QAP for the
21 deadline date. That's the question --

22 MR. NJIE: Yes. Some waiting list will need to
23 be approved today.

24 MR. CONINE: You know, board members, Cherno
25 made a recommendation that might make some sense earlier

1 in that we go back to the highest-scoring project in each
2 of the regions that's kind of left over and add them to
3 the waiting list so that we have a pool of projects left
4 over. Unless -- we might want to get Cherno to comment on
5 that one more time relative to his thoughts on that.

6 Did you hear what I said?

7 MR. NJIE: I apologize. I was trying to
8 consult with the general counsel here. Regarding what we
9 have now on the 161,000, if you're looking to Region 8B, I
10 think there is a small project in Refugio for 180,000 in
11 tax credits.

12 MR. CONINE: Yes?

13 MR. NJIE: And so that would utilize all the
14 2001 credits. And it's a little -- obviously, there is a
15 gap there of about \$19,000, but we can underwrite that
16 project and see what it comes out to.

17 MR. CONINE: You picked the lowest-scoring one
18 in the whole deal. Well, let's go back to my comment of
19 the waiting list. If we go back and select a project from
20 each of the regions -- let's say the highest remaining
21 scoring project that wasn't on one of the three lists now,
22 or that wasn't rejected by some action of this board -- to
23 go on the waiting list, what would your feeling be
24 relative to that?

25 MR. NJIE: Well, I would be selective in that

1 there are a number of projects that we -- even though they
2 scored very well we didn't recommend. For example, in
3 Region 3 -- the project in Ennis, for example, that would
4 be on the list now if we go by score.

5 MR. CONINE: Be on the waiting list. It
6 wouldn't be on the --

7 MR. NJIE: That's correct.

8 MR. CONINE: Yes.

9 MR. NJIE: Well, would you want me to come up
10 with a list for you?

11 MR. CONINE: I think you already have. It's
12 what I'm looking at here.

13 MR. NJIE: Let's go through the regions. Maybe
14 we can generate something as we stand here.

15 MS. STINER: Could I just ask a question. What
16 are being asked to do? -- to come up with developments to
17 add to the waiting list?

18 MR. CONINE: That's correct. The waiting list
19 has been expunged except for two projects, and that's not
20 enough. And both of those are in Region 10 in El Paso.

21 MR. JONES: Why don't you do that, Mr. Conine?
22 I think that's a good suggestion. Y'all can go through
23 it right now.

24 MR. CONINE: You know what we could do? If
25 we've got a 2:30 thing -- or we can go to some other

1 business now and then come back to it a little later.

2 MR. JONES: Well, why don't we do that? Why
3 don't we try to deal with this issue with regard to
4 everything with the exception of the waiting list? And we
5 can come back to that after our --

6 MR. CONINE: That's great.

7 MR. JONES: -- executive session.

8 MR. CONINE: That's great.

9 MR. JONES: Okay. I think we still have a
10 motion that needs to be made.

11 MR. CONINE: Mr. Chairman, I recommend we
12 approve the recommended 2001 allocation list and the
13 recommended 2002 forward commitment list per all the
14 motions and actions by this board up to this point.

15 MR. DAROSS: Second.

16 MR. JONES: Does everybody understand the
17 motion?

18 (No response.)

19 MR. JONES: The motion was made by Mr. Conine
20 and it was seconded by Mr. Daross.

21 MS. STINER: I don't think --

22 MR. JONES: Ms. Stiner?

23 MS. STINER: If I may, I don't think the board
24 has considered staff's recommendation to move the San
25 Antonio development from the wait list. That was pulled

1 off the table to consider -- the River Glen project in
2 Wichita Falls.

3 MR. CONINE: She may be correct in that, and
4 I'll defer to her correctness and say that I would yield
5 to that in my motion. That was -- I think it was all
6 calculated within those numbers we were dealing with.

7 MS. STINER: Yes, sir.

8 MR. JONES: Okay. And you accept her amendment
9 to the motion, and the second accepts that amendment, too?

10 MR. DAROSS: I do.

11 MR. JONES: Okay. And she couldn't make the
12 amendment, but it -- Chair probably can't make it either.

13 Mr. Daross did. I heard him. It was there.

14 (General laughter.)

15 VOICE: He mumbled something.

16 MR. JONES: Yes. Okay. Any further
17 discussion? We are dealing now with the allocations, as
18 well as the forward commitments. Okay.

19 (No response.)

20 MR. JONES: Hearing no discussion I assume
21 we're ready to vote. All in favor of the motion please
22 say aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed to the motion please
25 say nay.

1 (No response.)

2 MR. JONES: The ayes have it. Motion carries.

3 I would like to say this. You know, guys, it's
4 been a long -- but you all realize we've put more houses
5 on the ground now than we started this morning. So I
6 commend the board on its hard work.

7 Okay. Let's do -- we've got a little bit of
8 time before we -- I tell you what. We've had people here
9 waiting a long time. Let's go right now into executive
10 session. And then we'll come back and address the other
11 issues. And at that time we can get a new waiting list.

12 (Off the record.)

13 MR. JONES: -- will begin its executive session
14 today, July 31, 2001, at 2:22 p.m. The subject matter of
15 this executive session deliberation is as follows.

16 Personnel matters; number 2, consultation with attorneys
17 concerning pending litigation, Cause Number 98-11816,
18 Hershhal Blankenship, et al v. TDHCA; number 3,
19 consultation with attorneys concerning pending litigation,
20 Cause Number GN102058, Kenneth Mitchell and One Buena
21 Vista, Ltd. v. TDHCA. And we will now go into closing
22 session. I think the board will meet in a room right over
23 here. Thank you.

24 (Whereupon, a short recess was taken to conduct
25 the executive session.)

1 MR. JONES: I hereby certify that an executive
2 session of the board of directors of the Texas Department
3 of Housing and Community Affairs occurred on July 31,
4 2001.

5 I certify that the agenda I hold in my hand of
6 an executive session of the Housing and Community Affairs
7 was properly authorized pursuant to Section 55.103 of the
8 Texas Government Code, posted at the Secretary of State's
9 Office seven days prior to the meeting pursuant to Section
10 551.0044 of the Texas Government Code.

11 That all members of the board of directors were
12 present with the exception of Mr. Shadrick Bogany, and
13 that this is a true and correct record of proceedings
14 pursuant to the Texas Open Meetings Act, Chapter 551,
15 Texas Government Code, and that the subjects matters of
16 the deliberation were as follows.

17 Personnel matters -- action taken, none;
18 consultation with attorneys concerning pending litigation,
19 Cause Number 98-11816, Hershhal Blankenship, et al v.
20 TDHCA -- and action taken, none; and consultation with
21 attorneys concerning pending litigation, Cause Number
22 GN102058, Kenneth H. Mitchell, et al v. the Texas
23 Department of Housing and Community Affairs.

24 The board of directors has completed its
25 executive session of Texas Department of Housing and

1 Community Affairs on July 31, 2001, at 3:45 p.m. With
2 that in mind --

3 MR. CONINE: 2:45.

4 MR. JONES: 2:45 p.m. With that having been
5 said --

6 MR. CONINE: Central Daylight Time.

7 MR. JONES: -- the court -- the court -- with
8 that having been said, the Chair would entertain a motion
9 concerning the settlement in Cause Number 98-11816,
10 Hershhal E. Blankenship, et al v. TDHCA, which has been
11 recommended by the Attorney General's Office.

12 MS. WILLIAMS: Mr. Chairman, I move that we
13 accept the Attorney General's recommendation to settle.

14 MR. BREWER: I second it.

15 MR. JONES: We have a motion made by Ms.
16 Williams, seconded by Mr. Brewer, that the settlement be
17 approved. Any discussion of the motion?

18 (No response.)

19 MR. JONES: Hearing no discussion, I assume
20 we're ready to vote. All in favor of the motion please
21 say aye.

22 (A chorus of ayes.)

23 MR. JONES: All opposed to the motion please
24 say nay.

25 (No response.)

1 MR. JONES: Motion carries. With that, we --
2 why don't we do this? I don't see Chernobyl's back yet, so
3 let's leave tax credits for the moment and go to item 3 of
4 the agenda, which is the presentation, discussion, and
5 possible approval of programmatic items.

6 Mr. Brewer?

7 MR. BREWER: Mr. Chair, we'll have staff go
8 ahead and brief on those projects for the HOME at this
9 time.

10 MR. JONES: Thank you.

11 MS. STINER: Mr. Keith Hoffpauir is the manager
12 of the Housing Trust Fund. You and staff make the
13 presentation please. And these are for 2001 Trust Fund
14 and SECO, State Energy Conservation Office,
15 recommendations, first --

16 MR. JONES: All right.

17 MR. HOFFPAUIR: Good afternoon, Mr. Chair,
18 board members, Ms. Stiner. My name is Keith Hoffpauir.
19 I'm the manager of the Housing Trust Fund program.

20 And today we are presenting our recommendations
21 for funding under our Housing Trust Fund 2001 cycle for
22 development and HTF/SECO energy efficiency funding.

23 A brief history on the funding cycle, and then
24 go into who we're recommending, and will be happy to
25 answer any questions anyone might have.

1 On March 2, 2001, a NOFA was published in the
2 Texas Register. And that's in the development cycle and
3 availability of 4.9 million in development funding and
4 approximately 1.8 million in HTF/SECO funding.

5 The cycle was also advertised by mailing
6 notices to over 1,200 organizations and individuals on our
7 mailing list, as well as posting the NOFA and application
8 on the TDHCA website.

9 The program conducted application workshops in
10 Austin, Dallas, Harlingen, Houston, Lubbock, Midland, and
11 El Paso during the month of March. By April 20, the
12 submission deadline, staff had received requests for and
13 mailed out 117 applications. This does not count any
14 applications that may have been downloaded over the
15 website. And a website application was posted. Twenty-
16 five applications were received in response to the NOFA.

17 The 13 highest-ranking projects that received a
18 favorable recommendation from the credit underwriting
19 division and were consistent with program requirements are
20 now being recommended for awards.

21 Upon completion of the developments, the
22 program will have participated in the creation of 1,182
23 new Housing Trust Fund affordable units for individuals
24 and families with low, very low, and extremely low income
25 and persons with special needs.

1 Additionally, if approved, the units will
2 produce 455 affordable units for persons with special
3 needs. This represents 38 percent of that population.

4 The total number of units recommended,
5 including those units receiving assistance through our
6 HTF/SECO program, will help us to achieve 85 percent of
7 our fiscal year 2001 performance target, which we will
8 exceed with the inclusion of units from our capacity
9 building activity included.

10 Of the \$4,460,850 of funding recommended
11 through the Trust Fund in this cycle, more than 42 percent
12 will be applied in rural areas, with the remaining 58
13 percent applied in urban areas of the state. And this is
14 pretty much consistent with the historical average that
15 we've run within the program. It's pretty much been a
16 60/40 split throughout the history.

17 We received requests totalling \$9,865,734.
18 That is an oversubscription level of 1.45 to 1. Of the
19 \$3,290,500 in development funding, 40 percent of that
20 amount will go toward the production of units for
21 extremely low-income persons and families.

22 I'd now like to read off the projects that we
23 are recommending for funding, unless anyone has any
24 questions before I began.

25 (No response.)

1 MR. HOFFPAUIR: Very well.

2 MR. JONES: Would you like to make a public
3 comment now?

4 VOICE (from audience): [inaudible.]

5 MR. JONES: Okay. Excuse me. Thank you.

6 MR. HOFFPAUIR: All right. TownPark
7 Fredericksburg, Fredericksburg, Texas, 450,000 in
8 development funding. Dayton Housing Authority in Dayton,
9 Texas, 29,350 in HTF/SECO funding.

10 Housing Authority of the City of Meridian in
11 Meridian, Texas, 60,000 in HTF/SECO funding. Heatherwilde
12 Park LP, Pflugerville, Texas, 350,000 in development
13 funding. Deen-Fort Worth in Fort Worth, Texas --

14 MR. JONES: Keith, since we have this in
15 writing before us, I don't know that you need to read it
16 to us.

17 MR. HOFFPAUIR: Be happy to. Otherwise, I'll
18 take any questions the board may have on our
19 recommendations.

20 MR. JONES: Thank you.

21 MR. HOFFPAUIR: Yes, sir.

22 MR. CONINE: Help me a little bit with the
23 total funds available. We're showing 4-million-9, I
24 think, in the Housing Trust Fund that we NOFA'd for.

25 MR. HOFFPAUIR: Yes.

1 MR. CONINE: How was that number derived?

2 MR. HOFFPAUIR: That number was derived from
3 our general revenue allocation that we received for this
4 year of the biennium and also deobligated funds from
5 previous projects that did not go forward, which are
6 considered local funds within the agency.

7 MR. CONINE: Okay.

8 MR. HOFFPAUIR: So we add those two together,
9 and that gives us our amount to go forward with.

10 MR. CONINE: And what's the relative size of
11 the corpus of the Housing Trust Fund now, give or take a
12 million dollars?

13 MR. HOFFPAUIR: We are looking at -- this next
14 biennium, we're looking at roughly about \$6.5 million in
15 funding per year. Now, that would not include any funds
16 that may be transferred to us from other areas during the
17 course of the year.

18 MR. CONINE: And, again, for my clarification,
19 we -- the one specific one, the Heatherwilde deal --

20 MR. HOFFPAUIR: Yes, sir.

21 MR. CONINE: -- is the one we were talking
22 about earlier where this is going to fix their problem.
23 And it was left off of the other calculations, under my
24 recollection, on the tax credits.

25 MR. HOFFPAUIR: Yes, sir.

1 MR. CONINE: And we all have that
2 understanding?

3 MR. HOFFPAUIR: Uh-huh.

4 MR. CONINE: Okay. I move we approve staff
5 recommendation on the Housing Trust Fund recommended
6 project list.

7 MR. DAROSS: Second.

8 MR. BREWER: Second.

9 MR. JONES: Motion made by Mr. Conine. It was
10 seconded by the Judge. He barely beat out Mr. Brewer.

11 Sorry, Mr. Brewer.

12 MR. BREWER: That's okay.

13 MR. JONES: Further discussion on the motion?

14 (No response.)

15 MR. JONES: Are we ready to vote?

16 (No response.)

17 MR. JONES: I assume we are. All in favor of
18 the motion please say aye.

19 (A chorus of ayes.)

20 MR. JONES: All opposed to the motion please
21 say nay.

22 (No response.)

23 MR. JONES: The ayes have it. I think that
24 moves us to Item 3(b). We do have somebody that would
25 like to speak.

1 MS. FORD: Hello. My name is Mia Ford, and I'm
2 the director of Texas Development Institute. My
3 organization is dedicated to supporting the capacity
4 building of our community-based development organizations
5 here in Texas through training and technical assistance.

6 Through the past two rounds of the Housing
7 Trust Fund's capacity building program my organization was
8 awarded and we provided 16 training workshops around the
9 state on developing affordable housing.

10 The need for capacity building funding in Texas
11 for non-profit housing organizations is great. And the
12 needs to be addressed through capacity building funding
13 are greatly diverse.

14 I would like to praise the Housing Trust Fund
15 staff for their efforts to a new approach for the capacity
16 building program this year in directing funding towards
17 technical assistance rather than training.

18 The response of 64 proposals, regardless of
19 having less than a month to prepare those proposals, is a
20 statement itself of the huge need for capacity building
21 funding. I truly wish that the capacity building program
22 could fund all 64 proposals this year.

23 However, the funding is limited and Housing
24 Trust Fund staff have recommended 13 organizations whose
25 proposals show the more experience. I commend the staff's

1 recommendations for 13 organizations who are providing
2 fine quality work for their communities.

3 However, I would like to express my concern
4 that there are no organizations primarily serving rural
5 areas who are recommended for funding. And I would like
6 to express my regrets for those organizations who are less
7 experienced and who are start-up. All of these
8 organizations are struggling to make financial ends meet
9 while making projects happen.

10 I helped prepare the proposal for the Lufkin
11 Community Development Team. This is a one-year old
12 organization who is seeking to revitalize their
13 deteriorating north Lufkin neighborhood.

14 In their proposal they requested funding for
15 the preparation of a market study and for technical
16 assistance to analyze that market study to perform a
17 survey of their community and for guidance in strategic
18 planning.

19 They are attempting to take the right steps to
20 identify their market before they jump into their first
21 housing development project. These are the steps that we
22 technical assistance providers teach our young
23 organizations. However, these steps take money, and this
24 money is difficult to come by, except for programs that
25 are designated for capacity building.

1 Therefore, it is my recommendation that for
2 future rounds of funding through the capacity building
3 program that perhaps a tiered approach be taken -- that
4 perhaps for next year's allocation that the money be
5 divided into perhaps three levels for start-up
6 organizations, intermediate organizations, and those more
7 experienced organizations. And I volunteer to work with
8 the Housing Trust Fund staff to create solid guidelines
9 criteria to help establish the tiers.

10 I appreciate your consideration of my comments,
11 my concern, and my recommendation. And thank you.

12 MR. JONES: Thank you.

13 MR. CONINE: Which organization were you with?

14 I'm sorry.

15 MS. FORD: Texas Development Institute.

16 MR. CONINE: Okay. Thank you very much.

17 MR. JONES: Thank you. All right. We're on
18 2(b) -- I mean, 3(b).

19 MR. HOFFPAUIR: Keith Hoffpauir, Housing Trust
20 Fund manager.

21 What I would like to do now is present our
22 recommendations for funding under our 2001 Housing Trust
23 Fund Capacity Building Program.

24 At this time I would like to introduce, maybe
25 to some of you for the first time, our senior planner, Ms.

1 Stacy Higgins. Stacy has the day-to-day responsibilities
2 of managing this program, and she has done a super job
3 working with me and developing kind of a different
4 direction for capacity building at this time in the
5 program.

6 And I wanted to give her a chance to shine a
7 little bit. And she'll be making the presentation for the
8 activity today. And I'll be right here if she needs my
9 help, which I doubt she will. Thank you.

10 MS. HIGGINS: Good afternoon. My name is Stacy
11 Higgins, and I am the senior planner for the Housing Trust
12 Fund. And I'm very glad to have this chance today to
13 present our recommendations to you. I guess, in the
14 interest of time, I won't recap too much of what you
15 already have in your summary unless, of course, you'd like
16 a summary of the overall program.

17 I do want to take a moment to address Ms.
18 Ford's comments, which I'm very glad that we have the
19 opportunity to bring up some of these points. As she
20 said, within the past two years, we have funded workshops
21 for the capacity building program. These were statewide.

22 This year, when we were looking at how to
23 structure the 2001 program, we were hoping to find a way
24 that we could complement, rather than duplicate, a lot of
25 the training that is going on right now, and will continue

1 to go on across the state, particularly with the Housing
2 and Urban Development and with the Local Initiatives for
3 Support Corporation.

4 Both of these organizations are providing
5 technical assistance very much along the lines of what Ms.
6 Ford was referring to to help start-up organizations --
7 those that are at the very beginnings. Additionally, HUD
8 also has community builders statewide that come in and
9 will work with these types of organizations.

10 So our goal was to find a way we could
11 complement and move to the next level. And, in doing
12 this, we decided to give the non-profits the choice
13 themselves of what they felt their areas of capacity
14 building needed to be. We developed this as a result of
15 comments we'd received from non-profits across the state
16 and what their needs were.

17 The additional benefits in doing this -- and
18 I'm very excited to be able to tell the board that this is
19 the first year that capacity building is able to have the
20 actual creation of units, a total of 516 proposed units,
21 to be exact.

22 And this is a benefit that is not only the
23 primary goal of the Trust Fund, but is also outlined in
24 the Housing Trust Fund rules, which is the next thing I
25 just wanted to comment on.

1 The reason that we had to look at
2 organizational experience and we had to go ahead and give
3 some points for the more experienced -- because our rules
4 do state and because the primary point is the creation of
5 housing, we have to focus our funds where we know that the
6 actual -- that there will be a follow through.

7 Start-up organization is an organization that
8 is, say, one or two years old. If we invest \$50,000, we
9 need to know that that organization is going to be there
10 in year three, year four, and year five to produce results
11 with those \$50,000.

12 We looked around the state, and that was being
13 provided and will continue to be provided through HUD and
14 through other local groups. Trainingwise for those
15 organizations, we felt this year the best use of the funds
16 was to move forward to complement and, as you can see,
17 list some of the benefits that I've outlined here, with 70
18 units or more going for special needs. We have 215 units
19 for extremely low income.

20 We're going to have a specialized project for a
21 person with HIV and Aids in their families. At least one-
22 third of these agencies that are being funded are going to
23 serve special needs directly.

24 So we're able to hit a wide variety of groups,
25 including 56 units set aside for the elderly. And these

1 benefits alone, I think, have certainly supported the
2 direction that we've decided to go this year.

3 The recommendations -- on May 11 we put out the
4 request for proposals. We did receive, as Ms. Ford noted,
5 64 proposals in response. It was a very difficult scoring
6 process. And, out of that, we had 13 organizations that
7 we are ready to recommend for funding. They are listed
8 before you in your books. I'll be happy to read them and
9 summarize them if you'd like, or we could --

10 MR. BREWER: Mr. Chair --

11 MR. JONES: Most of us can read. Conine is a
12 little shaky, but --

13 MR. BREWER: Mr. Chair, I recommend that we
14 approve the 2001 capacity building program as recommended
15 by staff.

16 MR. GONZALEZ: Second.

17 MR. JONES: We have a motion made by Mr. Brewer
18 and seconded by Mr. Gonzalez. Further discussion?

19 (No response.)

20 MR. JONES: Hearing none, are we ready to vote?

21 (No response.)

22 MR. JONES: I assume we are. All in favor of
23 the motion please say aye.

24 (A chorus of ayes.)

25 MR. JONES: All opposed nay.

1 (No response.)

2 MR. JONES: The ayes have it. Thank you very
3 much.

4 MR. CONINE: Could I ask Ms. Stiner a question?

5 MR. JONES: You may.

6 MR. CONINE: Ms. Stiner, tremendous demand for
7 this program, as you can see by the number of
8 applications. Is there something we can do within the
9 HOME funds and the rest of our bailiwick to try to shift
10 some more into the demand cycle of this particular
11 program?

12 MS. STINER: That's the same question we spent
13 our staff meeting yesterday considering among our
14 directors is where do we go. It seems that there were so
15 many developments. So we're continuing to look at all of
16 our funding sources to see if we might come up with some
17 additional funds as we were speaking.

18 I don't think the HOME people were represented,
19 so this will be news to them -- to look there and any
20 other resources we may have internally. It was a
21 fantastic response, and there were many worthy
22 developments and organizations that we just didn't have
23 the funds to assist at this time.

24 MR. CONINE: Thank you.

25 MR. JONES: 3(c). Mr. Brewer?

1 MS. ARELLANO: Good afternoon. I'm --

2 MR. DAROSS: Need an introduction.

3 MR. JONES: Go right ahead. Just tell us who
4 you are.

5 MS. ARELLANO: Jeannie Arellano for the HOME
6 program, HOME program manager.

7 MR. CONINE: Nice to meet you.

8 MS. ARELLANO: In the interest of time I --
9 today the HOME program staff is presenting their
10 recommendations for the 2001 HOME Demonstration Fund.

11 We have three other activities that we will be
12 funding and presenting to the board for recommendation in
13 September -- we hope in September. And I hope at that
14 time that we can give you a complete summary and highlight
15 some of the many changes that we have made in the
16 program's policies and procedures and application cycle --
17 funding cycle in response to our various audits and public
18 comment.

19 So today, I'm only prepared to present our
20 Demonstration Fund recommendations.

21 MR. JONES: Thank you.

22 MS. ARELLANO: Last fall the HOME program staff
23 did participate in the public hearing and public comment
24 process and the consolidated plan, which established that
25 approximately 2.6 million of our total project funds would

1 be available in set-aside for the Demonstration Fund.

2 The Demonstration Fund set-aside was for the
3 preservation of existing affordable or subsidized housing,
4 and could include 4 percent or 9 percent low-income
5 housing tax-credit applications. It is also targeted to
6 nonparticipating jurisdiction areas, with the exception of
7 any CHODO applicants we would have received under that
8 set-aside. And it was not subject to the regional
9 allocation formula.

10 We received a total of six applications. One
11 of the applications we received after the deadline, which
12 was disqualified. We also received an -- one of the -- of
13 the remaining five, one of them did not pass the threshold
14 score of 180 points, as required for that, and they did
15 receive a disqualification letter. And four are being
16 recommended. Of the four that are being recommended
17 today, three of them are low-income housing tax-credit
18 applications.

19 Our recommendations are going to result in a
20 total of 165 units. There is a detailed project level
21 writeup that's been included in the board books. There
22 are also various conditions that these recommendations are
23 subject to, which will be required to have been met before
24 the loans, the HOME loans, close on these awards. So if
25 there's --

1 MR. JONES: Thank you.

2 MS. ARELLANO: -- not any other questions, we
3 request approval.

4 MR. JONES: Thank you.

5 MR. SALINAS: Move for the approval.

6 MR. DAROSS: Second.

7 MR. JONES: Mayor makes the motion and the
8 judge seconds it.

9 Any questions? Comments? Discussion?

10 (No response.)

11 MR. JONES: Hearing none, I assume we're ready
12 to vote. All in favor of the motion please say aye.

13 (A chorus of ayes.)

14 MR. JONES: All opposed to the motion please
15 say nay.

16 (No response.)

17 MR. JONES: The motion carries.

18 MS. ARELLANO: Thank you.

19 MR. JONES: The concentration policy. Who
20 wants to present that?

21 MR. BREWER: Who's going to present --

22 MS. STINER: Mr. Gouris. Go ahead.

23 MR. JONES: I know we've talked about it many
24 times.

25 MR. BREWER: Yes.

1 MS. STINER: And Mr. Gouris.

2 MR. GOURIS: I'm Tom Gouris, director of credit
3 underwriting. We presented this to the board last month
4 and discussed in detail some of the history of it.

5 The board asked that we revisit a couple of
6 folks who had indicated some interest in looking at the
7 issue a little bit more closely, Mr. Henneberger and Mr.
8 O'Conniff [phonetic]. And we met with them a week or so
9 ago, discussed in detail where we are coming from, what
10 we're trying to do, and asked -- they asked -- we asked
11 them to provide us with written comment.

12 On Monday, I guess, of this week -- did we get
13 an e-mail from Mr. Henneberger indicating his --

14 MS. STINER: Friday.

15 MR. GOURIS: Friday? -- withdrawing his
16 concerns for this interim policy, but reemphasizes his
17 general concerns about fair housing and indicating a
18 general desire to -- you know, for the Department to
19 develop a more proactive fair housing policy. But, for
20 this interim concentration policy, he pretty much withdrew
21 his concerns or issues.

22 And so we would like to again ask your approval
23 of this interim policy to be able to move forward for the
24 rest of the year until we can get a more full-fledged
25 policy in place.

1 MR. JONES: Thank you.

2 MR. CONINE: Mr. Chairman, what's going to --
3 the makeup of the ad hoc advisory group, can you expound
4 on that a little bit?

5 MR. JONES: How about Ms. Stiner address that
6 issue?

7 MS. STINER: That was one of the issues that we
8 had hoped to just address in the executive director's
9 report, whether or not that would be membership that this
10 board wishes to make or whether or not you would instruct
11 the Department to move forward with appointing people
12 with -- representing a cross-view of the industry.

13 So that was the question we are posing to you.
14 We had not moved forward to make those recommendations.

15 MR. CONINE: Is the chairman or the executive
16 director going to put together the ad hoc --

17 MS. STINER: That is the question.

18 MR. BREWER: I've got a recommendation --

19 MR. JONES: All right.

20 MR. BREWER: -- Mr. Chairman. I recommend we
21 approve the concentration policy that we have now, and
22 that the executive director work with the ad hoc committee
23 to work on a concentration policy to present to us before
24 we issue the next QAP.

25 MR. SALINAS: Second.

1 MR. JONES: We have a motion made and seconded.

2 MR. CONINE: Is there discussion? Are we
3 discussing now?

4 MR. JONES: Yes. Go ahead.

5 MR. CONINE: Mr. Brewer, I think, was
6 intimately involved in this to get us to this point. And
7 I'd love to see him on the advisory -- ad hoc advisory
8 committee.

9 MR. JONES: I would, too. I guess I didn't
10 understand the motion and --

11 MR. BREWER: I was recommending that the
12 executive director would form the ad hoc committee --

13 MR. JONES: Okay. Thank you.

14 MR. BREWER: -- with the staff, and then that
15 they would work --

16 MR. JONES: Okay.

17 MR. BREWER: If you want a board
18 representative, that's fine.

19 MR. JONES: Yes.

20 MR. CONINE: I agree.

21 Would you accept that as an amendment to your
22 motion, Mr. Brewer?

23 MR. BREWER: I would.

24 MR. SALINAS: I would, too.

25 MR. JONES: Mr. Brewer made the motion and the

1 mayor seconded it.

2 MS. STINER: I would just note for the record
3 that the next QAP is scheduled to be approved by December
4 1. So we will work --

5 MR. BREWER: Correct.

6 MS. STINER: -- very quickly.

7 MR. JONES: Thank you. All right. Are we
8 ready to vote?

9 (No response.)

10 MR. JONES: All in favor of the motion please
11 say aye.

12 (A chorus of ayes.)

13 MR. JONES: All opposed to the motion say nay.

14 (No response.)

15 MR. JONES: Motion carries. Thank you.

16 That will then bring us to Item 4 on the
17 agenda. I'll tell you what. Why don't we finish the
18 agenda and then we'll go back? Okay. Item 4 on the
19 agenda, which is the Morgan Housing, Inc., doing business
20 as Morgan Homes, Respondent, case.

21 We have a recommendation here concerning the
22 ruling of the administrative law judge, Katherine L.
23 Smith, in Docket Number 332-01-2621.

24 Is there a motion in this regard?

25 (Pause.)

1 MR. JONES: Yes. Go right ahead.

2 MR. SCHROEDER: My name is Jerry Schroeder --
3 Good afternoon. My name is Jerry Schroeder.
4 I'm the dispute resolution supervisor for the Department.

5 The Department sought administrative action
6 against this particular respondent. It ended up in an
7 administrative hearing. The judge, as you said, granted
8 our request for default judgment. I recommend that -- the
9 staff recommendation of the Department is that we accept
10 the PFD from the administrative law judge and assess a
11 \$2,500 penalty against Morgan Manufactured Homes.

12 MR. DAROSS: So moved.

13 MR. JONES: We have a motion.

14 Is there a second?

15 MS. SAENZ: Second.

16 MR. JONES: And the second's made by Lydia
17 Saenz. Excuse me, I couldn't see down there.

18 Ms. Saenz? Okay. And any further discussion
19 on the motion?

20 MR. SCHROEDER: I assume nobody here is from
21 Morgan or representing Morgan.

22 MR. JONES: If they have, they haven't signed
23 up to speak. Okay.

24 Hearing no further comments I assume we're
25 ready to vote.

1 All in favor of the motion please say aye.

2 (A chorus of ayes.)

3 MR. JONES: All opposed to the motion please
4 say nay.

5 (No response.)

6 MR. JONES: Motion carries. Mr. Conine, Item
7 5?

8 MR. CONINE: Thank you. I believe we'll call
9 on Mr. Dally.

10 MR. DALLY: Good afternoon, Mr. Chairman, board
11 members, Ms. Stiner. I'm bringing to you a recommendation
12 for our external auditor. That contract comes up about
13 every five years.

14 The reason for that length is because it takes
15 time for an auditor to come in and understand your
16 business. And they oftentimes lose money that first year
17 too, and then we have to give them a window of time to
18 learn.

19 I would like to thank David Gaines and his
20 internal audit staff. They helped me put together the RFP
21 that went out. We put that out on the Texas Market Place.

22 In the end we had two respondents. We had Deloitte &
23 Touche and our current auditors, KPMG Peat Marwick.

24 We put together a team of four. I had two of
25 my managers, Byron Johnson and David Gaines -- looked at

1 both proposals, put their scores together. And it was the
2 conclusion of the group that Deloitte & Touche had the
3 best proposal.

4 So I'm recommending them to be the Department's
5 auditor.

6 Now I did put a note in the board book at the
7 end. They had a proposal to have a minority firm
8 participate to a level of about 30 percent. I'm going
9 to -- what I would like to do is get back to them because
10 our current arrangement is we have a 50/50.

11 And it's one of the initiatives of the state is
12 to have HUB participation where you have a partner with a
13 large firm and then minority firms work together. And
14 what I'd like to do is get back and visit with them and
15 see if we can't up a percentage from 30 to perhaps 40 or
16 50 percent.

17 We can do that in a way -- what happens is each
18 year we'll actually draft up an engagement letter which
19 will lay out the fees and the work to be done. And we can
20 look at the percentage then. Are there any questions
21 on --

22 MR. CONINE: The first year we're talking about
23 is which year that this proposal would kick in?

24 MR. DALLY: With the year -- the audit coming
25 up -- the one that will conclude this August 31.

1 MR. CONINE: Right.

2 MR. DALLY: And it will issue in December.

3 MR. CONINE: Okay.

4 MR. DALLY: The audit statements will be in
5 December.

6 MR. JONES: Questions?

7 MR. CONINE: Mr. Chairman, I make a motion that
8 we approve staff recommendation subject to their ability
9 to negotiate with Deloitte & Touche to get it up to -- I'm
10 going to say 50 percent minority participation.

11 MR. GONZALEZ: Second.

12 MR. JONES: We have a motion made and seconded.
13 It think it was the mayor.

14 MR. SALINAS: No, it was Mr. Gonzalez.

15 MR. JONES: Oh, I'm sorry.

16 Mr. Gonzalez, I apologize. Anything further
17 discussion?

18 (No response.)

19 MR. JONES: Hearing none, are we ready to vote?
20 All in favor of the motion please say aye.

21 (A chorus of ayes.)

22 MR. JONES: All opposed say nay.

23 (No response.)

24 MR. JONES: The eyes have it.

25 MR. DALLY: Thank you.

1 MR. JONES: Thank you. If we could, let's now
2 go back -- although I would say this to board members, my
3 life was threatened today if I did not get correctly
4 everybody that seconded a motion by the court reporter.
5 So I have acted in very great fear and trepidation today.

6 Now we go back to Item 2(b), which is staff
7 recommendations of projects for the waiting list for the
8 year 2001 allocation round.

9 And Mr. Njie is just dying to talk.

10 MR. NJIE: Yes. We have looked at the
11 recommendation -- the remaining projects and, at this
12 point, would like to propose a waiting list.

13 In doing so, we looked at the regions for which
14 we have not quite met the targets as a guide rather than
15 just looking at the points. And then also took into
16 account regions for which there are no additional credits
17 really -- additional projects to put on the waiting list.

18 With that, we came up with the following
19 projects. In Region 10, 1095 and 1098. These are already
20 on the waiting list. In Region 5, Project Number 1028,
21 Spindletop in Beaumont. In Region 7, Project Number 1012
22 in Bastrop. In Region 8A, Project Number 1167 in San
23 Antonio. Again, in 8A, Number 1039 in Boerne. In 8B,
24 Project Number 1055, Laredo Villejo in Laredo.

25 MR. CONINE: That was 8B you said?

1 MR. NJIE: 8B.

2 MR. CONINE: Okay.

3 MR. NJIE: 1055. Another one in 8B, 1143, also
4 in Laredo.

5 MR. CONINE: Okay.

6 MR. NJIE: And, finally, 1086 in Refugio. And
7 that will make it nine projects in all. And it will be
8 subject to underwriting determination. So assuming that
9 these projects are all financially feasible, we would put
10 them on the waiting list.

11 And if additional credits become available, or
12 for whatever reason the recommended projects fail to
13 proceed, we will pick from among these projects as
14 replacements.

15 MR. JONES: Thank you.

16 MR. SALINAS: You need a motion? I move that
17 we go ahead and take his recommendation on the holding
18 list.

19 MR. JONES: Thank you, Mayor. We have a motion
20 that these recommendations be approved by the board for
21 the waiting list.

22 Is there a second?

23 MS. SAENZ: I second.

24 MR. JONES: The motion's been seconded by Ms.
25 Saenz.

1 MR. CONINE: Mr. Chairman, I need just a little
2 bit of time.

3 MR. JONES: Sure. We're going to give you that
4 time, Mr. Conine.

5 MR. CONINE: Chernobyl, could you help me with the
6 latest round of regional allocation numbers, the
7 shortfall? Have you been able to determine that -- kind
8 of where we are now? I mean, 8B's going to be probably
9 the worst -- still the worst one that we've got shortfall
10 on.

11 MR. NJIE: Okay. Let's --

12 MR. CONINE: Or is that --

13 MS. BOSTON (from audience): The funds you
14 added back in from the other ones?

15 MR. CONINE: Yes. The net-net-net of where we
16 are right now. That's -- we're not counting the forward
17 commitments now.

18 MR. NJIE: That's correct. If you're not
19 counting the forward commitments, then really the numbers
20 haven't changed.

21 MR. CONINE: Numbers haven't changed a whole
22 lot.

23 MR. NJIE: That is correct.

24 MR. CONINE: Can you also give me one other
25 piece? The recommended list that you've just made,

1 roughly what does it total up to on credits?

2 MR. NJIE: Okay. Just a moment. We can get
3 that.

4 MR. CONINE: I don't have to have it exact. I
5 can -- just get me in the ball park.

6 MR. DAROSS: I'm going to make a suggested
7 amendment to the motion, and that is we add two projects
8 from Region 3 to the wait list as being Project 1007,
9 which is the Grand Texas Seniors Community, and the Ennis
10 Senior Estates, 1036.

11 MR. JONES: Will you accept that as an
12 amendment to your motion?

13 MS. SALINAS: Yes.

14 MR. JONES: He accepts that as an amendment to
15 his motion. And I assume the --

16 MS. STINER: Could I --

17 MR. JONES: -- second will accept that also.
18 Is that true?

19 MR. SAENZ: Yes.

20 MR. JONES: Okay. Yes.

21 Ms. Stiner.

22 MS. STINER: Can we have the project numbers
23 again, please, and the name of them?

24 MR. DAROSS: 1007 and 1036.

25 MS. STINER: 1036.

1 MR. JONES: Mr. Conine?

2 MR. CONINE: Yes. She's still adding.

3 MR. JONES: I'm sorry.

4 MR. CONINE: She's got that -- that adding
5 machine is so hot right now.

6 Chernobyl, you can probably answer a QAP question
7 for me right quick.

8 MR. NJIE: Uh-huh.

9 MR. CONINE: Does the QAP address the priority
10 on the waiting list or is that up to staff/board
11 discretion?

12 MR. NJIE: No, the QAP doesn't specifically
13 address any priority on the waiting list. And we wanted
14 to propose a flexibility to look at the projects depending
15 on the amount of credits available, again, with the non-
16 profit being at least 10 percent as a caveat.

17 MR. CONINE: So you've got a lot of balls
18 working -- you've got the 10 percent set-aside working in
19 general for the non-profits; you've got the -- if one
20 falls off you've got to kind of match it up either with
21 another size or a combination of projects to equal the
22 same -- or get close to equal.

23 MR. NJIE: And, added to that list, of course,
24 now is the regional allocation. Should one fall from one
25 region, you would ideally want to substitute it for one

1 from the same region.

2 MR. CONINE: Well, that's -- that, to me,
3 sounds like the absolute only practical way to handle the
4 waiting list.

5 MS. BOSTON: Okay.

6 MR. CONINE: Yes.

7 MS. BOSTON: The total of funds, including the
8 two projects in Region 3, is 5,251,402.

9 MR. CONINE: That answers my question.

10 MR. JONES: We have a motion on the table. It
11 has been seconded. Further discussion?

12 (No response.)

13 MR. JONES: Hearing none, I assume we're ready
14 to vote. All in favor of the motion please say aye.

15 (A chorus of ayes.)

16 MR. JONES: All opposed to the motion please
17 say nay.

18 (No response.)

19 MR. JONES: The ayes have it. Motion carries.
20 And we then move to Item 2(d) on the agenda. This is the
21 issuance of a determination notice for tax exempt bond
22 transaction known as Project Number 01430, Blunn Creek
23 Apartments. Would that be Mr. Njie again?

24 MS. STINER: That would be Mr. Njie.

25 MR. JONES: This is your day.

1 MR. NJIE: Once a year. If I can find that
2 one --

3 MS. STINER: I have it here if you need it, Mr.
4 Njie.

5 MR. JONES: We're on 2(d).

6 MR. NJIE: Yes. This is Blunn Creek Apartments
7 in Austin, Texas, Project Number 1430. We're utilizing
8 tax exempt bonds. The underwriting report is part of your
9 board book. And there are four conditions in our summary.
10 Staff is recommending an allocation of \$684,850
11 annually. The project is comprised of 280 units, and I
12 believe the developer is Hunt based in -- Hunt Corporation
13 based in El Paso. And, then, it is consistent with the
14 local housing needs, and there is no opposition to the
15 property.

16 So with that, we move that the board
17 recommend -- or accept staff recommendation to award the
18 credits for this project.

19 MR. CONINE: Move for approval.

20 MS. SAENZ: Second it.

21 MR. JONES: We have a motion made by Mr. Conine
22 and seconded by Ms. Saenz. Further discussion?

23 (No response.)

24 MR. JONES: Hearing none, I assume we're ready
25 to vote. All in favor of the motion please say aye.

1 (A chorus of ayes.)

2 MR. JONES: All opposed nay.

3 (No response.)

4 MR. JONES: The motion carries. Item 2(e).

5 MR. NJIE: 2(e) is extension request for
6 placement in service. And these are two projects that are
7 seeking extension. One is based in San Antonio, 99182.
8 It is right now 70 percent complete. The Department's
9 placement in service date is October 31, which is an
10 earlier date than provided for under federal law, which is
11 December 31. So the developer is seeking extension of
12 that deadline to December 31 to place the project into
13 service.

14 MR. CONINE: We going to vote on them
15 separately or as a group?

16 MR. NJIE: I can look at the -- I can go on to
17 the other one as well. The second project is in Mesquite.
18 That one is also seeking extension regarding placement in
19 service. And that is a 2000 allocation. Actually, it was
20 a forward commitment. They are asking for an extension of
21 deadline to September 30 of 2002.

22 MR. CONINE: What percentage complete -- excuse
23 me. Go ahead.

24 VOICE: No, go ahead.

25 MR. CONINE: What percentage complete are they,

1 would you say?

2 MR. NJIE: This one doesn't indicate what the
3 completion is right now. It is under construction,
4 however.

5 MR. CONINE: Yes, they're under construction.
6 They're started. Right?

7 MR. NJIE: That's correct. The -- it is under
8 construction.

9 MR. CONINE: Move for approval, Mr. Chairman.

10 MR. JONES: Motion made by Mr. Conine.

11 MR. SALINAS: Second.

12 MR. JONES: Seconded by the mayor. Further
13 discussion?

14 (No response.)

15 MR. JONES: Hearing none, I assume we're ready
16 to vote. All in favor of the motion please say aye.

17 (A chorus of ayes.)

18 MR. JONES: All opposed to the motion please
19 say nay.

20 (No response.)

21 MR. JONES: The motion carries. And then we'll
22 return to the remaining item on our agenda, which is the
23 executive director's report. Ms. Stiner?

24 MS. STINER: Thank you, Mr. Chair. The board
25 is required to adopt an operating budget for the

1 Department by August 31 of each year, which is -- I guess
2 September -- September 1 of the fiscal year.

3 We have committed to this board to give you two
4 opportunities to look at that. So Bill Dally, who is the
5 CFO of the agency, will present to you today a draft of
6 that budget. This budget will be coming back to you next
7 month for our final approval.

8 Mr. Dally?

9 MR. DALLY: Yes. And, typically, I have
10 prepared a set of comments and some statistics and
11 comparisons. I do not have that prepared today, but I
12 promise you I will get that out to you this week so you
13 can look at this budget.

14 But, quite frankly, this still needs a lot of
15 internal work among a lot of our staff and with Daisy
16 Stiner because what's new this year is that, with the
17 Legislature, what we've typically had is one pot of
18 resources is going to be eventually subdivided. And two
19 other boards are actually going to look at and contemplate
20 these resources later this year after they get appointed.

21 And so this will sort of be -- but we need to
22 get a preliminary cut and have something approved so that,
23 come September, we can carry on business in sort of a
24 transition period until some of those boards are in place.

25 But they're quite a few resources used to get

1 settled, and I think we still have some meetings with the
2 Governor's Office and stuff to discuss some of the
3 details. So this is -- it still needs a lot of work.

4 But this -- what this looks like is a lot more
5 like what we've had in prior years. But we still need to
6 do some work to see what that might look like in
7 transition.

8 MS. STINER: I think that I might add just a
9 statement, Mr. Chair --

10 MR. JONES: Go ahead.

11 MS. STINER: -- is that the boards that Mr.
12 Dally has referenced to is out of the legislation. One of
13 the programs in the agency, the Community Development
14 Block Grant program, is going to be moved to a new
15 department. And they will have a new board. The
16 Manufactured Housing Division will remain with the
17 Department as an administrative entity, will also have a
18 new board.

19 So there are some challenges in trying to
20 divide up this pot. They're still some variables and some
21 answers to questions we haven't gotten back yet, and
22 probably won't happen until those boards are set and
23 constituted.

24 So we are working diligently with the -- those
25 offices that Bill mentioned -- the Governor's Office, the

1 Legislative Budget Board and others, to try to guide us
2 through some of the answers to those questions.

3 So when we get back to you 8/31, we're very
4 optimistic that all of those questions will have been
5 answered. And we can present you then with a budget. I
6 hear laughing in the audience. We will be able to present
7 to you some semblance of a budget for operating the TDHCA,
8 as well as OCRE [phonetic] the Manufactured Housing
9 Division.

10 OCRE is a new rural development agency that has
11 been created to which the CDBG program will be
12 transferred.

13 MR. DALLY: If I can add a little bit, I think
14 what we'll have to do is -- if we can agree on a set of
15 assumptions that -- and a time line that will get us so
16 far into this, then, I think we can make some rational
17 decisions on kind of how to split this up.

18 But it's still -- there's still the unknowns of
19 some boards and some directors and stuff that are going to
20 have to -- once this is in place they may -- they're going
21 to revisit some of this too.

22 MR. CONINE: Ms. Stiner, could you comment
23 on -- I know the office space was a subject matter of, I'm
24 sure, this budget deliberation -- kind of where we are
25 there?

1 MS. STINER: Yes, sir. We have two things
2 going on with the budget. We have made a request for a
3 waiver to exceed our capital budget, so we might do some
4 build out. We've gotten an observation that, since the
5 fiscal year is over, we probably won't get an improvement
6 on that.

7 To the other end, we've requested a waiver to
8 exceed our 153 square feet of space per employee. The
9 Governor's Office has been very instrumental in working
10 with our agency and the GSC to get a consideration of
11 letting all of our employees, and the employees that will
12 be transferring eventually to the new agency, to remain in
13 place until those decisions are more firm.

14 And director of facilities have been working on
15 our staff with the landlord trying to negotiate that space
16 for at least a minimum of six months. So it appears, if
17 those are successful, that all employees at TDHCA, as well
18 as the new agency employees, will remain in place for at
19 least six months until some of those questions that I
20 alluded to earlier are answered.

21 MR. CONINE: Okay.

22 MR. DALLY: Any further questions?

23 (No response.)

24 MR. DALLY: We'll meet on this again next
25 month. Thank you.

1 MR. JONES: Thank you.

2 MS. STINER: Mr. Chair and board, we have one
3 final presentation. We'll make it very brief. Ms.
4 Suzanne Phillips, who is director of compliance, is making
5 her way down to give you an update on an issue we brought
6 before the board, I think a couple of months ago -- an
7 amendment to a LURA. And we went back and met with the
8 principals of the particular development and have a
9 conclusion that we would like to report to you.

10 Ms. Phillips?

11 MR. PHILLIPS: Good afternoon. For the record,
12 my name is Suzanne Phillips, director of the compliance
13 division.

14 Immanuel Glotzkin, the owner of a 70-unit
15 property in Nacogdoches, has requested a modification or
16 correction to the home land use restriction agreement for
17 Commonwealth Apartments, which has a \$300,000 home loan
18 and an allocation of tax credits.

19 This issue was previously presented to the
20 board but tabled for future discussion. Subsequent to
21 that board meeting, Ms. Stiner and Ms. Cedillo asked the
22 housing program director, legal staff, and the compliance
23 division to review the request and submit a
24 recommendation.

25 According to the Department files, Mr. Glotzkin

1 submitted a request for a LURA correction in March 1999.
2 In his request that he states as a part of his application
3 for funding, he agreed to set aside 14 units for families
4 earning less than 50 percent of AMFI.

5 He also pointed out in his letter that the
6 executed LURA set aside 100 percent of the 70 units under
7 the HOME program rather than just the 14 units. He also
8 reminded the Department in his letter that the 14 units
9 that he offered to set aside exceed the number of
10 affordable units required under the federal or state
11 programs.

12 According to the Department records and the
13 program files, Joe Mann, the HOME program manager at that
14 time, and two regional coordinators both concurred with
15 Mr. Glotzkin's request, and in May 1999 requested an
16 amendment for the following reasons.

17 The percent of HOME units should be 20 percent
18 or 14 units, not 100 percent as currently written. The 14
19 HOME units should be set-aside 100 percent for the very
20 low income. The Department is in second lien position on
21 the property, with less than 7 percent of their total
22 financing for the property.

23 So after review of the files and extensive
24 discussion with Department staff and the deputy director,
25 the housing program director, Pam Morris -- who's on

1 vacation today -- legal staff, and myself, and the audit
2 resolution manager for the Department, are making the
3 recommendation to Ms. Stiner that the owner's request be
4 granted and a LURA correction be granted.

5 Any questions? Thank you.

6 MS. STINER: It appeared, as Ms. Phillips has
7 indicated, that the Department did agree with the LURA
8 amendment. It's just that staff did not move forward to
9 amend the LURA in 1999, and they were able to -- it's just
10 a report. It's an administrative function to amend the
11 LURA. So we will be doing that.

12 But we thought, since we had brought it to you,
13 and you had tabled it and told us to go back and look at
14 it, we wanted to at least report to you what action is
15 being taken.

16 MR. CONINE: Didn't this discussion at the
17 board meeting when it came up center around the financial
18 burden that the applicant was under because he had all 70
19 units at 50 percent or under and not just 14?

20 MS. PHILLIPS: Yes, sir. Because the way the
21 LURA was written, it restricted 100 percent of the
22 property under the HOME program instead of just the 14
23 percent.

24 MR. CONINE: And weren't we specific in our
25 request, upon tabling this item, that we wanted to see

1 just how burdened he was relative to debt service coverage
2 ratios and, at least in the report that I thought we were
3 going to get back, would have dealt with that issue?

4 MS. PHILLIPS: Yes, sir. I believe that was
5 mentioned. And I think part of that could have been the
6 way that we presented the request previously, in that in
7 the owner's letter he did state that, to the extent that
8 we forced him to do the 100 percent, that it would be a
9 financial burden.

10 But, after reviewing the files, it was
11 determined that his representation in his application
12 never represented or offered more than 14 units. So it
13 basically became a moot point.

14 MR. JONES: I don't -- make sure I understand
15 this. What I'm understanding is we agreed to a different
16 LURA than the one that was actually written. And we've
17 gone back and checked with Joe Mann, and he said, That's
18 not the deal. The deal is something different. Is that
19 what we're talking about?

20 MS. PHILLIPS: There were actually documents in
21 the file -- in the program file that showed that
22 discussions were held with the developers, that, in fact,
23 it was not supposed to have been 100 percent but should
24 have been just the 14 units.

25 MR. JONES: I'm not going back to documents in

1 the file. I mean, usually in real estate transactions
2 there is the document. And we're saying that the document
3 was in mistake. The LURA as written was mistaken.

4 MS. STINER: That's correct.

5 MS. PHILLIPS: Yes, sir

6 MR. JONES: And we're saying we went to our
7 file and we found notes or other things like that that led
8 us to believe that LURA was in mistake.

9 MS. PHILLIPS: Yes, sir.

10 MR. JONES: And then we went and asked Joe
11 Mann, and Joe Mann said, No, that wasn't the deal.

12 MS. PHILLIPS: No. We didn't have to ask Joe.
13 There was actually a memo from Joe requesting that
14 amendment be made. And that amendment just was never
15 processed.

16 MR. JONES: But just because you request an
17 amendment be made, and there's a memo that it was
18 requested to be made, doesn't mean that that becomes part
19 of the agreement. I -- it just seems like a strange thing
20 to me.

21 MR. CONINE: Well, I'll take it another step
22 further. And I think I said this when the issue came up
23 before. Is that -- the project is how old now?

24 MS. PHILLIPS: It was a 1996 allocation of
25 credits in the 1996 HOME loan.

1 MR. CONINE: And what town are we in?

2 MS. PHILLIPS: Nacogdoches.

3 MR. CONINE: So what we're doing is we're
4 releasing 56 units to go market rate.

5 MS. PHILLIPS: No, the other 56 units will
6 remain rent-restricted under the tax-credit program.

7 MR. CONINE: To 60 percent of LURA?

8 MS. PHILLIPS: Yes, sir.

9 MR. CONINE: So you're still releasing the 56
10 units from 50 to 60 percent is what we're doing by
11 processing the new LURA.

12 MS. PHILLIPS: Well, we would -- yes, sir.

13 MR. CONINE: Right?

14 MS. PHILLIPS: Yes, sir.

15 MR. CONINE: That's the net effect of what
16 we're doing. And for what we -- to get back to my
17 original question, we still -- unless you've got the
18 numbers, we still don't know what his current debt service
19 coverage ratio is.

20 And we could even ask our underwriting
21 department to give us a thing -- and I think we did -- to
22 give us a feeling on what this would do, or what his
23 current situation was. Do we have that information?

24 MS. PHILLIPS: We have met with underwriting
25 staff extensively. We reviewed the underwriting that had

1 been done on the property. Actually, I believe that it
2 had been reunderwritten four times during the process, and
3 each time was reviewed and underwritten with a different
4 rent.

5 I think one of the things that we looked at is
6 that, in the original underwriting, the rents that were
7 used were incorrect. So there were, throughout the
8 process, mistakes that were --

9 MR. CONINE: You're missing what I'm saying.
10 What's actually happening today is what I want to know.
11 Over the last 12 months what was the guy's debt service
12 coverage ratio?

13 MS. PHILLIPS: I don't have that information.

14 MR. CONINE: That's what we wanted, I think.
15 Because, as Mr. Jones said, even though all intentions
16 were good to do something else, the facts are the
17 documents say what they say. And it requires an undoing,
18 if you will, of that.

19 And if there is no, quote, financial pressure
20 demonstrated, even though the applicant has said he has
21 it, but we have yet to see those numbers -- unless one of
22 our staff tells us we've seen those numbers -- and he's in
23 default on some of the current debt procedures, then for
24 me to say in Nacogdoches, Texas, we go do 56 units from 50
25 to 60, would probably raise the ire of some of our low-

1 income advocates out there relative to that specific
2 project in Nacogdoches.

3 MS. STINER: Mr. Gouris, are you able to
4 represent which version of the underwriting this board
5 looked at when the project was presented for the tax
6 credit? And I suspect they saw that the tax-credit
7 approval process, must have also seen that the HOME
8 approval for that underwriting assumptions in both of
9 those. Okay?

10 MR. GOURIS (from audience): The original
11 underwriting for HOME was stated, was in error.

12 MR. CONINE: So what we saw and what was
13 approved was in error.

14 MR. GOURIS: Yes, four years -- three years
15 ago.

16 MR. CONINE: Say that again one more time?

17 MR. GOURIS: The way it was originally
18 underwritten, neither the applicant or the interim staff
19 recognized the lower HOME fair market rents.

20 MR. CONINE: But the action of the board
21 approved three years ago -- was it at 100 percent?

22 MR. GOURIS: Based on higher tax-credit rents.

23 MS. STINER: Higher tax credits.

24 MR. GOURIS: Or higher HOME rents.

25 MR. CONINE: Forget what the rents were. I'm

1 talking about the 100 percent. Did we approve a LURA for
2 that project at 100 percent? And the LURA lasts for how
3 long in this particular case?

4 MS. PHILLIPS: For the tax credits it lasts for
5 30 years and the HOME LURA is, I believe, the same length
6 of time.

7 MR. CONINE: Again, Mr. Chairman, I'll just
8 say, until they can demonstrate current problems -- forget
9 what the underwriting was, forget -- history is history.
10 Until -- unless they can demonstrate current financial
11 burden debt service coverage ratios, I wouldn't be in
12 favor of staff making this particular move.

13 MR. JONES: I think they just -- I think that
14 staff's reporting to us that they've already done it.

15 MS. PHILLIPS: No, sir, it has not -- the
16 amendment has not --

17 MS. STINER: According to -- is what I'm
18 proposing to do --

19 MR. JONES: Okay.

20 MS. STINER: -- in the administrative
21 authority has not -- I have not signed the LURA yet.

22 MR. JONES: The board has not -- you know, this
23 is not an agenda item for action, so the board can't take
24 any action.

25 MR. CONINE: I thought it was on our agenda.

1 MR. JONES: It's on our agenda as a report item
2 only, not an action item.

3 MR. CONINE: Well, I guess we're getting into
4 the question of the authority of the staff to do what they
5 say they're getting ready to do.

6 MS. STINER: Well, it's clear we have
7 authority, but, certainly, I can always defer authority.
8 We'll bring it back to the board if that's the desire of
9 the board.

10 MR. CONINE: I want to see the numbers. I
11 think I said that in the board meeting at the last time,
12 and I just hate for you guys to run off and do that
13 without showing us numbers -- existing numbers. Not what
14 was -- it was underwritten. Don't care. I want to see if
15 it's got current problems.

16 MS. STINER: If you want a full explanation --
17 we've dealt with this for two months, so he needs all of
18 it.

19 MR. GOURIS: We -- underwriting's been involved
20 in this and have been prepared to -- and have been working
21 on providing revisions. But we ceased activity on it
22 primarily because our counsel indicated that there was no
23 basis for us to be able to enforce the LURA as it was.

24 I think they were indicating to us that,
25 because of the mistakes that were made, we would

1 ultimately be crammed down with what we had.

2 MR. CONINE: Well, it's different if a court of
3 law does it.

4 MR. GOURIS: I fully agree with you.

5 MR. CONINE: You know, I'm just saying let's --
6 the documents are what they are. I presume the sponsor of
7 the applicant signed those documents. And they are
8 recorded on the deed of the property -- to the title of
9 the property -- and to unwind that -- again, I get back to
10 what's the current financial situation. No one's answered
11 that question for me yet.

12 And we may end up wanting to take a tough stand
13 in this particular instance for -- in a preservation
14 issue. And if we lose, we lose.

15 MR. GOURIS: I --

16 MS. STINER: We certainly can bring those
17 numbers back to the board.

18 MR. GOURIS: Yes, I can do that.

19 MS. STINER: I don't have a problem with that.

20 MR. CONINE: I would respectfully request that
21 staff not do anything on this deal until we have our next
22 board meeting and take a look at the numbers.

23 MR. GOURIS: Thank you.

24 MR. JONES: Is that your report, Ms. Stiner?

25 MS. STINER: Yes, sir.

1 MR. JONES: Thank you. I think we've completed
2 our agenda and the Chair --

3 MS. WILLIAMS: May I ask a question?

4 MR. JONES: Yes, you sure can.

5 MS. WILLIAMS: A few months ago we worked on a
6 Sunset Commission's appeals process, which I don't was
7 ever finalized, if I'm not mistaken. And I'd just like to
8 put that back out for something that we could work on and
9 probably get done now that we have our tax credits behind
10 us.

11 MR. JONES: Can we have a report on that at our
12 next meeting?

13 MS. WILLIAMS: I think we were waiting to have
14 a meeting is what we're doing.

15 MR. JONES: Okay. So we'll put it on our
16 next -- an agenda item for our next meeting.

17 MS. WILLIAMS: Sure.

18 MR. JONES: Okay. Great.

19 MS. WILLIAMS: For the committee.

20 MR. BURRELL (from audience): We're having to
21 address the mandates of Senate Bill 322.

22 MS. STINER: There are some implications on the
23 appeals, but they still can to work toward it just since
24 we add those -- what -- just for point of clarification,
25 Mr. Burrell brought up a point that when we first started

1 working on the appeals process, S.B. 322 had not been
2 passed. Now that it has been -- become law -- there are
3 some requirements in S.B. 322 that also relates to the
4 appeal process that we need to make sure we incorporate.

5 But all of it can be addressed when the members
6 are ready to meet again with staff on the appeals process.

7 And we certainly will work to having it on the agenda for
8 next month.

9 MR. JONES: Thank you.

10 MS. STINER: Yes, sir.

11 MR. JONES: On another front, I have -- as far
12 as a meeting date for our board meeting next month, of the
13 ones that have been circulated by Delores, the only date
14 where we can get a quorum appears to be August 21, 2001.
15 So unless somebody has some better ideas, we'll try to
16 meet then on August 21, 2001.

17 All right. The Chair would entertain a motion
18 to adjourn.

19 MR. GONZALEZ: So moved.

20 MR. BREWER: Second.

21 MR. JONES: We have a motion, and it's been
22 seconded. And all in favor say aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed nay.

25 (No response.)

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MR. JONES: The ayes have it. Motion carried.
(Whereupon, the meeting was concluded at 3:55
p.m.)

C E R T I F I C A T E

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MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: July 31, 2001

I do hereby certify that the foregoing pages,
numbers 1 through 247, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Penny Bynum before the
Texas Department of Housing and Community Affairs.

08/07/01
(Transcriber) (Date)

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