

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS

BOARD MEETING

10:00 a.m.
Thursday,
February 13, 2003

Room 437
Waller Creek Office Building
507 Sabine Street
Austin, Texas 78701

PRESENT:

TDHCA BOARD:

Michael Jones, Chairman
C. Kent Conine, Vice Chairman
Vidal Gonzalez
Elizabeth Anderson
Norberto Salinas
Shadrick Bogany

TDHCA STAFF:

Tom Gouris
Edwina Carrington
Bill Dally
David Gaines
Delores Groneck
Robert Onion
Michael Lyttle

ON THE RECORD REPORTING
(512) 450-0342

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APP. #	APPLICANT NAME	ACTIVITY	PROJ. FUNDS	CHDO Op/Adm	UNITS
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P R O C E E D I N G S

1
2 MR. JONES: I'd like to call to order the Board
3 Meeting of the Texas Department of Housing and Community
4 Affairs for February 13, 2003. The first order of
5 business is the certification of a quorum.

6 Ms. Anderson?

7 MS. ANDERSON: Here.

8 MR. JONES: Mr. Bogany.

9 MR. BOGANY: Here.

10 MR. JONES: President C. Kent Conine.

11 MR. CONINE: Here.

12 MR. JONES: Well, we -- I would like to
13 instruct all my fellow board members that we need to treat
14 Kent with an immense measure of respect. I think the
15 preferred title is His Majesty. Mr. President Conine will
16 be acceptable.

17 He is, of course, President of the Home
18 Builders Association for the United States, and we need to
19 congratulate him on that.

20 (Applause.)

21 MR. CONINE: Thank you.

22 MR. JONES: Mr. Gonzalez.

23 MR. GONZALEZ: Here.

24 MR. JONES: Do we have any title I can use, Mr.

1 Gonzalez? I guess not. Media.

2 Mr. Salinas?

3 MR. SALINAS: Here.

4 MR. JONES: Mayor Salinas. Excuse me. And I
5 am here. So we have everybody present, and nobody absent.

6 And I do determine that we have a quorum.

7 The next order of business is public comment.

8 And pursuant to the rules we live by, you have an option
9 with regard to public comment. If you're going to make
10 public comment, you need to fill out a witness affirmation
11 form. And please give that to Delores right back here. I
12 think Delores will be happy to take all witness
13 affirmation forms.

14 And I had a number, and I will call on the
15 individuals that are here. You have an option. You can
16 either testify now at the beginning of our meeting, or you
17 can wait to the agenda item in question.

18 I would say this, just as a matter of -- by way
19 of expressing my opinion. Just remember the earlier you
20 can get to these board members, the better. Because when
21 they're fresh, they listen so much better. So that's
22 just -- for whatever that's worth, that's my opinion.

23 So let me know when you'd prefer to speak. The
24 first person I have is May Lackert.

1 MS. WALKER: Walker.

2 MR. JONES: Walker. Excuse me. I'm sorry.

3 MS. WALKER: Good morning.

4 MR. JONES: Good morning.

5 MS. WALKER: I want to thank you for giving our
6 community the opportunity to come before you. We -- I am
7 May Walker, and I'm a 32-year resident of the Brentwood
8 Subdivision. And I'm a retired person. And the Brentwood
9 Subdivision is located in the southwest area of the City
10 of Houston.

11 We're just real near the Reliance Stadium. The
12 Brentwood Subdivision is a very well-kept community. And
13 we are here asking you to not approve the bonds and the
14 application for the Enclave at the West Airport. And
15 we -- what we want you to please understand, that we're
16 not against anybody moving in the neighborhood. We're not
17 trying to keep anyone out of the neighborhood. We're just
18 real concerned about our little area.

19 We -- we're a bunch of retired professional
20 people, and we take pride in our community. And we get
21 out and we -- we don't -- we physically clean the
22 community. And we don't have homeowners privileges there,
23 where we can collect those -- that amount of money every
24 month. We are controlled by a civic club dues, where we

1 physically go out and collect civic club dues each year to
2 maintain our community.

3 And we hope that you would please acknowledge
4 this when you consider this project. We now have one low-
5 income housing project in the community. When it moved in
6 the community, our crime soared. We had litter and trash
7 that was thrown in the neighborhoods. We had a whole lot
8 of things that we had to really deal with because of the
9 low income.

10 And we're not against low-income, because some
11 of us feel we are low-income people. We don't have a lot
12 of financial resources, but we have a lot of pride and
13 integrity about our community. And we -- some of the
14 concerns that we're really concerned about -- we are
15 concerned when you have an apartment -- a low-income
16 apartment complex there, you have a -- sometimes transit
17 people that move in and move out.

18 And some of the concerns that we have is from a
19 crime perspective. We know that we have increasing
20 burglaries, increasing auto theft, increasing vandalism.
21 This has been proven from the project that we have there
22 already.

23 And another concern that we have -- we have a
24 concern from a health perspective. We know that we've had

1 the problem that -- abandoned cars. We've had the problem
2 with people throwing items -- large items that could be
3 detrimental to the youth in the community.

4 And we have -- some of the -- another one of
5 our concerns is that we tend to beautify -- we collect
6 money and we beautify the entrance in -- of our community.

7 And the apartment residents tend to tear them down. And
8 when the kids come through the community, they would
9 destroy the shrubberies and the plants, and all the things
10 that we try to beautify our community.

11 We are -- we've got to -- we want to present to
12 you some petitions that we got out and tried to get
13 everyone in the community to sign. But because of the
14 lateness of the notice of the hearing that we had in the
15 community, we were not able to get every signature from
16 the people there. So -- but we did -- we were able to
17 collect a lot of signatures.

18 We were also able to -- we have some pictures
19 of one of the prior establishments that this group
20 is trying -- has -- already has in Brookshire. And we
21 hope you'd take into consideration that.

22 We feel that once a group come into your
23 neighborhood, at first it's a beautiful establishment.
24 And once the money has been drained out, they become

1 deteriorated, and a lot of things are lax.

2 You don't have security. You don't have the
3 maintenance -- the proper maintenance that you should
4 have. So we are hoping -- we are not asking for much. We
5 are a bunch of retired, and all the people you see sitting
6 here are from the Brentwood community. And the reason we
7 don't have this place packed is because we are seniors.
8 And a lot of us were ill this morning, and couldn't get up
9 because of arthritis and all sorts of things.

10 So we weren't able to get -- they weren't able
11 to get here. And they sent their regards through the
12 petitions. So we hope that you'll really take into
13 consideration that we want to just try to maintain our
14 area.

15 We -- we're not asking you to give us anything.

16 We just want to keep the neighborhood's integrity, and
17 keep it clean the way we've been doing for the last 32
18 years.

19 And I also have -- I'd like to present to the
20 Chairman a -- some pictures of our community, so you can
21 see the houses that we have there, and see that we have
22 worked hard. And we hope you all would acknowledge that,
23 and just give us that little help this time, and not
24 impose another set of low-income apartments in our area.

1 Thank you so much for giving me the
2 opportunity. And I'd like to give whoever I should here
3 the petitions.

4 MR. JONES: Delores will take care of that for
5 you.

6 MS. WALKER: Okay.

7 MR. JONES: Thank you so much.

8 MS. WALKER: And I'd like for you all to view
9 these pictures of houses in our community.

10 MR. JONES: We certainly will. Thank you,
11 ma'am.

12 MS. WALKER: Thanks for listening to me.

13 MR. JONES: Thank you so much.

14 We do have a special guest with us today, Frank
15 White from the House Committee on Urban Affairs is here.

16 Mr. White, thank you for being here. We
17 appreciate having you.

18 Ms. Margie Taylor.

19 MS. TAYLOR: To Mr. President and the Board.
20 Thank you for having us this morning.

21 MR. JONES: Thank you for being here.

22 MS. TAYLOR: And my name is Margie Taylor. I'm
23 the Deed Restriction Chairperson for the Hiron Clark Civic
24 Club subdivision, which includes Brentwood and Palomino.

1 And when I said Deed Restriction Person, I want
2 you to know that's a job without pay. So --

3 MR. JONES: There are a lot of those going
4 around. I tell you what, you've got two votes here
5 already when you say that.

6 MS. TAYLOR: Okay. There are 768 houses in the
7 Brentwood subdivisions. And we are increasing 318, and we
8 vote about 85 to 90 percent every time the election comes.

9 So we also -- we are kind of in politics, since we do
10 vote. Okay.

11 The school in Brentwood is Hobby Elementary,
12 Dick Darling Middle School, Madison Senior High School.
13 Hobby and Madison is in the middle of the Brentwood
14 subdivision.

15 Children from Glenares, Brentwood, Pamela
16 Heights, Palomino Apartments -- better known as the
17 Aristocrat, and American Manor [phonetic] are zoned to
18 Hobby School.

19 Hobby Elementary School is full right now. The
20 enrollment there is 817 students. Now, you must realize
21 that this school was built before the Aristocrat came. So
22 the school was not built for a lot of students. And it's
23 the same school.

24 At this point, it has nine temporary buildings.

1 That's just how much the place has grown since the school
2 was built. There's nine temporary buildings. And there's
3 a picture of those temporary buildings on that poster. I
4 want you to notice that.

5 MR. JONES: Okay.

6 MS. TAYLOR: We're expecting 93 more new homes
7 going to be built this year -- single-family dwelling
8 homes. They will be built this year. This project will
9 bring in more students.

10 When we asked Ms. Reilly, who is the principal
11 at the Hobby School, how many students were from the
12 Aristocrat/Palomino now named, she said approximately 150
13 students.

14 And then there are 276 units at this -- the
15 Aristocrat of Palomino, as we call it. It's been -- the
16 name has been changed to Palomino. Well, we can expect 50
17 to 60 more elementary students from the 93 new homes --
18 single-family homes they build.

19 If the 200-unit of Enclave Apartments at 4300
20 Block of West Airport are built, we can expect at least
21 100 to 150 more elementary students to be going at Hobby.

22 Where will they put them? I don't know. I
23 guess more temporary buildings. There is overcrowdedness
24 there. And usually, where there is overcrowdedness, there

1 are conduct problems of the children.

2 So the 272-unit Aristocrats are just one block
3 from the one that -- opposed. So I feel that we have our
4 share of tax credit apartment in our area. We've had the
5 Aristocrats for 30 years. And we still have them.
6 They're still HUD and tax credit apartments.

7 Although their name has been changed, they're
8 still that kind of apartment. So now we are being asked
9 to tolerate some more tax credit apartments. We feel that
10 these should be put someplace else, and that someone else
11 share that burden.

12 So we are asking you to please do not approve
13 these things. Because these children have to pass through
14 our neighborhood. They pass down Regency Street and White
15 Heather Street. For those people who have pride in their
16 yards, with flowers and stuff, they pull the blooms off.
17 They tease their dogs if they have fences on the street.
18 They tease the dogs a lot. I've stopped a lot of times
19 and told them, Leave that dog alone. If he jumps over the
20 fence and bites you, you're going to be hurt. As kids
21 will do, they think it's funny when the dog barks a lot
22 and tries to come out of the fence.

23 Please remember that our children are adults;
24 we are seniors. We had hoped at this point we would get

1 some rest from some of these --

2 So we are asking you that tax credit apartments
3 not be approved. We've had our share, and they will
4 overcrowd our school.

5 Thank you, sir, very much.

6 MR. JONES: Thank you. Okay. At this point, I
7 do have a quite a number of people who would like to speak
8 to the board. And I always hate to do this, but unless a
9 board member objects, I think in order for us to make sure
10 we get our business done today, I'm going to have to put a
11 time limitation on comments.

12 And I'm going to suggest a time limitation of
13 three minutes on all further comments from speakers. And
14 if any board member wishes to object, please do so now.

15 Hearing none, that's the ruling the Chair will
16 make. The next witness is Ms. Alma Lilly.

17 And Delores, will you help me with the time
18 limits?

19 MS. GRONECK: Sure.

20 MR. JONES: Thank you.

21 MS. LILLY: Good morning, Mr. President,
22 ladies, and gentlemen. My name is Alma Lilly. And I've
23 been in Brentwood subdivision for the last 31 years. And
24 believe me, we have been referred to the low River Oaks of

1 Houston, only we don't have those megabucks. And we are
2 very proud of our 95 percent of voter turnout for state
3 and city election, and all the elections.

4 And we take great pride in keeping neighborhood
5 the way it is. And it took us years and year after year
6 to keep it that way. So we are asking, please do not let
7 any more low-income entities come into our neighborhood,
8 because they're already all around us.

9 So in this vicinity, it would really be hard on
10 us to do this, because it takes a lot of work for us to go
11 out and pick up paper, trash, and sometime the kids all
12 tear the boards off our fences. So please, take that in
13 consideration. Thank you. And you have a nice day.

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

15 Ms. Claudette Edwards.

16 MS. EDWARDS: Good morning.

17 MR. JONES: Good morning.

18 MS. EDWARDS: To the members of this board, my
19 name is Claudette Edwards, and right now I'm the president
20 of the Hirom Clark Civic Club.

21 You've been listening to everything that's
22 going on here. And I'd like to kind of bring it to a
23 closed thing. Now that we have apartments there they call
24 the Palomino Apartments. There's no permanent security in

1 those apartments.

2 When they moved those apartments there, they
3 told us that they would have security, when the new man
4 took over and named it Palomino. This apartment now has
5 no security there.

6 I've been in this neighborhood myself for 32
7 years. And others has been there longer than I have. I
8 think -- I get calls at night on shootouts that they're
9 having at the Palomino Apartments. There's prostitution
10 over there. They're dealing drugs openly where you can
11 see them.

12 We don't need this in our neighborhood anymore.
13 What we're asking for is not to let these apartments come
14 into our neighborhood. We're not against people coming to
15 the neighborhood. If they want to do something, let them
16 put some homes there where they can house these people,
17 and not apartments, to help make our neighborhood look
18 good.

19 We keep our neighborhood up. There is -- we
20 have problems right now with infrastructure. And if they
21 come in, how would we handle that? How do they handle the
22 infrastructure if they come into there?

23 And what about retainer ponds? What are they
24 going to do about that if they're coming in? We don't

1 have that now. We don't need no flood areas in this
2 neighborhood, and the age that we are now, and you can see
3 that most of us are moving on up, and thank God for that.

4 But --

5 MR. JONES: I think you all look great.

6 MS. EDWARDS: I -- thank you, sir. And I feel
7 great, because I came from the hospital just to be here
8 for this. So --

9 MR. JONES: Well, thank you.

10 MS. EDWARDS: -- this is really interesting
11 for me, because I've been there. All my kids are grown.
12 And they're gone. And as the lady said, I'm looking for
13 some rest. And if I've got to be on a cane, I don't want
14 to have to be running down to other people.

15 So what I'm asking -- don't laugh at me. But
16 what I'm asking you all, to please take a close look at
17 the situation that we have here. Look at the pictures
18 that they've all -- we got up, and we got our only cars.
19 We went to -- we had people drive all the way to
20 Brookshire to just take these pictures so that you can see
21 what's there.

22 And then you can see our homes there. And
23 we're trying to keep that up. And we cannot do that
24 without your help. So we're here today asking you for

1 your help. And I just want to thank you once again for
2 allowing this group to come in and speak to you.

3 And our prayer is that you will not let this
4 apartment come in, and that you will take a close look at
5 the situation that we have here. We are old -- getting
6 old. And I'm on this cane, but I'm here asking for your
7 help this morning. Thank you very much.

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

9 Ms. Baltrip. I hope I said it right.

10 MS. BALTRIP: Good morning.

11 MR. JONES: Good morning.

12 MS. BALTRIP: My name is Celeste Baltrip, and I
13 live in the adjoining community of Brentwood subdivision,
14 which is now in this Pamela Heights. We also are members
15 of the Hiron Clark Civics Club.

16 This morning, as we were coming out, when we
17 got to the main artery to get from -- coming out of the
18 Brentwood subdivision onto Hiron Clark, it took exactly
19 seven minutes for the bus to be able to get out because of
20 the traffic on Hiron Clark.

21 All -- with this type of situation going on, if
22 we have additional people in there, I'm sure we can all
23 understand what kind of problem this will cause for all of
24 us. We have to get out, and especially those of us who

1 are still working.

2 I live in a nice little community. It was very
3 nice at one time, until Section house -- Section 8 housing
4 came in. And I have been in that house 33 years. I have
5 seen a lot of things come and go. And the most
6 destruction I have seen has come from the Section 8
7 housing, which is going -- which is what this apartment
8 complex is part of.

9 And I think that we just can't hardly take any
10 more of that. We're all elderly people that we go to the
11 doctors and tell us to walk because of our hearts, and
12 blood pressure and diabetes. And we're afraid to come
13 outdoors, much less walk.

14 So I'm asking you with all sincerity to please
15 give this your utmost consideration. I do thank you.

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

17 Mr. John Mullaney.

18 MR. MULLANEY: Thank you for allowing me to
19 address you today. I'll keep it brief and to the point.
20 I'm John Mullaney, Senior Vice President of Muni Map,
21 Midland. Our company is providing construction and
22 permanent financing for the property.

23 We do that through the purchase of tax-exempt
24 bonds. Also through the purchase of the tax credits that

1 will be 4 percent tax credits that would be involved.

2 I'd like to say that, first off, we feel that
3 this property is economically viable. The reason for that
4 is we've done our research on it. We've done our
5 underwriting on it, and we feel that when it's completed,
6 it will be an attractive apartment community.

7 Secondly, we feel there is a demand and a need
8 for this housing in the area. This is based,
9 incidentally, on third-party reports, feasibilities and
10 appraisals done by other people who make a living doing
11 that, and together with our underwriting, we feel strongly
12 there is a demand for it.

13 Also, we've had years of experience with the
14 developers, the Washburns. We've done many affordable
15 housing properties with them. And our experience with
16 them has been that, A) they complete the property. And
17 that it is, in fact, an asset to the community.

18 Also, they manage their properties. And for
19 the long haul, they are able to bring on housing that is
20 affordable and is also safe.

21 It's difficult to sit here this morning and
22 hear the comments of the residents who came here from
23 Houston today to oppose this property. Given what's going
24 on right now with another Section 8 property that they

1 referred to, it's hard not to have empathy for and
2 understand their concerns and their fears.

3 I would just like to say that I come from a
4 different perspective. Our company was one of the
5 original companies in the tax credit program, going back
6 to the Tax Reform Act of 1986. And during that time, we
7 financed hundreds of properties throughout the country,
8 thousands of units.

9 And although I know there are exceptions, the
10 vast majority of these developments have been very
11 attractive, and the communities that they've been built in
12 are very proud of them.

13 And we feel that there is good reasons to
14 support this, and we ask for your approval. Thank you.

15 MR. JONES: Mr. Jim Washburn.

16 MR. JIM WASHBURN: Good morning, board. Thank
17 you for the opportunity to speak today. My name is Jim
18 Washburn. I do represent the developer of this
19 development. I'd like to start off by saying that I want
20 to applaud the people of the -- the people and residents
21 of Houston that have come here today -- Ms. Walker, Ms.
22 Taylor. I have met with them on numerous occasions.

23 They are a lot of wonderful people. They are
24 crusaders for what they do, and I applaud that. And I do

1 understand where they're coming from. I mean, I know.
2 I've seen this development that they're talking about.
3 And you know, quite frankly, I'm hoping that our
4 development can help their community. And that's some
5 things that we've talked about.

6 And that's why we have met, to discuss ways
7 right now that we can maybe put things in our budget that
8 can help with the beautification of the neighborhood. I
9 mean, what we're talking about here is a misconception of
10 what we put on the ground.

11 And they've had 30 years to look at something
12 that's been an eyesore to them, in a program that doesn't
13 work anymore. That's not how we create affordable housing
14 anymore.

15 I picked up a couple of members of the board in
16 a van, took them to some of our properties, took them to
17 some other 9 percent tax credit properties, showed them
18 this is what it is. It's not what we're used to.

19 They took some pictures of our properties in
20 Brookshire. Those are Section 515 properties, financed
21 under a totally different program where there's not so
22 much equity that's put into these developments.
23 Therefore, we can't put in the same type of amenities.
24 It's a scaled-down version of affordable housing.

1 It's safe and decent affordable housing, but
2 it's not what we're able to do under this program. So you
3 know, I understand where they're coming from. I think --
4 I have very amicable conversations.

5 We talk about, you know, if this does go
6 forward, we'll be talking about how we can help each
7 other. And I do feel like that that will happen if we're
8 blessed to have this opportunity to put this development
9 in the area.

10 I do have -- you know, there have been numerous
11 comments regarding a lot of concerns -- flooding and
12 traffic and overcrowding of schools. I put a packet
13 together that addresses each one of those individual
14 items. I can answer those questions now if you'd like me
15 to, or you could go through this and I could come back up
16 and answer questions later. But --

17 MR. JONES: Why don't you let Delores have
18 that, and she'll pass it out, and then any board member --
19 excuse me. Any board member that has questions, feel free
20 to ask them. And that's probably the best way to handle
21 it at this point.

22 MR. JIM WASHBURN: I do have pictures as well.
23 I did take them to -- they wouldn't go take pictures of
24 the nice ones. All the -- they're all nice. So I'd like

1 to pass this around as well.

2 So you know, I -- as a developer, obviously,
3 I'm -- you know, I wanted to say this, you know, get on my
4 pedestal for a second when it talks to what we're trying
5 to do.

6 I mean, we -- my company is -- and our company
7 is a small family business. We've been in this -- we've
8 been in affordable housing for 20 years. You know, we've
9 never bent the rules, created hocus-pocus partnerships,
10 tried to get deals. You know, we've maybe gotten a deal
11 every other year. So nobody -- you know, this hasn't been
12 a windfall for us by any means.

13 When this deal development came along, we --
14 basically, we've had probably one -- one deal in our last
15 four years. And when this came along, this is an
16 opportunity for us. And you know, we go out. And we are
17 proponents for affordable housing. We're the small guys.

18 And this type -- you give us the type of
19 programs, the State of Texas does, that we're out there
20 trying to administer. And unfortunately, it doesn't
21 matter if you go into urban, rural, white, black,
22 Hispanic. The minute you mention affordable housing, you
23 have an education process that you have to start.

24 And the bond program -- that education process

1 is a very short time frame, unfortunately. And it's
2 something we have to look at. I know guys like us, it's a
3 very costly one at this point, if it doesn't go forward.

4 So you know, I -- I just -- I say that because
5 we are proponents. We do -- we are out there
6 administering the program the way it's set up. We've done
7 everything that's asked of us. And I've committed and I
8 will commit to working with this group, in front of the
9 board.

10 And I think that they would -- I think that Ms.
11 Walker and her group would agree that I've been amicable
12 and we talked about things that we can do, and we will do
13 that. We will follow through. So I just want to say
14 that.

15 MR. JONES: Thank you, sir.

16 MR. JIM WASHBURN: Are there any questions?

17 MR. SALINAS: Sir.

18 MR. JONES: Mayor?

19 MR. SALINAS: We come back to the same problem
20 we have with zoning. We did have a planning and zoning
21 meeting there. And I know that the Houston people do not
22 believe in zoning. So it really comes back down to this
23 board. And we have to take care of your zoning.

24 I just heard that the public hearing that they

1 had, there was nobody in favor of your project. And
2 again, you know, we go to the same problem every time that
3 we deal with people in Houston.

4 We don't have that problem in the rest of the
5 state, because we have our planning and zonings in our
6 communities. And when you have a public hearing -- I just
7 heard from somebody that nobody was in favor of the
8 project.

9 My position has always been who is going to
10 represent these people that are against your project?

11 MR. JIM WASHBURN: Well, I'd like to address
12 that a little bit.

13 MR. SALINAS: So --

14 MR. JIM WASHBURN: We did have somebody at the
15 board and at the TEFRA hearing that was in support. And
16 it was a council member. But the council member --

17 MR. SALINAS: Is she here?

18 MR. JIM WASHBURN: She's not here. And I'd
19 like to say this. Well, you do not have letters of
20 opposition from anybody to this point, when it comes to
21 the State Senator's office, the State Rep's office, the
22 council member's office. I mean, I --

23 But you understand that the politicalness of
24 this situation. You might have some people that support

1 it, but are yet unable to take a stance, because it could
2 be political suicide. I mean, I'm just saying this for
3 the record. We do have support for this.

4 We're talking about a community that we are --
5 we don't abut up against. We own the property. We've
6 addressed all the issues. And you know, that's just where
7 we are today.

8 MR. SALINAS: And the thing is that it's hard
9 for this board to look at something that has never been
10 looked by anybody in Houston, the city or Planning and
11 Zoning. And we have to make the decision here. And
12 that's not our job.

13 I think my job is to listen to the people that
14 are opposed or in favor. Till this date, we haven't
15 gotten one letter from anybody in Houston supporting this
16 project. And the public hearing was everybody was against
17 it.

18 We had the same problem in Katy. So what do we
19 do? I would hate to put anything anymore in the City of
20 Houston, because they lack the zoning ability to choose
21 their areas where these housing projects are going to be
22 at. And then we're here talking about this.

23 You know, and I hate to do this to any
24 developer. But if I was in the developer's shoes, I would

1 work with the community to get some support, but
2 apparently you didn't get any from the community that
3 lives there. And you can understand how they feel. And
4 they're old. And it's going to be very hard for me to
5 support this.

6 I wish the City of Houston, or somebody around
7 there, would concentrate on trying to find a way to bring
8 zoning to their area. It's very hard for us to
9 continually support projects like this without zoning.

10 MR. JIM WASHBURN: Well, we'll --

11 MR. SALINAS: And have public hearings the way
12 any normal other city does. So --

13 MR. JIM WASHBURN: I understand what you're
14 saying. Unfortunately, we're under -- we're -- this is
15 the program we had to work under at this time. And if
16 it's flawed, it does need to be improved.

17 MR. SALINAS: I agree with you.

18 MR. JIM WASHBURN: I don't know whether --

19 MR. SALINAS: And it's not fair for you,
20 either, for you to come down here without any authority
21 from the City of Houston for us.

22 MR. JIM WASHBURN: We do have some more
23 comments and more people that are able to speak, so --

24 MR. JONES: Thank you.

1 MR. JIM WASHBURN: Thank you, sir.

2 MR. JONES: Any further questions for Mr.
3 Washburn? The next speaker is Mr. Charles Washburn.

4 MR. CHARLES WASHBURN: I'm going to yield my
5 time back to Jim and let him answer the questions you may
6 have from the handouts.

7 MR. JONES: Sure.

8 MR. CHARLES WASHBURN: Will that be okay with
9 the board?

10 MR. JONES: That would be fine with the board.

11 I'll tell you what. If the --

12 MR. CHARLES WASHBURN: If you have no
13 questions, then I'll speak at the end.

14 MR. JONES: Okay. That will be fine. We'll
15 handle it that way.

16 MR. CHARLES WASHBURN: All right. Thank you.

17 MR. JONES: Ms. Veronica Cash.

18 MS. CASH: Can you hear my heart beating? I'm
19 going to try to mumble a few words as coherently as I
20 possibly can. Basically, you were saying that you didn't
21 have a voice in the community that was in support of the
22 proposed site.

23 MR. SALINAS: Well, according to the public
24 hearing, there was nobody there supporting the project.

1 MS. CASH: Right. I'm a small voice in the
2 community. I do --

3 MR. SALINAS: Were you at the public hearing?

4 MS. CASH: Yes. I reside in --

5 MR. SALINAS: Somehow they -- they didn't tell
6 me that.

7 MS. CASH: Okay.

8 MR. SALINAS: Nobody was in favor of you -- of
9 this project in the public hearing.

10 MS CARRINGTON: She didn't speak.

11 MR. SALINAS: Huh?

12 MS. CARRINGTON: Maybe she was there and didn't
13 speak.

14 MR. SALINAS: Okay.

15 MS. CARRINGTON: She's not on the list of
16 people who spoke.

17 MR. JONES: Please. If we could.

18 MR. SALINAS: Go ahead.

19 MS. CASH: Okay. Basically, I do live in the
20 neighborhood. I also work for Texas Interfaith Housing.
21 I am a supportive services coordinator. Basically, the
22 services that we offer would counteract some of the
23 problems that the residents are concerned about.

24 We would come in with GED classes, parenting

1 classes, resume development. We also -- one of the sites
2 where I currently work is very similar to the property
3 that he is proposing to develop. And we do have different
4 activities that we do with the residents to help with the
5 beautification process, our community gardens, and that
6 sort of thing.

7 I find that when the residents have an
8 alternative to committing crime and vandalizing the
9 neighborhood, they take that alternative, if you take time
10 and educate them and spend time with them. And that's
11 what these supportive services community would do that Mr.
12 Washburn has already incorporated as a part of planning on
13 the developments.

14 Basically, I grew up the neighborhood. I still
15 go back to the neighborhood with my daughter. I have a
16 two-and-a-half year-old. So I have a vested interest in
17 the community. I would not be supporting something that I
18 thought would make the community not enjoyable for us
19 anymore.

20 We go to the little park there in Brentwood all
21 the time. I used to go to Madison High School, walking
22 through Brentwood to get to my home in Glenares. So I
23 wouldn't stand before you supporting something that would
24 be detrimental, you know, to the neighborhood that I grew

1 up in.

2 I think that one thing that people are
3 forgetting is that these people in the community that
4 would live in the proposed site are good people. They
5 just don't make a lot of money. And if you come in and
6 offer them supportive services and alternatives, they will
7 make better decisions. And the vandalism and that sort of
8 thing will not be a concern.

9 I guess, basically, in conclusion of the whole
10 matter, I just wanted to say I know the difference that
11 the supportive services can make in this type of
12 community. And I know how it could pull the community
13 together. Thank you for your time, and thank you for
14 listening.

15 MR. JONES: Ms. Cash, on your form you didn't
16 write who you were with. You kind of mentioned it, but I
17 didn't catch it.

18 MS. CASH: I'm with Texas Interfaith Housing.
19 It's a --

20 MR. JONES: Texas Interfaith Housing?

21 MS. CASH: Yes. It's like a third-party agency
22 that comes in and offers supportive services to make the
23 apartment community more positive.

24 MR. JONES: Is that a charitable organization?

1 MS. CASH: It's not for profit. Yes, sir.

2 MR. JONES: It's a nonprofit organization?

3 MS. CASH: Uh-huh.

4 MR. JONES: And it works with various housing
5 developers?

6 MS. CASH: Yes.

7 MR. JONES: Okay. And do you work with the
8 Washburns some?

9 MS. CASH: No. I'm a -- I work with a third-
10 party agency. I work with the Housing -- Texas Interfaith
11 Housing. And we are just --

12 MR. JONES: Do they work with the Washburn
13 Development Company on occasion?

14 MS. CASH: Not yet. But he's going to employ
15 our services at this proposed site.

16 MR. JONES: I see. I see. And that's how you
17 got involved?

18 MS. CASH: Yes.

19 MR. JONES: Okay. Thank you, ma'am.

20 Mr. Barry Halla.

21 MR. HALLA: Mr. Chairman, could I defer my
22 comments until Item Number 5 comes up?

23 MR. JONES: Yes, sir. You sure may.

24 MR. HALLA: Thank you.

1 MR. JONES: Mr. Chris Engle.

2 MR. ENGLE: Hi. Thank you very much. I'm here
3 to talk about the Woodway Square Apartments in Austin.
4 And just present to you a few of our findings on an
5 economic study we performed for the developer. And I'm
6 with Angelou Economics, a consulting firm here in Austin.

7 I've had the good fortune of analyzing the
8 Austin economy for about seven years now. And I can tell
9 you that the Austin economy will recover. And --

10 MR. JONES: When? Hurry up. Hurry up.

11 MR. ENGLE: Well, we just had our forecast
12 event, and we do forecast about 26,000 new jobs.

13 MR. JONES: It's always good to forecast when
14 you can amend it. You know, that's not --

15 MR. ENGLE: Well, we try not to. And it
16 certainly has been a rough couple of years. But the
17 fundamentals are strong, and we believe that the southeast
18 market continues to be a -- quite a gem for the Austin
19 economy.

20 There is quite a bit of infrastructure in place
21 down in southeast Austin. There are significant new
22 development projects that will serve to create jobs in the
23 short term.

24 We also see that population growth in general

1 has been very strong in the southeast market as well. And
2 that this demographic of this area lends itself very well
3 to this type of housing.

4 Primarily that demographic is a -- quickly
5 approaching the Austin average. It is improving quite a
6 bit, and is really quite a positive area for the east side
7 of Austin.

8 Incomes are about average to the Austin area
9 right now. Population growth has been strong. And I'm
10 talking about the area south of Ben White, east of 35. It
11 is a very young population. Families are also very --
12 much larger. It is heavily Hispanic, about two-and-a-half
13 times the Austin average. And a high percentage of those
14 people are in production occupations.

15 And again, this does lend itself to a high
16 level of demand for affordable housing, which we believe
17 is fairly just around the corner. Again, there are
18 several new projects on the east side that have a --
19 upwards of a million square feet of space that will be
20 creating the types of jobs that the workers would be
21 living nearby.

22 I also believe that the affordability issue for
23 Austin in general is a very important one, and the
24 manufacturing sector needs to continue to provide a very

1 low-cost affordable housing for its workers, so they don't
2 have to necessarily drive all the way down to Bastrop or
3 Buda.

4 So we believe that the southeast market is
5 strong, that the fundamentals are there to support a
6 housing project of this type. The project itself is a
7 very high-quality development that would serve to improve
8 the entire surrounding area. And we are supportive of
9 this project. I'll answer any questions you might have.

10 MR. CONINE: You're the guy that I'm looking
11 for. Good to see you.

12 MR. ENGLE: Good. Thank you.

13 MR. CONINE: Our condition -- one of the
14 conditions of this commitment says that the maximum 60
15 percent tax credit rents in this area can't be achieved,
16 because market rates are actually less than that 60
17 percent.

18 Why wouldn't a pass on this project this year,
19 and go to another one in another part of the state that
20 might make some sense, and wait on this area next year, or
21 whenever it becomes feasible?

22 MR. ENGLE: Well, I think you'll see that the
23 rents have remained strong in the southeast market. The
24 occupancies are on par with the Austin average. Demand

1 for housing continues to be strong, despite the lack of
2 employment growth.

3 I believe that economic growth is very close --

4 MR. CONINE: Well, you say strong. When I make
5 the assumption that 60 percent of median income rents are
6 higher than what the market rate rents is, that's not how
7 I would define strong.

8 MR. ENGLE: Sixty percent of median-income
9 rents --

10 MR. CONINE: Yes. Are greater than what the
11 current market rates are, based on what I'm reading here.

12 MR. ENGLE: Uh-huh.

13 MR. CONINE: You didn't find that in your
14 evaluation?

15 MR. ENGLE: Well, we found that the incomes
16 were much higher than we had originally expected, and that
17 they could support this type of project. We didn't see
18 the disparity that I think is controversial here.

19 MR. CONINE: Okay.

20 MR. JONES: Further questions? Thank you, sir.

21 MR. ENGLE: Yes.

22 MR. JONES: Mr. Brent Stewart?

23 MR. STEWART: Good morning, Mr. President.

24 MR. CONINE: Good morning.

1 MR. JONES: He's told me about three times now
2 that anybody else says that, I'm going to die.

3 MS. ANDERSON: Enough already.

4 MR. STEWART: Some of us have not been able to
5 congratulate him due to the ex parte rules, and so this is
6 my first time to do that.

7 MR. CONINE: Thank you, Mr. Stewart.

8 MR. STEWART: Good morning. For the record, my
9 name is Brent Stewart. I'm a development associate with
10 Trimaco [phonetic] Co-Residential. Before you this
11 morning I request to approve both the bond issuance
12 resolution and the tax credit determination notice for the
13 North Vista Park Townhomes. These are Items 2(a) and 3(a)
14 on your agenda. And I'll be happy to answer questions
15 about that development as you get to it on your agenda.

16 I appear before you now, however, to discuss a
17 more global policy issue that unfortunately has turned out
18 to be relevant to the North Vista request. I'm here to
19 ask for your guidance and leadership in developing a
20 written policy statement and formal rules to address one
21 of the toughest challenges facing our industry and your
22 agency. And that issue is neighborhood opposition.

23 Neighborhood or community opposition has become
24 the foremost obstacle in the delivery of affordable

1 housing in our state. Over the last couple of years, the
2 amount and sophistication of the opposition has increased
3 dramatically, resulting in the withdrawal of many
4 applications by developers due to the uncertainty of the
5 outcome, or the actual denial of many developments.

6 It is this uncertainty that is at the heart of
7 my request to you this morning. Uncertainty of the
8 outcome for the developer, uncertainty for the communities
9 that are opposed to the development, and uncertainty for
10 the families that would directly benefit from the housing.

11 A written policy statement and set of
12 guidelines would define and put a framework around the
13 opposition issues. It would displace some of the
14 polarizing aspects of the discussion, and add some
15 certainty to the process.

16 Other states like California and Florida have
17 responded to the opposition issue, and have gone as far as
18 enacting laws that prohibit discrimination based on
19 income.

20 Each state has approached it a little
21 differently, and it's time that we started debate on the
22 issue, and find a Texas solution. Last month I withdrew
23 our application on the Groske [phonetic] Park development
24 in West Houston. This development was to be located in

1 the same community that the Greenland Park proposal was
2 located.

3 Not surprisingly, the second project we're
4 seeing the same level of opposition based on the same
5 arguments as the first transaction. Even after exhaustive
6 attempts to educate the community, the elected officials
7 on the merits of the transaction.

8 While we continue to disagree with the basis
9 for the opposition, and believe that our withdrawal of the
10 second project will further promulgate opposition on
11 future developments as the withdrawal would be seen as a
12 victory for unfounded arguments.

13 We made a business decision to terminate the
14 transaction due to the uncertainty associated with the
15 approval. After working through a couple of these issues
16 in a very public fashion, and witnessing many others, I
17 believe that neighborhood opposition is an issue that
18 cannot be addressed solely by the development community.

19 We are viewed strictly as a profit-motivated
20 interest, unable to convey the public purpose of these
21 proposals and merits of these programs, as we are biased.

22 In this discussion, there was a missing voice
23 by -- of the low-income resident that would benefit from
24 these developments. This is a part of the discussion that

1 rarely gets told, nor is it appropriately represented.

2 Many of these families are already living in the
3 communities that are fighting so hard to keep them out.

4 Most are already contributing to the community,
5 and are part of the quality of life that exists there.
6 Their kids are already in their schools. There is a
7 gentleman in West Houston that I will call Hector, that
8 contacted me prior to the public hearing on the Groske
9 Park proposal.

10 He and his family live in an existing multi-
11 family property that was one-tenth of a mile from our
12 proposed site. He works for the Katy ISD, and his
13 children attend the local elementary and high school. His
14 kids make good grades, and hope for college scholarships.

15 Hector is currently paying \$1,150 a month for a
16 three-bedroom unit. On top of this, he is charged an
17 additional \$50 because his family size exceeds the limit
18 that's imposed by the current property owner.

19 The total rent, with utilities, represents
20 almost 61 percent of his family's combined income. Hector
21 would have saved \$355 a month for a larger, newer, higher-
22 quality unit at our property.

23 Hector attended the public hearing on the
24 Groske development, and was horrified by the

1 characterizations that he heard about low-income people.
2 He was offended that his family was considered --

3 MR. JONES: Mr. Stewart, if you could wrap up.

4 MS. FLORES: I'll sign up and give him my four
5 minutes.

6 MR. STEWART: Well, I will submit the rest of
7 my remarks in writing.

8 MR. JONES: Well, let me -- I'm going to ask
9 you a question. So I think maybe you can say what you
10 need to say, Mr. Stewart, in response to my question,
11 because it's probably headed where you're going.

12 I think you raise a very -- excuse me. I think
13 you've raised some interesting and very valid issues. I
14 also think it's even more complex than you're stating it
15 is, from the pressures that -- involved here.

16 MR. STEWART: Yes, sir.

17 MR. JONES: Obviously, you know as well as I do
18 there are times when communities and developers work very
19 well together, and wonderful results have occurred. And
20 you've seen the results of that, as have I.

21 And we also see that in these instances where
22 everybody is at each other's throats, you know, it harms
23 the whole process. And certainly, the example of Hector
24 that you're raising -- he's, unfortunately, one of the

1 people that are harmed.

2 Also, too, from the perspective of this board
3 and this department, when we went through Sunset a couple
4 of years ago, and people wanted to do away with this, one
5 of the overwhelming reasons was due to the fact that we
6 weren't responsive to public, and we weren't responsive to
7 public comment. And we were accused of ignoring what the
8 public might have to say to us.

9 And the Legislature told us that that was one
10 of the reasons why they strongly considered putting us out
11 of existence, and saying we shouldn't even operate for the
12 state.

13 So there are a lot of issues here, and there
14 are a lot pressures. And I wouldn't even refer to that as
15 political pressure, because I would have to say this. I
16 do think state government wants to be responsive to
17 citizens. And I think that's valid. I don't think that's
18 political. I think it's valid.

19 I think it's part of the process that you're
20 suggesting. And frankly, I kind of like the idea. I
21 would like to know why it works sometimes, and why it
22 doesn't work sometimes. And the Mayor has eloquently
23 stated that in Houston --

24 MR. SALINAS: The thing is, that nobody else in

1 the state has any problems, except Houston. And he needs
2 to go to the Houston City Council, the Travis County
3 Commissioner's Court, and every little community there,
4 and they need to take care of what you want. And there
5 has never been anything here has been rejected, has been
6 approved by Planning and Zoning in any community in the
7 State of Texas except Houston.

8 Now, you cannot blame us for that. Now, we
9 approve anything that comes -- and approved by the
10 Planning and Zoning in this community. We haven't done
11 anything. But when you have an area like Houston, that
12 now you want to include the whole state, which is false,
13 because we have never denied anybody. We have denied when
14 we have a lot of people out of Katy -- when you had 600
15 people at a public hearing opposing your project.

16 Now, you cannot ban the rest of the state. I
17 represent a city. I'm a mayor of a city. And I have a
18 planning and zoning. We are going to go according to what
19 that planning and zoning in that community -- and they
20 have public hearings, and they decide the zoning that we
21 have. And then the developer can do what he wants to with
22 that zone.

23 But in Houston, you don't have anything. You
24 want us to do everything for you. Well, we're not going

1 to do that, especially when you have people that have
2 problems with that contract or that area. It's very hard
3 for us. And then one of the problems we have to have --
4 we have to be responsible to the taxpayer, and to listen.

5 We can't just not rubber-stamp, just simply
6 because the staff says it's got to be done.

7 MR. STEWART: Mayor Salinas, my remarks here
8 this morning are not intended to be about a specific
9 development, but --

10 MR. SALINAS: Well, but you said the whole
11 state.

12 MR. STEWART: Well --

13 MR. SALINAS: I don't think the whole state has
14 any problems.

15 MR. STEWART: We definitely have problems in
16 the entire state.

17 MR. SALINAS: I don't know if we had one here
18 before.

19 MR. STEWART: We have had numerous -- I am here
20 to propose a solution to work through some of these issues
21 and make this process better. I'm not here to be
22 critical.

23 I'm not here to -- and unfortunately, I wasn't
24 able to preempt the three-minute time limit this morning,

1 because I do have some recommendations as it relates to
2 putting a task force together to draft and address and put
3 a framework around this issue.

4 MR. JONES: Well, to --

5 MR. STEWART: Currently, there is nothing
6 existing.

7 MR. JONES: Right. Excuse me. Ms. Anderson
8 has a question.

9 Ms. Anderson.

10 MS. ANDERSON: No, I have a -- it's my
11 understanding the staff is in the process of working on
12 some proposed rules for the board's consideration. And I
13 think that Mr. Stewart's input might be very helpful,
14 because I think he is raising very good points.

15 But I also want to echo the Mayor's sentiments,
16 and caution you not to use hyperbole when you say denial
17 of many projects. Since I've been on this board -- let me
18 finish. And I've -- since I've been on this board, there
19 have been two projects denied. One was your project in
20 November.

21 There was also another development in Houston
22 that was denied sometime last year because of very murky
23 market demand issues for the project. And as the Mayor
24 states, we approved over significant community opposition

1 projects in McKinney and in the City of Dallas, in the
2 Duncanville School District last year.

3 This board works very hard to put affordable
4 housing on the ground. And we do it, most of the time, in
5 very, you know, strong partnership with our developers. I
6 know you know that, because you were a part of that when
7 you were here.

8 MR. STEWART: Sure. And again, I apologize,
9 because I think this issue is bigger than this board,
10 because what you don't see many times are the transactions
11 that have difficulty with the permitting process at the
12 local level, that have other issues that never make it to
13 you.

14 So I am not at all suggesting that this is
15 needed because so many developments have been denied at
16 this level. You all are doing a spectacular job at what
17 you're doing. And I think I truly understand what
18 happened to us on the Katy issue, and that's not a blame
19 thing.

20 This issue is an issue that there is not a law
21 or there's not a single rule really that encompasses what
22 we're dealing with here. And it's frustrating the
23 development community. I know it's frustrating you all.
24 And I know it's frustrating the neighborhood groups,

1 because of just the polarizing aspects that this
2 discussion generates.

3 My remarks here this morning are strictly about
4 trying to be a resource, and spark something to happen to
5 start addressing this issue on a global nonspecific deal
6 basis so that we don't continue to have the same levels of
7 animosity about the programs, about these developments,
8 about this agency, about the developers, about -- you
9 know, this goes on and on and on. It's just such a
10 negative situation.

11 And again, I'd be happy to submit this to you,
12 because that's -- I'm not here about, you know, sour
13 grapes about anything. I'm here to try and make something
14 better.

15 MR. JONES: And please, I don't think we're
16 taking it that way. I agree strongly with the Mayor's
17 comments. I agree strongly with Beth's comment. But I
18 also really think you're raising issues that we want to
19 talk about, that we are talking about. And I share the
20 Mayor's frustration with Houston, you know.

21 But you know, every which way, you wonder
22 what's going on in Houston? But, you know, having said
23 that -- sorry. I didn't mean to --

24 MR. BOGANY: I'm going to make a comment.

1 MR. JONES: But I would suggest that you submit
2 those suggestions in written form so that we could read
3 them and look at them, and about this task force --
4 because I think it's a really interesting idea.

5 Mr. Bogany?

6 MR. BOGANY: Okay. In regards to zoning,
7 Houston had a deal come up with zoning. The citizens said
8 they didn't want zoning in Houston. Houston is a very
9 fine city. The reason it is the largest city and the
10 reason it has been so dynamic is because it has not had
11 zoning from a point that it has been able to grow.

12 We use deed restrictions in Houston to control
13 the neighborhoods, to control what's going on in the
14 community. I am very familiar with this area of
15 Brentwood. My office is not far from there. I'm a
16 graduate of Madison High School. So I am very familiar
17 with Brentwood.

18 I am concerned that we have too many of these
19 projects in Houston. I haven't been that way. Since the
20 beginning I've been on this board there have been two
21 studies, one in Wayne State University, one in Wisconsin.

22 And either one of these studies have ever said that
23 affordable housing or low-income tax credit as bringing a
24 neighborhood down.

1 Actually, the neighborhood has gone up in
2 value. And I'm concerned with the Katy issue. I thought
3 that was overblown. I thought it was rabid. I just had
4 never seen anything like it, and I have enough emails
5 to -- that will last me forever.

6 And so I'm concerned, though, that the
7 opposition of these projects are all normally put in
8 minority neighborhoods, and it's not as much opposition in
9 those particular neighborhoods.

10 And if you get them out to Houston, and dot it
11 out, they're all in minority neighborhoods. So I have
12 some sympathy for this Brentwood community, which is
13 predominantly a minority neighborhood, in seeing that it's
14 being set in my neighborhood.

15 On the flip side of that, I have one down the
16 street from my house that I voted for, and my values have
17 not gone down. I've got one that -- it sits right in
18 front of another neighborhood in the Fort Bend area that
19 the values have not gone down, and the values have gone
20 up.

21 So I don't believe this stuff that the values
22 are going to go down. But I do believe the values will go
23 down if you heavily concentrate them all in one area. And
24 if you've got the Aristocrats, or whatever, there and then

1 you put another one there, to me, that's
2 overconcentration.

3 If you go up and down 288 through the Houston
4 area, we've got them. We have too many of these projects
5 in Houston, far as I'm concerned. But if you get out in
6 El Paso, the colonias, these rural communities, people
7 want these projects.

8 And it just seems to me if I'm in the
9 development community, I would want to go where I'm
10 wanted. And it just really blows me away that all of them
11 are dotted in Houston, Dallas, San Antonio. They're all
12 sitting there. And it's heavily concentrated in our
13 general area.

14 And you know, I'm just -- I'm on the fence so
15 much with this because I'm tired of them being put in
16 minority communities all the time. And I think that's why
17 you don't get some opposition sometime, because people
18 work and they can't come up here. They don't have time to
19 come up here.

20 And they rely on us to make a decision. But as
21 the developers, you guys throw this at us to make the
22 decision for you. And it's not up -- it's not -- it's
23 your job to sell this to that community. And if you
24 didn't do a good sales job, you lost a sale. My feeling

1 is it's not us to make the decision for you.

2 And I would like to see this board be
3 consistent. And I think we have been consistent to a
4 certain extent. But overall, I feel that the community
5 doesn't want it in the neighborhood. We had public
6 comment. And they don't want it. Then that's their
7 choice. As the Mayor said, they don't have any other way
8 to stop it.

9 The deed restrictions don't allow it to be
10 stopped. And you can do whatever you want to do in
11 Houston, as long as you have strong deed restrictions.
12 And this is what this neighborhood is trying to do, is
13 protect their neighborhood through their deed
14 restrictions.

15 And I feel that I am very open in doing
16 whatever -- I would love to sit on your task force.
17 Anything we can do to bring this thing together. But I am
18 tired of these projects being put in predominantly
19 minority neighborhoods all the time.

20 And in that Wisconsin study, and in that Wayne
21 State University study, it says predominantly that if you
22 put them in constantly in one area of concentration, it
23 does bring values down. It's when you scatter housing,
24 put them all over the community, that you don't have that

1 issue.

2 And I would just -- you know, I was listening
3 to Houston taking all this beating here. But you know,
4 we've got a great city. And there's a reason it's the
5 number-one city in this state. And that's because of the
6 growth, of not having zoning. And the citizens have said
7 they don't want zoning. So that's where we are today with
8 this.

9 But I -- you know, why can't we spread these
10 out. And I -- you tried to put one in Katy. To me, that
11 was scattered housing. You went out of the area. You
12 went into an area that's not predominantly minority, and
13 then turned around and tried to put a project.

14 And I think those people were misled. I think
15 those people didn't understand. But that was your job to
16 sell that project to them. That's not us to police that.

17 That's your job to sell the project to those residents.
18 And I applaud you guys for trying to go out and put it in
19 another area.

20 And you know, it's just -- it's amazing to me
21 how we constantly concentrate these all over -- in just
22 the minority communities. And I bet if you go to Dallas,
23 primarily they're all in minority communities. I bet you
24 go to San Antonio, you'll see the same thing.

1 And so I'm just hoping that we can come up with
2 a better program than what we're doing right now on this
3 project. Thank you.

4 MR. JONES: Thank you. I think, too, if you
5 could just let me echo, because I think we're getting some
6 real good input here towards what you might want to write
7 and address when you come back to us, Mr. Stewart,
8 because, well, I echo Mr. Bogany's comments.

9 I mean, in my own neighborhood we have a
10 development. And we wanted it. And in Tyler, Texas, let
11 me say this, we want it. I mean, I can speak for the city
12 council. You know, if TDHCA wants to come to Tyler, come
13 on over.

14 So that's frustrating to me that, you know,
15 there are -- that you know, it seems to me like there's so
16 many communities that want us, and we're not there. And
17 we have to explain why we're not there. And then to hear
18 communities that don't want us, and for us to have to deal
19 with that, is really frustrating.

20 So you know, just for whatever it's worth --
21 well, because I do think what we're struggling with is the
22 developers that can come up with plans that can work with
23 communities, and, you know, gosh, those are the guys that
24 are really going to be getting the job done. Excuse me.

1 Mr. Conine.

2 MR. CONINE: Can I pile on just a minute?

3 MR. JONES: Yes.

4 MR. CONINE: Sure glad you opened up this can
5 of worms for a discussion this morning. It's nice of you
6 to do that.

7 MR. JONES: He didn't say Mr. President, did
8 he?

9 MR. CONINE: What we need to remember here,
10 keep in mind, is that tools that the development community
11 has used in the private activity bond cap and the tax
12 credit, whether they be 4 or 9 percent are just that.
13 They're tools. They're not mandates.

14 And granted, maybe the low-income person is not
15 necessarily represented in this discussion all the time.
16 But on the other hand, we don't have to use every bit of
17 private activity bond cap up. We don't have to use tax
18 credit up. There is no mandate that says we have to do
19 that. You have to keep that in mind.

20 One of the concerns that I've had repeatedly,
21 and it's from this forum and others, is how we use those
22 Federal resources, and how we're mandated by the State
23 Legislature to use those Federal resources. And the
24 lottery system stinks. I -- there's -- in my mind, it's

1 just the absolute worst way -- that, and the 120-day rule,
2 which all of you are pressured to cram these things into,
3 make absolutely no sense.

4 And between now and March 15, the guys over
5 there right up the street need to produce a bill that will
6 fix that problem. And I would encourage you, Mr. Stewart,
7 and others, to go over there and help make that happen.

8 MR. STEWART: And we are working on it. In my
9 mind, related but separate issues, framing something
10 around acceptance of this type of development, allocation
11 programs that in some part direct where they go. And I
12 think those are both lofty goals that we can work with you
13 on and the Legislature on.

14 MR. JONES: Thank you, sir.

15 MR. STEWART: Thank you.

16 MR. JONES: And I think maybe we've given you
17 some ideas further for how you can address this.

18 MR. STEWART: Certainly.

19 MR. JONES: Thank you.

20 Mr. Chris Richardson.

21 MR. RICHARDSON: Good morning. Thank you very
22 much. I'd like to talk about Agenda Item 3(b), I believe
23 it is, the Woodway Square, and answer a couple of
24 questions.

1 To start with, though, I just want to say that
2 we were picked in the lottery. There was nothing about
3 zoning or anything being required when our number was
4 pulled out of the lottery. We agree that there should be
5 a better way to allocate these funds, rather than a
6 lottery. So we commend you -- your comments this morning
7 on that.

8 But now we are zoned. We own the property. We
9 have the property financed. My 120 days is up tomorrow.
10 We're scheduled to close. You know, it's good to hear
11 that you don't terminate any zoned properties. You know,
12 so we're looking forward to moving forward.

13 We have also -- we had also neighborhood
14 support. We had letters of support from our state
15 representative, our -- the City of Austin, Travis County,
16 are all in support of the project.

17 SEAN -- Southeast Austin Neighborhood
18 Association, which covers about 4,000 families, has
19 written a nice letter of support for us. That's another
20 situation where we've had their support on prior projects.

21 And I'd just like to answer any question.

22 I think Mr. Conine asked one question about the
23 market itself. Our project is a 60 percent market. We
24 engaged Angelou Economics to give us more -- not a market

1 study, but an economic report, you know, just what's going
2 on in the areas of Austin, what's happening job-
3 growthwise.

4 We went to their seminar that they recently
5 had, and 26,000 new jobs estimated by them over the next
6 two years in Austin, many of which should be in the
7 southeast quadrant, you know, where -- primarily a
8 Hispanic area right along I-35.

9 We view the market that we will be getting
10 concessions in the 60 percent rent level of about 70 to
11 \$85 on the one and two-bedroom. Right now, we -- we're
12 confident we can get the full 60 percent rents in the
13 three-bedroom, you know, which is another indication of
14 the three -- you know, the larger family demands.

15 So I think this year's QAP is good, but it's
16 increased the incentive to go with the bigger units, to go
17 with more three-bedrooms. So in hindsight, we probably
18 should have gone with more three-bedrooms. But there is
19 tremendous demand for affordable housing in the family-
20 size units. And that's what we feel like we've got down
21 there.

22 You do have underwriting from the staff that
23 shows basically these same things. We're in agreement,
24 basically, that the Austin market is soft. You know,

1 we're -- we've done the right thing about not having any 9
2 percents in the area this year.

3 So I think, you know, it's in an corrective
4 stage, and we think we can own and operate this long term,
5 and have faith in the market to come back eventually. Any
6 questions?

7 MR. JONES: Thank you, sir. Ms. Cormier?
8 Ms. Janna Cormier. Am I saying that wrong?

9 VOICE: She stepped outside.

10 MR. JONES: Mr. Ocañas.

11 MR. OCAÑAS: Good morning, Mr. Chairman, Ms.
12 Carrington, Mr. President, and members. I'm Reymundo
13 Ocañas. I'm the executive director of the State
14 Association of CDCs. These are the nonprofits that work
15 in affordable housing and community economic development
16 throughout the state.

17 I'm pleased to come before you to do two
18 things. One is to invite you to our conference, which is
19 just in about eleven days here in Austin. The cover sheet
20 that you've got on there is actually a tour we'll be
21 holding, where we've actually invited legislators and
22 participants in the conference to go visit three different
23 sites.

24 Two of them are affordable housing sites. One

1 is a business that's been assisted by one of our members
2 that does lending to small businesses. And we actually do
3 this every time we have a conference. This is the first
4 time we've done it in Austin, since our conference is
5 always here during the session.

6 And Mr. Bogany, you'll be happy to know that
7 your fair city is the place of our conference next year,
8 in March. So we'll be doing tours of the projects that
9 the community development corporations have put together
10 in Houston in March of next year.

11 So an invitation has been extended to all of
12 you to attend. And Ms. Carrington will be speaking at a
13 couple of moments, and we have a number of training
14 sessions also taking place, including a Section 8 for
15 homeownership training session that we're doing in
16 conjunction with HUD and LISC, to teach the organizations
17 and the developers here in Texas about how that can be
18 done in our state.

19 We're having some trouble, I think, getting
20 those kinds of deals done, but I think we're making
21 progress. So we're going to have that training take
22 place. So the invitation will be extended to you. We
23 appreciate the work that you do.

24 The second item that I'm here to testify on is

1 actually on your budget. And I'm just here to voice
2 support for the work of the agency and administration, and
3 the presentation back to the appropriations process of the
4 budget cuts.

5 I'm just here to let you know that we're going
6 to be supportive of the agency through the legislative
7 session in terms of making sure that if we can avoid cuts
8 to the trust fund and any of your other general revenue
9 dollars that go towards developing affordable housing in
10 this state, that we are able to partner with you to do
11 that.

12 We have a very small amount of money, and as a
13 Texas, an embarrassingly small amount of money for what we
14 could be doing in the state. And the conference has a
15 speaker that is from the City of Los Angeles, which has
16 \$100 million housing trust fund for just the City of Los
17 Angeles.

18 So hopefully, we can at least keep your five
19 million a year. And if not, in the future, help you to
20 increase that. So just sort of voice support for the
21 agency and your budgeting process on this go-round.

22 MR. JONES: Thank you, sir.

23 MR. OCAÑAS: Thank you.

24 MR. CONINE: What -- what's your association's

1 response to the CHDO property tax issue floating around
2 over at the state legislature?

3 MR. OCAÑAS: I'm glad you asked. I will -- I
4 shall leave you with a package, I only have one copy of it
5 now, which has a study that we did on the tax exemption
6 legalization. And actually, I don't have a current copy
7 of our legislative proposal.

8 MR. JONES: Okay.

9 MR. OCAÑAS: But Ms. Carrington has one, and
10 we've actually drafted it in a modified version.
11 Representative Hamric and Representative Davis are the
12 representatives that we're working with on the House side
13 who are helping us draft an appropriate legislative
14 response -- Senator Lucio and Senator Van De Putte in the
15 Senate.

16 So we've -- our legislation is a response to
17 the Urban Affairs findings. We -- if you remember, there
18 was a charge that they had during the interim to study the
19 issue. So the position paper that we have and the
20 legislation we have is in line with what their
21 recommendations are for Urban Affairs.

22 Now we've got a response that I believe
23 appropriately addresses what the cities and schools are
24 asking for. We've been working with the Municipal League

1 and with the Association of School Boards to draft a
2 response that both takes care of the deals that have been
3 done so far, without damaging them -- putting them in
4 jeopardy, as well as going forward to make that a tool,
5 like you were saying, that we can still use going forward
6 without it being a detriment to these schools and the
7 cities that are losing a tax base over this issue.

8 So it's not going to be an easy issue to get
9 past this session. But if we lose it, it's yet another
10 tool in the tool chest that we're going to lose for
11 affordable housing. So we will get you a copy of it.

12 MR. CONINE: So we have a paper -- there is a
13 paper floating around that I can read to tell me --

14 MR. OCAÑAS: Yes. Our position paper is
15 getting -- is going to get copied to you. But I will also
16 forward to you the latest draft of the actual bill, that
17 hopefully will be filed by both Representative Davis and
18 Representative Hamric.

19 MR. CONINE: Okay. Yes. Thanks.

20 MR. OCAÑAS: Thank you.

21 MR. JONES: Thank you, sir.

22 Mr. Carlos Madrid. Mr. Carlos Madrid.

23 Mr. Marc Campos? Mr. Carlos Madrid?

24 MR. MADRID: My name is Carlos Madrid. Good

1 morning, ladies and gentlemen.

2 MR. JONES: Good morning.

3 MR. MADRID: I am also happy to be vice-chair
4 for the Bexar County Housing Authority, who will have
5 ownership to the Heatherwilde and the Primrose Apartment
6 projects.

7 I personally drove from San Antonio to thank
8 the board and the staff for making funding for these two
9 projects a reality. Economic development in the south
10 side of San Antonio where these two projects are to be
11 built has been slow as far as economic development is
12 concerned.

13 However, I'm sure of Toyota -- that everyone
14 knows that Toyota is coming to San Antonio. What that
15 means, it's an \$800 million investment, 2,000 jobs, and
16 16,000 collateral jobs.

17 Board and staff, this plant will be built in
18 approximately one mile from Primrose and four miles from
19 Heatherwilde. And this is an outstanding field for the
20 City of San Antonio.

21 And the state went all out in making sure that
22 Toyota would land in San Antonio. I applaud the Governor,
23 and I -- also the vision of this board, to approving these
24 two projects, and helping us making them a reality. I

1 think that San Antonio is in for a tremendous, tremendous
2 economic push as far as the south side is concerned.

3 And I think that a lot of the credit goes to
4 this board, and also to the state. And there will be a
5 tremendous improvement to the City of San Antonio,
6 economically-wise. So that's my whole purpose of being
7 here this morning, just to thank the board and to the
8 staff for assisting and helping us as far as the economic
9 of San Antonio is concerned. Thank you.

10 MR. JONES: Thank you, sir.

11 Mr. Marc Campos.

12 MR. CAMPOS: Good morning, members. My name is
13 Marc Campos. I am the owner of Campos Communications. We
14 are a small PR firm in Houston. I'm here in a capacity of
15 work for Jim Washburn, the Washburn Group, on the
16 development in Houston that people have been speaking on.

17 I generally get brought in to help the
18 developer on various affordable housing initiatives, to, I
19 guess, get them in touch with elected leaders, so they can
20 explain to them about the project, because as we all know,
21 you know, in some communities, when you bring up
22 affordable housing, it sends up a bunch of red flags.

23 And so we've been successful in the past on a
24 number of developments in the Houston area over the last

1 few years.

2 In this case, because the time schedule -- the
3 120-day calendar that we had to operate under, when we
4 went and met with certain elected officials that represent
5 that area, or their staff, let them know about Washburn,
6 the history he has in this business. Invited them to go
7 to some of their properties.

8 And generally, we got a favorable response. I
9 don't think we are ever going to make, I guess, a
10 connection with the neighborhood. I think from day one,
11 you know, they saw this as the project that's across the
12 street from their neighborhood right now, the one that
13 they've been referring to in this.

14 And the Washburn project is certainly not in
15 that league. You know, I've visited those properties
16 before. I think it was interesting at the hearing, the
17 council member that represents that from the City of
18 Houston showed up.

19 I think she was one of the last to speak. And
20 she says, you know, Washburn -- you can quote her.
21 Washburn has a good project, but obviously it will not
22 work here. And you know, I took that to mean that, you
23 know, I mean, she saw the community. In our opinion, we
24 don't think the community has even attempted to listen to

1 what the project is.

2 I understand, because they had that -- the
3 history of -- a 30-year history with that project right
4 now. So unfortunately, but when we make these decisions,
5 we can't make them there at the site.

6 You know, before I take on a project, I usually
7 go eyeball the area, because it -- you know,
8 understandably, these issues are going to come up. There
9 is a big, huge Metro, which is a metropolitan transit
10 authority -- a big, huge Metro facility right next to the
11 property.

12 The property right now is used for dumping. I
13 think since Mr. Washburn has gotten involved, he's had to
14 go out there and have his crews clean it up. You know, I
15 think, you know, the history of his projects will work out
16 there.

17 I think oftentimes, you know, somebody has to
18 make the decisions that, hey, you know, these things can
19 work. It's interesting in that you don't have in your
20 packets letters of opposition from elected officials in
21 that part of -- in the area we've talked about, because I
22 think we've done our job of keeping them up to date on the
23 project and what's going on.

24 And they've -- you know, I've had discussions

1 with some of their staff, and they're kind of like, you
2 know, caught in the middle. So we hope we -- you can
3 support this project. Thank you.

4 MR. JONES: Thank you. Next speaker is Mr.
5 Harris.

6 Mr. Mike Harris.

7 MR. HARMS: Defer to Item 5.

8 MR. JONES: Okay. Thank you, sir. The next
9 speaker is Ms. Barbie Wynn. Ms. Wynn.

10 MR. JONES: Mr. Conine?

11 MR. CONINE: Yes?

12 MR. JONES: I just got an urgent message. If
13 you don't mind, would you take the chair --

14 MR. CONINE: Sure.

15 MR. JONES: -- for a moment. Here are the
16 remaining witness affirmation sheets.

17 MR. CONINE: Okay.

18 MR. JONES: Thank you, sir. I'll be right
19 back.

20 MS. WYNN: Good morning. Thank you for
21 allowing us to speak today. My name is Barbie Wynn. I'm
22 a 33-year-old resident of Brentwood. I'm a single-parent
23 college student. So this economically labels me as low
24 income. So as a low-income voice from the community, I

1 ask that you all oppose this project.

2 I attended Hobby Elementary School. I attended
3 church, which also lies physically in the neighborhood.
4 As a previous property manager in several multi-family
5 housing projects, those ranging from Class-A to Class-D, I
6 know first-hand the cycles that these properties go
7 through, not to mention the internal struggles faced by
8 property management companies or their owners, especially
9 in regards to budgets, which directly impact the property,
10 which will directly impact the community.

11 Currently, Brentwood is surrounded by low-
12 income and multi-family projects from the south, the west,
13 and the north, all within a ten-mile radius. To the east
14 lies the low-income single-family dwelling community
15 project. Again, I ask that you oppose this project.
16 Thank you. Any questions?

17 MR. CONINE: Thank you. Any questions? Let's
18 see. No name on this one.

19 Ronald McKinney.

20 MR. MCKINNEY: Good morning.

21 MR. CONINE: Good morning.

22 MS. ANDERSON: Good morning.

23 MR. MCKINNEY: The chairman left, but the
24 esteemed body is here, so I'll go ahead.

1 What I want to deal with is a few of the public
2 policy issues. As Ms. Walker said, we are not egocentric.

3 And nor are we eager to keep this development out of the
4 community as such.

5 But when the system operates as a vehicle for
6 cruel and unusual punishment to the Brentwood community,
7 and it's against public policy, we must object. Harris
8 County is the largest county in the State of Texas. And
9 there is enough room for everyone to grow.

10 I have two questions that I've asked Mr.
11 Washburn. Why does a developer want to piggyback on this
12 community, and what can he do to relocate the development?

13 We want to work with him and help him find a development
14 that maybe we can work with. Find some other area.

15 There are too many instances when developments
16 of this kind have been flipped and turned into state-
17 supported public housing. It happens all the time. You
18 heard the questions. And the public policy issues raised.

19 We're talking about increased crime. We're
20 talking about undue burden on sewer systems and drainage
21 systems that are already overtaxed. An undue burden on
22 schools that are already overcrowded. This area of
23 construction is in a cul-de-sac. There's no room for
24 growth as far as traffic is concerned.

1 Gentlemen, based upon public policy, it is in
2 our prayer that this development should not and cannot be
3 allowed to continue. Thank you. Any questions?

4 MR. JONES: Thank you, sir. I appreciate it.
5 Ms. Janna Cormier, I'll call again. Has she come back?

6 Well, I think that brings us back to Mr.
7 Washburn.

8 MR. CHARLES WASHBURN: I yield my time to Jim
9 Washburn.

10 MR. JONES: Okay.

11 MR. JIM WASHBURN: Thank you for the
12 opportunity. I'd like to just address a couple of the
13 comments made earlier regarding -- and they are brought up
14 in your packets regarding crime, because that's always --
15 that word that you drop -- you know.

16 I think that we're a little different than a
17 lot of other developers out there. I've met with the
18 community. I've told them that we're the kind of people
19 that come in. We develop it. We build it. We own it.
20 We manage it. We have the same concerns that you have.

21 We're not -- we have no opportunity to flip
22 this. We're in this business for the long haul. We don't
23 want the same things that you're concerned about. That's
24 why we have gated communities. That's why we have our own

1 management company. We screen the residents. You can't
2 move in if you have a felony record. If you're harboring
3 anybody who does, we're going to evict you.

4 I mean, we fight the same battles that every
5 community fights. And I think we're able to do that
6 because we have the control to do so. The drainage
7 issues -- we are not in a hundred-year floodplain. We are
8 on a four-lane divided boulevard that in spring of 2005,
9 according to the City of Houston will be cut through, and
10 will be connected to 288.

11 Right now, there is not a lot of traffic on
12 this road. There will be more traffic. There will be
13 more visibility when this boulevard is cut through.

14 The schools -- I do -- in your packet, I have
15 the enrollment for Hobby Elementary School for the last
16 five years. The enrollment in that school has decreased
17 17 percent in the last five years. Those statements --
18 those facts came directly from HISD.

19 Now, does that mean that they're overcrowded?
20 I'm unable to get capacity numbers. But there is a trend
21 here that -- and it ties to this community. This is an
22 elderly community, a retired community. There are no
23 longer students in that community. And it's showing in
24 Hobby Elementary, specifically.

1 And you'll see that across that whole area,
2 unfortunately, you see a decrease in the school
3 enrollments at every elementary school in that district.
4 Now, up at the high school level and at the junior high,
5 there are increases. I will admit to that.

6 But the -- I want to address those issues.
7 They're all part of your packet. You know, we again feel
8 like that we will be an asset to the community. We have
9 talked to the people of the Hirom Clark Civic Club. We
10 will work with them.

11 I've offered opportunities to get involved in
12 our management, because we are involved from day one till
13 the end. And we talked about opportunities for them to be
14 involved. So again, I just wanted to answer those
15 questions.

16 MR. JONES: Thank you, Mr. Washburn.

17 MS. ANDERSON: May I ask Mr. Washburn a
18 question?

19 MR. JONES: You certainly may. Yes, ma'am.

20 MS. ANDERSON: The credit underwriting report
21 from our team says that the adjacent land to the west of
22 proposed site has HUD/loan housing tax credit, multi-
23 family housing on it.

24 MR. JIM WASHBURN: Yes, ma'am.

1 MS. ANDERSON: Okay. You're familiar with the
2 site --

3 MR. JIM WASHBURN: Yes, ma'am.

4 MS. ANDERSON: -- and where I'm pointing west.
5 Is that the same thing as this Aristocrat or Palomino
6 thing that I keep hearing about?

7 MR. JIM WASHBURN: Yes, ma'am. Yes, ma'am.

8 MS. ANDERSON: Okay.

9 MR. JIM WASHBURN: It would be.

10 MS. ANDERSON: Okay. So that is a low-
11 income -- that's one of our --

12 MR. JIM WASHBURN: It was originally a 100
13 percent Section 8 housing development.

14 MS. ANDERSON: Okay.

15 MR. JIM WASHBURN: Two years ago, they acquired
16 tax -- there was a change in ownership. There was an
17 acquisition and a rehab done on that property. And I
18 believe that if you asked Ms. Walker, she would say that
19 they have improved since then.

20 Now, they did make promises that were not --
21 that according to the Hiron Clark Civic Club were not met,
22 with regard to we'll help you with police patrol,
23 security-type situations. But yes, they do have tax
24 credits through a rehabilitation.

1 MS. ANDERSON: One more question. What are you
2 and your family's company willing to do with regard to
3 security patrols, additional enhancements to security
4 beyond perimeter fencing and a limited access gate?

5 MR. JIM WASHBURN: This is what we discussed
6 when we had lunch. Now, currently, this subdivision does
7 not have the ability to collect homeowners dues.

8 MS. ANDERSON: Right.

9 MR. JIM WASHBURN: But we talked about that I
10 do have money in our budget to add security. Now, how
11 much money, we never came to that decision. How can I
12 help you specifically? How much will it cost to get
13 people out there? There is nothing there right now.

14 I believe that we can help with visibility. We
15 talked about specific hours of the day that they were
16 concerned, specifically maybe when they're gone. That's
17 usually when crime happens. We talked about maybe doing
18 some drive-throughs in the morning, helping to pay for
19 those things. But that's what we talked about
20 specifically.

21 We also talked about beautification of the
22 area. That was a big concern. There is a lot of trash to
23 the entrance. And there would be an entrance to the -- to
24 where our developers and our people would come. So I have

1 the same interest in making sure that that thing gets
2 cleaned up.

3 MS. ANDERSON: Great. Thank you.

4 MR. JONES: Any other questions? Thank you,
5 sir.

6 MR. JIM WASHBURN: Thank you.

7 MR. JONES: Now, are you related to the other
8 Mr. Washburn?

9 MR. JIM WASHBURN: Uncle Charlie.

10 MR. JONES: Okay. I see. The uncle yields
11 ground to speak. I -- that's always good for us to do.

12 MR. CHARLES WASHBURN: I've had my turn, so --

13 MR. JONES: I understand.

14 MR. CHARLES WASHBURN: It's time for him to
15 take the heat.

16 MR. JONES: I got you. At this point, now,
17 we'll close our time for public comment. I have three
18 individuals who have not spoken yet. But they've
19 requested to speak to agenda items and we will call them
20 at that time.

21 MS. ANDERSON: And we will call them at that
22 time.

23 MR. JONES: So the time for public comment is
24 now closed, with those three exceptions. We will then

1 turn -- I believe the next order of business is to Item 1
2 on our agenda, which is the Presentation, Discussion and
3 Possible Approval of Minutes of Board Meetings of
4 December 17, and January 8.

5 MR. BOGANY: So moved.

6 MS. ANDERSON: Second.

7 MR. JONES: Okay. We have a motion to approve.
8 It's been made and seconded. Further discussions,
9 questions, comments? Hearing none, I assume we're ready
10 to vote. All in favor of the motion, please say Aye.

11 (A chorus of ayes.)

12 MR. JONES: All opposed, nay.

13 (No response.)

14 MR. JONES: The motion carries. We then move
15 to the financial items. Mr. Conine?

16 MR. CONINE: Thank you, Mr. Chairman. The
17 first one is the possible approval of Proposed Issuance of
18 Multifamily Mortgage Revenue Bonds for the North Vista
19 Apartments in Houston, in an Amount Not to Exceed
20 \$14,000,000. Is Mr. Onion going to do these, or is it Ms.
21 Carrington?

22 MS. CARRINGTON: I will start out --

23 MR. CONINE: Okay.

24 MS. CARRINGTON: -- Mr. Vice Chair. And then

1 if we need Mr. Onion or Mr. Gouris --

2 MR. CONINE: Okay.

3 MS. CARRINGTON: I would like to suggest, as we
4 consider Items 2(a), 2(b), and 2(c), that we also consider
5 Item 3(a). The bond -- the approval of the issuance of
6 the bonds, of course, is 2(a), 2(b), 2(c). The tax
7 credits are all lumped together under 3(a).

8 MR. JONES: I think that's a good idea.

9 MR. CONINE: Okay. Marry them up.

10 MS. CARRINGTON: Behind Tab A, this is 400 --
11 14 million proposed issuance in tax-exempt bonds, with a
12 proposed interest rate of 5.66 percent. The conditions
13 that we have identified for you are under Tab 4, page 8 of
14 this development. And these are fairly typical of the
15 kinds of underwriting conditions. If you have any
16 questions, I'll be happy to answer those.

17 The map showing where this development is to be
18 located is behind Tab 6. As you can see, it is in far
19 north Houston, up on Interstate 45, north of Houston. And
20 then also, the transcript for the public hearing, or the
21 public comment is behind Tab 8. And the public comment on
22 this particular development did last about an hour.

23 There was some opposition at that public
24 hearing related to schools, crime, security maintenance,

1 and other upkeep. There was, as you will note in all
2 three of the public hearing transcripts that you have with
3 you today, there was a dialogue with the developer and the
4 citizens of the community.

5 There is also included a petition with 75
6 signatures, and there is two letters, and there is one
7 email. The staff is recommending the approval of the
8 issuance of the tax-exempt bonds, and then also the
9 accompanying tax credits in an amount -- as soon as I find
10 it, I'll tell you.

11 The bonds are 14 million, and the tax credits
12 are --

13 MR. CONINE: 643,239.

14 MS. CARRINGTON: Thank you. And that is
15 staff's report.

16 MR. CONINE: Mr. Chairman, I move for approval
17 of Item 2(a), and this -- the tax credits to go along with
18 it represent -- and 2(a) represented by Resolution Number
19 03-07 for the North Vista Apartments in Houston.

20 MR. JONES: Should -- just by way of
21 clarification, should that then be -- if it's a motion to
22 approve Items 2(a) and 3(a). Is that right?

23 MR. CONINE: 3(a) includes --
24

1 MS. CARRINGTON: Part of 3(a).

2 MR. CONINE: -- part of 3(a).

3 MR. JONES: Part of 3(a).

4 MS. CARRINGTON: Yes.

5 MR. JONES: And which part of 3(a)? Would
6 that -- that would be 02-463?

7 MS. CARRINGTON: Yes, sir.

8 MR. CONINE: That's it.

9 MR. JONES: Okay. So that's the motion of the
10 board. Excuse me.

11 MS. ANDERSON: Mr. Chairman, I just have one
12 technical question, maybe if Mr. Onion --

13 MR. JONES: Okay. Mr. Onion?

14 MS. ANDERSON: Mr. Onion, my question is just
15 part of my continuing education in bond finance. I
16 noticed that this particular deal has credit enhancement
17 on it. And I'm not used to seeing credit. I don't think
18 I see credit enhancements, at least not consistently on
19 this.

20 Can you tell me what the conditions that lead
21 to the bonds needing -- correct me -- just talk to me
22 about -- not specifically about this deal, but why often
23 they don't have credit enhancement, yet this one does?

24 MR. ONION: There is two ways that a bond

1 transaction can be done, either a private placement, or
2 publicly offered. A private placement is a direct
3 placement to an institution, be it Bank America, Charter
4 Mac, et cetera, directly buys the bonds and holds them.

5 A publicly offered transaction -- what happens
6 is is it's sold to the public. But usually an insurance
7 company -- their large insurance company will underwrite
8 the transaction, and give it a triple-A rating, and the
9 public who purchases these bonds look at the rating, and
10 the repayment of those bonds from the insurance company,
11 thereby getting a lower interest rate, because there is
12 less risk involved to the ultimate purchaser of the bonds.

13 MS. ANDERSON: Okay. Thank you. I get it.

14 Thanks.

15 MR. BOGANY: I have a question.

16 MR. JONES: Yes, sir.

17 MR. BOGANY: Mr. Onion, how many projects in
18 this general area, that low-income tax credit, whether a
19 9 or 4 percent?

20 MR. ONION: I would have to get back with you
21 and give you a map in this particular area. I would -- it
22 certainly did pass our concentration policy. And --

23 MR. BOGANY: Okay.

24 MR. ONION: -- we are not aware of an

1 overconcentration in this area.

2 MR. BOGANY: So it did pass the concentration
3 policy that we allot, all of you guys set?

4 MR. ONION: We currently have in place. Yes,
5 sir.

6 MR. BOGANY: Okay.

7 MS. ANDERSON: Yes, it did. Yes.

8 MR. JONES: Further questions? I believe we
9 have a motion on the floor. Unless my mind's bad today, I
10 don't think we have a second. Do we have a second?

11 MS. ANDERSON: Yes, I --

12 MR. JONES: We do have a second. Excuse me.
13 Ms. Anderson seconded it. Further questions, comments,
14 discussion?

15 (No response.)

16 MR. JONES: Hearing none, I assume we're ready
17 to vote. All in favor of the motion, please say aye.

18 (A chorus of ayes.)

19 MR. JONES: All opposed to the motion, nay.

20 (No response.)

21 MR. JONES: The motion carries.

22 MR. CONINE: Item 2(b), Ms. Carrington?

23 MS. CARRINGTON: Item 2(b) is the Enclave at
24 West Airport Apartments, to be located Houston, Harris

1 County. The amount of the issuance of the bonds would be
2 10,150,000. These bonds would be unrated and unenhanced,
3 as Ms. Anderson was asking clarification on that.

4 Again, with the same kind of order in your
5 materials, the underwriting conditions to this development
6 are in Tab 4, pages 8 and 9. They were generally the same
7 underwriting conditions that we have on most of our multi-
8 family -- on most of our tax-exempt developments.

9 Behind Tab 6 is a map of where this development
10 is to be located. And then behind Tab 8 is the transcript
11 of the public hearing. Public hearing did last about an
12 hour and a half. There was dialogue with the community,
13 with Jim Washburn, the development -- developer.

14 As has already been mentioned to you, Ada
15 Edwards, who was the councilwoman in that district, did
16 attend the public hearing, and you have heard the
17 opposition this morning. And there are letters also in
18 your packet from the Hirom Clark Civic Club. That was a
19 letter to Jim Bowie over at the Bond Review Board.

20 This staff is recommending the issuance of the
21 tax-exempt bonds on this transaction, and also the tax
22 credits.

23 MR. CONINE: You going to read in the amount,
24 or do you want me to?

1 MS. CARRINGTON: If you still have your finger
2 on that place, yes, sir.

3 MR. CONINE: \$502,188 is what it looks like to
4 me. 02-464.

5 Mr. Chairman, I move for approval of the
6 Enclave at West Airport. Again, our bond resolution
7 number is 03-06. And the accompanying tax credit is under
8 02-464.

9 MS. ANDERSON: Second.

10 MR. JONES: The motion has been made and
11 seconded. Discussions, questions, comments?

12 MR. BOGANY: I have some discussion.

13 MR. JONES: Yes, sir.

14 MR. BOGANY: And I'll be very brief. I feel
15 that if we're going to be consistent, we've got residents
16 here that says they don't want this project in their
17 neighborhood. And they've taken the time to come up here.

18 I think we need to be consistent, as we've done
19 in other projects that we've denied. And I'm speaking
20 against the project.

21 MR. JONES: Thank you, sir.

22 MR. SALINAS: I will go ahead and echo his --
23 the denial from this project.

24 MR. JONES: Thank you, sir. Further

1 discussion? Questions? Comments?

2 Hearing none, I assume we're ready to vote. Is
3 that correct?

4 VOICE: Seconded?

5 MR. JONES: Yes. The move was seconded. Ms.
6 Anderson seconded it. All in favor of the motion, please
7 say aye.

8 (A chorus of ayes.)

9 MR. JONES: All in favor of the motion, say
10 aye.

11 (A chorus of ayes.)

12 MR. JONES: Okay. Excuse me. All opposed to
13 the motion, please say nay.

14 (A chorus of nays.)

15 MR. JONES: Three/three.

16 MR. SALINAS: Three/three.

17 MR. JONES: The motion does not pass.

18 MR. SALINAS: Not passed.

19 MR. JONES: Mr. Conine?

20 MR. CONINE: Item 2(c), Ms. Carrington?

21 MS. CARRINGTON: Creekside Townhomes, otherwise
22 known as Mayfield Apartments. This is to be located in
23 Arlington, in Tarrant County, Texas. The tax-exempt piece
24 of the financing on this transaction is \$15 million. Item

1 interest rate of 6.75.

2 Again, underwriting conditions, Tab 4, page 8
3 of the underwriting conditions, your map on where this
4 development is to be located. Tab 6 -- you can see it's
5 basically between Fort Worth and Dallas, in the southern
6 part of Tarrant County.

7 And then also behind Tab 8 is the transcript of
8 the public hearing. This one, I think, probably lasted
9 about an hour. There was also a dialogue with the
10 developer in this public hearing. And there were
11 certainly many questions from two members of the
12 neighborhood, but there was no voiced opposition at the
13 public hearing to this transaction.

14 So the bonds would be in the amount of \$15
15 million, and the recommended tax credit allocation amount
16 is \$672,439.

17 MR. CONINE: Mr. Chairman, I move for approval
18 of the Creekside Townhomes at Arlington, Texas, a
19 \$15,320,000 bond issuance signified by resolution number
20 03-08, and the appropriate tax credits to go with it,
21 under 02-465.

22 MS. ANDERSON: Second.

23 MR. JONES: The motion has been made and
24 seconded. Further questions, comments, discussion?

1 Hearing none, I assume we're ready to vote. All in favor
2 of the motion, please say aye.

3 (A chorus of ayes.)

4 MR. JONES: All opposed, nay?

5 (No response.)

6 MR. JONES: The motion carries.

7 MR. CONINE: Next, Item 2(d), we have approval
8 of our first quarter investment report, Mr. Bill Dally.

9 MR. DALLY: Good morning, Chairman Jones, Mr.
10 President, board members, Ms. Carrington. I'm asking here
11 for your acceptance for the first quarter investment
12 report for the period ending November 30, 2002. You'll
13 find that under Tab D.

14 This contains all the elements required by the
15 Public Funds Investment Act. Overall, the portfolio did
16 decrease by \$23 million, to a total of \$1.18 billion in
17 carrying value. The portfolio is made up of 67 percent
18 mortgage-backed securities, 27 percent guaranteed
19 investment contracts and investment agreements, 4 percent
20 repurchase agreements, and 2 percent other.

21 I can report that we had actually \$49.3 million
22 worth of purchases in mortgage-backed securities over this
23 last quarter. So that's an indication of the activity in
24 our single-family bonds.

1 Overall, the market value increased by \$3.4
2 million. That again is reflective of the low interest
3 rates and stuff -- the environment that we're in right
4 now. And if there aren't any questions, I would ask for
5 your acceptance for it.

6 MR. CONINE: Move for approval, Mr. Chairman.

7 MR. BOGANY: Second.

8 MR. JONES: That's great. Questions, comments,
9 discussion? Hearing none, I assume we're ready to vote.
10 All in favor of the motion, please say aye.

11 (A chorus of ayes.)

12 MR. JONES: All opposed, nay?

13 (No response.)

14 MR. JONES: Motion carries. Item 2(e),
15 Approval of Our Revised Budget for Fiscal Year 2003 for
16 TDHCA. Again, Mr. Dally.

17 MR. DALLY: Yes. The tab under there makes
18 reference to where that was located on our website.
19 Hopefully you have printed copies. Or it looks -- this is
20 the -- it would be dated February 4, the Organized Budget.

21 This is a financial piece of our overall reorganization
22 that the agency has been -- embarked on over the last six,
23 seven months.

24 This gives the financial picture for that

1 reorganization. The plan here is to regroup and have
2 these folks operating in this reorganized fashion March 1.

3 Now, what's happened is, if you'll flip to -- well, we
4 also included in this package the two different
5 organization charts, so you can see the --

6 The first chart is where our reorganization
7 will be come March. The second chart showed you the
8 original organization as we were when we began the year.
9 If you'll flip to page 1, then on that left-hand side,
10 you'll see the operating budget that you approved on
11 August 29, the beginning of this fiscal year. The bottom
12 line on that budget was \$20,572,094.

13 We then take -- from that column, we move to
14 the right. We take out the capital items. Those items,
15 once you set up in a capital budget, they're sort of taken
16 off the table, and not part of any one division's budget
17 anymore, although we use those resources.

18 The second column -- we had an adjustment
19 for -- I apologize. That's got an acronym on it. The
20 SORM stands for the State Office of Risk Management.
21 They're a new body that's a part of the Attorney General's
22 office. And they handle all of the insurance policies and
23 risk management in the state, that they were gathering up
24 to look at from the state's perspective.

1 And last year was their first year in
2 existence. And we had a very large premium applied to our
3 agency. And I think that was across the board at all
4 agencies. This -- the second year, though, we got news in
5 the middle of this budget that that premium went down from
6 \$300,000 to \$60,000.

7 Now, the reason for that is because they gave
8 us more credit. They do a weighted average of several --
9 four different factors. Payroll and the size of your FTEs
10 is one. But they also factor in the weight of your actual
11 claims instance, experience, and what those claimed
12 actually dollar value were. And because ours are very
13 low, we're a beneficiary of a much-lower premium this
14 year.

15 So that then brings you to a net operating
16 budget of \$19,868,000. But we then -- but that was the
17 starting point for reorganizing the divisions. If you
18 flip to the second page, you'll see -- if you go to the
19 right-hand side and go down that right-hand column.

20 And about the elements where you start seeing
21 the zeroes on that right-hand side, beginning -- it's
22 titled over on the left-hand side, Reorganized Divisions
23 and Sections, the Housing Research Center, Bond Finance,
24 Single-family, Housing Programs, Admin, LIHTC, HOME,

1 Housing Trust Fund.

2 These are the groups that we had at the
3 beginning of the budget year, that now those personnel are
4 being redistributed and are now going to be functioning
5 along the functional lines. So we took those elements of
6 their budgets -- now, we needed to leave enough budget to
7 take them through March.

8 Then as we flip over, then we're taking turns
9 from that point forward in redistributing them to the new
10 groups, which is what you see up at the top part of that
11 page.

12 We've also got -- you can see some of the head
13 counts and the way people were moved around among the
14 various divisions. And that's the chief driver on where
15 the funds have to follow, where that payroll changes were.

16 The other element -- now, we began this
17 reorganized budget -- I think we had personnel decisions
18 made at the end of December. So beginning in January, we
19 began working with the new managers and directors to build
20 this budget in very short fashion so we'd be ready in
21 March.

22 Then about January 23, we got a letter from the
23 Governor and the Speaker and the Lieutenant Governor
24 asking for 7 percent cuts -- agencies. This budget does

1 not yet reflect those cuts, because we were -- it would
2 very much confuse the situation if we had tried to reflect
3 that here.

4 We will be able to bring a report -- once we
5 get down to this bottom line, as we organize, we will be
6 able to bring a report and show you where those cost
7 savings are going to be. But this bottom line does not
8 reflect those 7 percents yet.

9 You'll also see the -- the other elements that
10 you'll see -- the methods of finance on page 1. You'll
11 see General Revenue, Earned Federal Funds. Those two
12 categories are what's referred to as Pure General Revenue.

13 And those will be the line items that will be reduced the
14 rest of this year.

15 The remaining -- then the next line is the
16 Federal Funds. And that's just the portion that supports
17 the payroll and operations of the department. And then
18 the next -- the Bond Admin Fees, LIHTC Fees, Affordable
19 Housing Disposition Fees -- those are what we refer to as
20 our housing fees that support our department.

21 This isn't on the report, but I did -- just to
22 give you the mix of the percentages -- currently under
23 this budget, the General Revenue and Earned Federal Funds
24 make up 13 percent of our operating budget. The Federal

1 funds make up 29 percent, and the remaining local funds
2 make up 58 percent of our funding.

3 So we -- a 7 percent cut was against the 13
4 percent of our operating budget, as well as the system
5 benefit funds, and things I'll get into in our mix. I'm
6 talking about the 7 percent cuts.

7 Are there some questions on our process here?
8 Or --

9 MR. CONINE: Mr. Chairman, I move for approval
10 for Item 2(e), the Approval of the Revised Budget for
11 Fiscal Year 2003 for TDHCA.

12 MR. BOGANY: Second.

13 VOICE: Second.

14 MR. JONES: Motion's been made and seconded.
15 We had two seconds. You can pick. Kenny, choose whoever
16 you want.

17 MR. CONINE: I've got a question very quick.

18 MR. JONES: Sir?

19 MR. CONINE: Can you tell us what the process
20 is from here once this gets approved? Does it go to LBB,
21 and how long? And when is it heard, and --

22 MR. DALLY: No. This is the 2003 budget. So
23 we have this already appropriated and approved through the
24 session. Now, we went and presented that February 6

1 letter to the House Appropriations Subcommittee yesterday
2 as our plan for the 7 percent cuts.

3 To be honest, I was looking for a nod of
4 approval, or what's the next step. And that really didn't
5 happen.

6 MR. CONINE: Well, but I'm asking -- forget the
7 7 percent cut.

8 MR. DALLY: Oh. Okay.

9 MR. CONINE: I'm -- whenever you amend --
10 whenever a agency amends its existing approved budget --

11 MR. DALLY: Oh, yes. Yes.

12 MR. CONINE: -- is there any further process
13 that that --

14 MR. DALLY: Yes.

15 MR. CONINE: -- amended budget has to go
16 through?

17 MR. DALLY: Yes. Yes. We'll send that on.

18 MR. CONINE: And what's the time frame that
19 they will hear it and say -- and they'll call us back and
20 say it's okay?

21
22 MR. DALLY: Well, typically, we're going --
23 it's an information item. We send it on to them. But
24 you've approved it. And it's an information item to them.

1 MS. ANDERSON: It's sort of an internal
2 exercise, isn't it? Because we're not changing the
3 dollars. We're just moving the buckets around?

4 MR. CONINE: So in the future, if we want to
5 change it, you know, after the fact, we can do that --

6 MS. ANDERSON: Now, I'm not going to be on
7 record having indicated that.

8 MR. CONINE: -- without anybody else looking
9 over our shoulder?

10 MS. CARRINGTON: I don't think we can do that.

11 MR. JONES: If you're a president you can.
12 Yes. That's part of being president.

13 MS. CARRINGTON: I don't think we're going to
14 take on another reorg anytime soon, Mr. Conine.

15 MR. CONINE: Sometimes I ask questions that
16 have unintended consequences. Okay. It's --

17 MR. JONES: We can tell it's going to your
18 head.

19 MS. ANDERSON: I have a question for Bill. On
20 these methods of finance, we look at the reorganization
21 adjustment, you know, and there's a decline, or a
22 negative, you know, factor, on general revenue. And we're
23 making up most of that on -- a little bit on ORCA, but
24 mostly on bond administration fees. Can you explain to me

1 what the nature of those shifts are?

2 MR. DALLY: It happened that when we looked at
3 the personnel and as they were moving, this particular
4 person was moving away -- was moving out of the Housing
5 Trust Fund and some of the associated expenses. He was
6 moving over to be a construction monitor and a compliance
7 person over a broader mission.

8 MS. ANDERSON: So it's really tied to, like,
9 one person, or a couple of people?

10 MR. DALLY: To a couple of people, yes.

11 MS. ANDERSON: Okay.

12 MR. DALLY: Yes.

13 MS. ANDERSON: Okay.

14 MR. DALLY: That -- in the new reorganization,
15 their role didn't make sense. Now, it does help -- it
16 also helps our general revenue savings.

17 MS. ANDERSON: Yes. I understand. I'm with
18 you. Thanks.

19 MR. JONES: Are there any questions, comments,
20 discussion?

21 MR. DALLY: Let me --

22 MR. JONES: No, I was really talking to them.
23 I wasn't talking to you. No, go ahead, Bill. I'm sorry.
24 I was just teasing.

1 MR. DALLY: So far as this budget and approvals
2 and stuff, the 2003 budget was underneath that umbrella of
3 the 2002 and 2003 appropriations. And what we -- we've
4 gone through an exercise to reshuffle it, and still
5 underneath that appropriation level.

6 Now, to go and amend and change the budget
7 beyond appropriation level -- that would be --

8 MR. CONINE: No, but I -- you know, what I was
9 referring to was, you know, borrowing from Peter to pay
10 Paul, occasionally. And that's okay. I understand.

11 MR. JONES: All right.

12 MR. CONINE: Are we ready to vote? All in
13 favor of the motion, please say aye.

14 (A chorus of ayes.)

15 MR. JONES: All opposed, nay?

16 (No response.)

17 MR. JONES: Motion carries.

18 Item 2(f), Mr. Chairman, Presentation of the 7
19 Percent Cost Savings Plan that Mr. Dally referred to.

20 MS. CARRINGTON: Bill and I are actually going
21 to do this together.

22 MR. CONINE: Okay.

23 MS. CARRINGTON: Before we start this, I want
24 to thank the staff in the budget area, David Cervantes,

1 and David Aldrich, and Bill, who has a newly constituted
2 division. I mean, he's chief of agency administration
3 with a couple of divisions under him that he didn't have
4 before.

5 And they have worked through getting this
6 revised budget done. And then also, worked through the 7
7 percent that was the presentation that Bill and I made
8 yesterday. And then of course, next Wednesday, we go over
9 to the Legislature to Senate Finance, to talk about or LAR
10 for the next couple of years.

11 So I want to commend the staff in Bill's area
12 for the work they've done, and for the cooperation of the
13 rest of the staff in getting the numbers to him -- getting
14 the information to him. So good job, Bill.

15 (Applause.)

16 MR. DALLY: Thank you.

17 MS. CARRINGTON: Okay. Bill and I did go
18 yesterday, along with Ruth and Michael Lyttle, spent the
19 afternoon at the Capitol. And we were fairly late in the
20 afternoon to the General Government Subcommittee on
21 Appropriations.

22 And what we were reporting out was where we
23 have identified the 7 percent cut in our budget for the
24 remainder of this fiscal year. So it's just for the

1 remainder of this fiscal year, which will end August 31.
2 And then the presentation we'll doing next week will be
3 for '04 and '05 LAR, and an operating budget.

4 You actually have -- we not only respond once,
5 we responded twice to the leadership's letter. But what
6 we said in the letter of February 6 was that this is what
7 we will look at. This is where we'll look to go to find,
8 to identify our 7 percent.

9 That we were suspending out-of-state travel
10 until further notice, unless it was absolutely necessary
11 and approved by executive capital purchases, and contracts
12 for consultants and for professional fees, hiring of new
13 personnel expended -- suspended, except for critical areas
14 determined by executive. And then other administrative
15 costs were under review.

16 Our letter of February 11 actually gives you
17 the bottom line, where you look at Schedule A, which is
18 the revised Schedule A, far right-hand column, three-
19 quarters of the way down the page, Total Appropriation
20 Reduction. Our 7 percent -- this is, including System
21 Benefit Fund, is a total of \$1,506,877.

22 As Bill has said already to you all, we -- this
23 department is really in a fairly advantageous position in
24 that we don't use a lot of general revenue. It also hurts

1 us, because it means if we are using general revenue for
2 something, it's something that's usually pretty critical
3 for the department. So it's sort of a blessing and a
4 curse.

5 We divided this up, really, into two sections.

6 If you'll look right above that, Subtotal General Revenue
7 Related, is \$753,187. We've sort of gotten some mixed
8 signals about whether they wanted System Benefit Fund to
9 be included in our potential cuts. So that's why we
10 separated that out.

11 System Benefit Fund is general revenue. It's
12 considered dedicated. Yesterday, we were hearing the word
13 "Trust Fund" related to it. So I think in our minds, that
14 was going to require us to looking -- look a little bit
15 more, perhaps, at the legislation on the system -- the
16 creation of the System Benefit Fund, and find out indeed
17 if it is an opportunity for it to be on the table.

18 So looking at pure general revenue, and not
19 putting anything on the table as far as a reduction in the
20 Housing Trust Fund, that amount is 753,187. And then, as
21 I said, System Benefit Fund is 753,690.

22 On your -- going back on your letter of
23 February 6, on the second page of that, you will see --
24 although there is an adjustment for your February 11

1 letter, you'll see where we looked to make those
2 reductions. Out-of-state travel, 10,000. In-state
3 travel, 35,000. Professional consulting services, 90,000.

4 Salary and staff savings -- these are basically
5 vacancies that we've had throughout the year. So we've
6 had salary savings there. Office of Risk Management --
7 Bill has already explained that to you. Our premium is a
8 whole lot less than what we thought it was going to be.

9 Other administrative costs -- I think there is
10 things like trainings, workshops, seminars, et cetera.

11 Mr. Bogany?

12 MR. BOGANY: Yes, I had a question on staff
13 salary savings.

14 MS. CARRINGTON: Uh-huh.

15 MR. BOGANY: So any openings that we get, we
16 just combine this with another job, or just somebody is
17 spreading a risk out on that job?

18 MS. CARRINGTON: We average about 14 vacancies
19 a month. Since our agency has 323 employees, you know, we
20 do have turnover. And it takes a while to get a job
21 advertised, to interview, and to hire. And so what we
22 looked at was what have our salary savings been because we
23 haven't filled positions, in some cases, real quickly.

24 MS. ANDERSON: So you're saying it's not a

1 hiring freeze. It is savings that we're actually --
2 frankly, already coming to us in the normal course of
3 business because of the lag?

4 MS. CARRINGTON: What you see on the dollar
5 figure right there is correct. The other thing that is
6 correct is on the bullets, on February 6, which we've said
7 hiring of new personnel has been suspended, except for
8 critical areas, as determined by Executive.

9 So we have savings currently. And Bill, did we
10 do a projection on the 260,000 -- 400 -- I'm sorry,
11 160,000 -- was that to-date? Or was that projecting also
12 some salary savings through August 31?

13 MR. DALLY: It's a little bit of both. It's a
14 little bit of both.

15 MS. CARRINGTON: Mr. Bogany, that was probably
16 the -- kind of the heart of your question.

17 MR. BOGANY: Yes.

18 MS. ANDERSON: Yes. What would the financial
19 impact be if we just didn't fill those vacancies? How
20 much incremental -- we're talking about 14 --

21 MR. DALLY: Well, to date, I'm only aware of
22 maybe a couple that we're considering hiring.

23 MS. CARRINGTON: I think we have three right
24 now. Yes, that we've interviewed for, that we're in the

1 process of.

2 MR. DALLY: Three?

3 MS. CARRINGTON: And --

4 MS. ANDERSON: That's not my question.

5 MS. CARRINGTON: I know. I guess what I want
6 to put on the table is, we've got 7 percent without doing
7 that, and we certainly would like to have it underway --

8 MS. ANDERSON: I understand that. I'd still
9 like an answer to my question. It's an informational --

10 MS. CARRINGTON: Yes. And I don't know that
11 we -- I don't know that.

12 Do you know, Bill? Do you know right off?

13 MR. DALLY: No. No.

14 MS. CARRINGTON: We can certainly get it for
15 you.

16 MS. ANDERSON: Okay.

17 MS. CARRINGTON: And maybe you'd want it when
18 the meeting is over.

19 MS. ANDERSON: Well, it may just be -- it just
20 may be important --

21 MR. CONINE: Could you repeat the question?

22 MS. ANDERSON: -- as we move forward. I'm
23 asking what the fiscal impact would be is if we had a real
24 hiring freeze of those 14 positions --

1 MR. CONINE: Oh.

2 MS. ANDERSON: -- you know. What we're
3 getting, most of this 260 -- some of it's coming from
4 maybe a freeze. But most of it sounds like it's coming
5 from just the normal course of operations. Savings we
6 would capture anyway, because there's a lag and you don't
7 see -- aren't paying that salary in the 90 days it takes
8 you to recruit/hire.

9 MS. CARRINGTON: Yes.

10 MS. ANDERSON: Yes. So I'm just trying to
11 understand what the impact of a freeze would be.

12 MS. CARRINGTON: Yes.

13 MR. DALLY: Your going-forward salary savings
14 of a freeze?

15 MS. ANDERSON: Yes. There's no urgency to know
16 that. I just --

17 MR. CONINE: Is this an action item? I would
18 hope so.

19 MR. DALLY: It's a -- no, it's a presentation,
20 because --

21 MS. CARRINGTON: Because we presented this
22 yesterday.

23 MR. JONES: Yes, I --

24 MS. CARRINGTON: I mean, it's --

1 MR. JONES: I'm curious if it's really a
2 direction of the board or a direction of the staff.

3 MR. CONINE: Well, I got a little gas related
4 to some of these items. One, the out-of-state travel. I
5 guess I'd like to hear some discussion of that. Does that
6 eliminate all future, from now till the end of August --
7 any out-of-state travel?

8 MS. CARRINGTON: The letter that we received
9 from Leadership on January 23 -- and Bill, you probably
10 have a copy of that letter -- if you don't, we can get a
11 copy very quickly.

12 That letter said to us -- it gave us
13 flexibility. It indeed gave state agencies flexibility
14 about where to find their 7 percent, that made some very
15 specific recommendations to us of where we would want to
16 look.

17 The first one was foreign travel. We said
18 that's not a problem for us. The next one was out-of-
19 state travel. The next one was in-state travel. And then
20 it basically listed, you know, a variety of administrative
21 costs, potential -- they didn't say hiring freeze. They
22 did not use that word. But taking a very hard look at
23 where we could capture some general revenue to meet our 7
24 percent.

1 MR. CONINE: Well, we're not the only state
2 agency that's involved in national trade associations that
3 benefit not only the executive director, but the board
4 members and other staff who participate in those events.

5 And I, obviously, being one who participates in
6 that on several levels, think that's very important. To
7 go in a -- to cocoon ourselves into the State of Texas
8 doesn't necessarily enlighten us to other states around
9 the country at are, quite frankly, going through the same
10 issues that -- as we are here in Texas.

11 I happened to participate in a phone call
12 yesterday with some of the NCHSA people, who at their
13 legislative conference in March in Washington, D.C., are
14 going to have a forum on the issue of state budgets and
15 crunches, and how other states are dealing with -- and
16 other agencies around the country are dealing with some of
17 the crises.

18 And I understand the message that you send when
19 you say no more state -- out-of-state travel. But geez,
20 it's only \$10,000. And my hunch is, we can find \$10,000
21 somewhere else. And I would -- I guess I have a problem
22 with just totally acquiescing to that.

23 I can understand maybe some other speaking
24 functions, or other events that aren't critical to the

1 operation of this agency. But that's one I know, Ms.
2 Carrington, that you are directly responsible for our
3 representation in that. And I would hate to see Texas
4 make that decision.

5 So I don't -- you know, if we're not approving
6 this thing, then I don't have a way to amend this
7 particular report. But --

8 MR. JONES: Well, we could certainly approve it
9 if we wish to. So --

10 MS. ANDERSON: May I pile on to the president
11 here for just a minute?

12 MR. JONES: Certainly.

13 MS. ANDERSON: You know, I understand what
14 you're saying. And I also know that the Governor's office
15 has suspended its membership in the National Governors
16 Association. It has suspended and eliminated its
17 membership in the Council of State Governments. We can
18 argue about whether those are -- you know, whether you
19 would have done those things had you been governor or not.

20 But I think the Governor is setting an example.

21 And while I would not want to telegraph in any way today
22 that I'm proposing that we eliminate our membership in
23 these organizations, at some point, and it may not be
24 today with the 7 percent. We don't really know what our

1 appropriation is going to look like for the next biennium.

2 At some point also, I know we're all very
3 interested in protecting the services that are provided to
4 our residents that come out of our programs, and frankly,
5 a lot of the staff that's needed to deliver those
6 services. And so while I understand the spirit of what
7 you're saying, I will just say that others are leading in
8 a very visible and dramatic way sort of around that topic.

9 MR. JONES: So I think right now, as Chair, I
10 need direction. Is there a motion to approve the
11 presentation we've just seen?

12 MR. CONINE: No. Because it's information.

13 MR. JONES: Okay.

14 MS. ANDERSON: Now, I do have one more
15 question. You --

16 MR. JONES: I'm just trying to figure it out.

17 MS. ANDERSON: I do have one more question.

18 MS. CARRINGTON: Presentation only.

19 Information only.

20 MR. JONES: Okay. Yes, that's what I thought
21 it was.

22 MS. CARRINGTON: Yes.

23 MR. JONES: Excuse me.

24 MS. ANDERSON: It's my understanding that in

1 the course of this 7 percent process, that you went out to
2 the various departments and asked for their cooperation,
3 and specifically, their suggestions on what they thought,
4 you know, were reasonable reductions they could make, I
5 assume without, you know, dramatic negative impact on the
6 people that we're trying to serve. Is that right?

7 I'm sorry. I'm sorry, sir. Thank you for
8 reminding me. Usually people don't have any trouble
9 hearing me. It's my understanding as part of this 7
10 percent budget reduction process, that the leadership
11 asked us to do, that you went out to the departments, or
12 at least some of the departments of the agency to seek
13 their input and ideas for how they could make reductions
14 in their own departments without severe negative impact on
15 the function of those departments. Is that right, that
16 you went out to the departments?

17 MR. DALLY: We did.

18 MS. ANDERSON: Okay.

19 MR. DALLY: We did.

20 MS. ANDERSON: Good. Were you pleased with the
21 level of participation from your department directors and
22 so forth, and their creativity in coming up with ways to
23 create some reductions?

24 MR. DALLY: Yes. I think so. I think that's

1 fair to say.

2 MS. ANDERSON: Okay. Did the total amount of
3 the reductions they proposed equal or exceed the \$753,000
4 number? I didn't ask you what number they came up with,
5 but I just said does it -- did it equal or exceed?

6 MR. DALLY: Yes.

7 MS. ANDERSON: If you added up all their
8 proposed reductions.

9 MR. DALLY: No, I'm still -- I'm going to be
10 honest with you.

11 MS. ANDERSON: Okay.

12 MR. DALLY: I still have to exercise some --
13 and I do approve of all expenditures and stuff. So as we
14 go forth, particularly on the line item of other
15 administrative costs --

16 MS. ANDERSON: Yes.

17 MR. DALLY: -- which are some of the furniture
18 and equipment and various things, I'm still going to have
19 to exercise some discretion. And I informed Ms.
20 Carrington of that as we put this letter together, that
21 yes, I got good cooperation, and a lot of items were laid
22 out on the table.

23 In particular, we looked at the some of the
24 capital items and some of the other projects. And I would

1 say that the central database project is not going to be
2 affected by this, because it is not funded one penny by
3 the general revenue --

4 MS. ANDERSON: Why --

5 MR. DALLY: -- or the Federal funds.

6 MS. ANDERSON: I'm with you.

7 MR. DALLY: Now, in our normal growth areas,
8 though, we were buying computers and various things. Some
9 of that -- things not spent, not done --

10 MS. ANDERSON: Get deferred.

11 MR. DALLY: -- are on hold. We may be doing
12 some shifting, and we're actually doing some things
13 where -- we did need to recycle some laptops where we had
14 instances where people had a desktop that was fairly new.
15 That's been switched over to somebody else, and now they
16 have a docking station for \$200, which makes a lot more
17 sense than having their own PC.

18 So to some extent, I've still got to exercise
19 some, you know, veto power or whatever, on some budget
20 items.

21 MS. ANDERSON: Okay. Because -- so we didn't
22 quite -- we didn't get to 750, based on what they sort of
23 put on the table for you?

24 MR. DALLY: And in fairness, the other thing

1 that I want to point out is that we didn't touch the
2 Housing Trust Fund. If you looked at that Schedule A, you
3 saw that was about \$370,000, if you just went 7 percent
4 against that \$5 million.

5 So we had to go deeper over in the operating
6 side of it. So the other thing to remember is that
7 previous -- the previous reorganized budget of the 700,000
8 in operating costs -- about 570,000 is this budget and
9 this group's reduction. And the other 183,000 is coming
10 from the Manufactured Housing Division --

11 MS. ANDERSON: Yes.

12 MR. DALLY: -- which you know has another
13 budget.

14 MS. ANDERSON: So this is a combination of
15 those two. Yes.

16 MR. DALLY: And --

17 MS. CARRINGTON: Okay. Well, the letter of
18 January 23 did specifically say, "with minimal impact to
19 direct services." And we certainly believe the Housing
20 Trust Fund and the System Benefit Fund are as money for
21 direct services.

22 MS. ANDERSON: I just want to raise one more
23 issue that -- and I don't necessarily -- I don't think
24 probably for an answer today, but just something that's

1 been on my mind as I thought about what you all must be
2 struggling with, because this is not anything anybody ever
3 wants to have to do.

4 But because we get so much of our funding from
5 Federal sources, and frankly, you know, a ton of funding
6 from fee income, I'm very concerned as we go through this
7 process, and I'm really talking about the next biennium
8 now, that we be realistic about what our fee income should
9 be, and -- but not overly aggressive, so that we end up
10 getting caught short, since that's such a huge part of our
11 revenue stream.

12 And then the other thing is because we get so
13 much in Federal funding, you know, I want to make sure
14 that our Federal partners are in every way possible paying
15 their full fair share of the administrative costs
16 associated with the programs we administer on their
17 behalf.

18 While that might make your allocation formulas
19 more complicated, you know -- I want to free up as much --
20 I want to make sure that they're paying their fair -- no
21 more than their fair share, but that they're paying their
22 fair share of that freight.

23 And that also has the impact, and I've talked
24 to Ms. Carrington about this, and I'm comfortable -- very

1 comfortable with her answer.

2 That I don't want the staff and this agency --
3 and they're all well intentioned and very hard working, to
4 think that, Well, you know, I'm in the X program, and I'm
5 totally funded by HUD, so I don't have to worry about a 7
6 percent cut. We're going to take it all out on poor Homer
7 in the Office of Colonia Initiatives, because that's a
8 general revenue-funded program.

9 So I think you -- you follow -- I want to make
10 sure that we're doing everything proper, but that we --
11 but we don't overly take our state-funded programs and
12 make them pay more of the price of reductions than we need
13 to if we can ask our Federal partners legitimately to fund
14 some of those things.

15 MR. CONINE: That might -- in order to do that,
16 though, it might require Ms. Carrington to go to
17 Washington, D.C. I don't know.

18 MS. ANDERSON: That's what telephones are for.

19 MR. JONES: It's a fair fight. Anything else
20 on the Finance Report?

21 Mr. Conine?

22 MR. CONINE: I guess not. We're done. We're
23 done. Can we take a five-minute break?

24 MR. JONES: Well, let me suggest this. It is

1 now 12:20. I would like to suggest that we break for
2 lunch now. How long does people -- do people want for
3 lunch? Do you all want to try to be back here at 1:00?
4 1:00 sound good?

5 MR. CONINE: Sounds wonderful.

6 MR. JONES: Hearing no comment, we'll be back
7 here at 1:00. Thank you.

8 (Whereupon, at 12:20 p.m., the meeting was
9 adjourned, to reconvene this same day, Thursday, February
10 13, 2003, at 1:00 p.m.)

1 that there is no capture rate violation in light of the
2 conclusion that the market rate is greater than the
3 maximum tax credit rent but the consensus of the Market
4 Analysis, Applicant, Lender and Underwriter that the
5 maximum 60 percent tax credit rents cannot, at least
6 temporarily, be achieved in the submarket.

7 You heard some public comment related to that
8 this morning. We did have the discussion in EARAC. Our
9 recommendation is a conditional recommendation, and we
10 believe it does warrant discussion with the board members
11 on this particular transaction.

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

13 MR. CONINE: Move for approval of Item 3(b).

14 MR. JONES: We have a motion. Is there a
15 second?

16 MR. BOGANY: Second.

17 MR. JONES: Motion's been made and seconded.
18 Any discussions, comments, questions? Hearing none, I are
19 we ready to vote? Excuse me?

20 MR. BOGANY: I have one question --

21 MR. JONES: Yes, sir, Mr. Bogany.

22 MR. BOGANY: -- for Mr. Onion on this project.
23 We've -- you know, we talked a little bit about the
24 depressed Austin market. And I'm just wondering. Could

1 you kind of explain to me real briefly why this is going
2 to make it where other apartments in Austin have high
3 vacancy rates? I'm sorry, Mr. Onion. Tom can come up and
4 do it, too.

5 MR. ONION: Yes, I -- the department is not the
6 issuer on this.

7 MR. GOURIS: This property -- Tom Gouris,
8 Director of Real Estate Analysis, next week.

9 MS. CARRINGTON: Getting him thinking in that
10 mode.

11 MR. GOURIS: This development is -- the
12 financial structure is structured so that it does not have
13 to achieve the maximum 60 percent rents in order to meet
14 its debt service obligations. So it's actually
15 structuring -- it's actually anticipating rents at less
16 than the 60 percent maximum rents. And that's how it's --
17 how it will be feasible.

18 MR. BOGANY: Okay. Thank you very much.

19 MS. ANDERSON: Can I have a follow-up question
20 for Mr. Gouris?

21 MR. JONES: Sure.

22 MS. ANDERSON: There is a comment in the
23 salient resident issues discussion about -- and I assume
24 this is like if the Austin market -- I'm sorry. If the

1 Austin market recovers and so you can get max credit
2 rates, then you could get a debt coverage ratio above 125?

3 MR. GOURIS: That is correct.

4
5 MS. ANDERSON: And of course, we all hope all
6 of economy recovers. And then that upside accrues to the
7 developer. There is no adjustment made midstream in a
8 deal to --

9 MR. GOURIS: That is correct.

10 MS. ANDERSON: Okay.

11 MR. JONES: Anything else? Hearing none, I
12 assume we're ready to vote. All in favor of the motion,
13 please say aye.

14 (A chorus of ayes.)

15 MR. JONES: All opposed, nay?

16 (No response.)

17 MR. JONES: Motion carries.

18 MS. CARRINGTON: I would like to read into the
19 record -- it is an approval of Low Income Housing Tax
20 Credits in an amount not to exceed \$658,490. And it is
21 project number 02-464.

22 MR. JONES: And that was all part of the motion
23 made by Mr. Conine.

24 MS. CARRINGTON: Ah. Thank you.

1 MR. JONES: 3(c).

2 MR. CONINE: It was 461, or 464?

3 MS. CARRINGTON: 464. Yes, sir.

4 MR. CONINE: 461, I believe.

5 MS. ANDERSON: Well, on here it says 461.

6 MS. CARRINGTON: We will verify that. But the
7 printed material in the book -- actually, it is 461. So
8 the agenda is correct, 461.

9 MR. JONES: All right.

10 MS. ANDERSON: Well, President -- he's got an
11 eagle eye, doesn't he?

12 MR. JONES: So we understand the motion that
13 we've just passed, and it's amply approved in that
14 respect. And then we will move into Item 3(c), I believe?

15 MS. CARRINGTON: Yes, sir. Item 3(c) is
16 requesting the approval of the board for Correction of a
17 Deadline to Commence Substantial Construction for a
18 Development called Bachon Investments.

19 And this is to correct an administrative error
20 at the board meeting of last month. The incorrect date
21 was on the date for the extension, which the board did
22 grant. And we are asking a correction of that to January
23 31.

24 MR. CONINE: Move for approval.

1 MR. BOGANY: Second.

2 MS. CARRINGTON: Okay.

3 MR. JONES: Motion's been made and seconded.

4 Any questions, comments?

5 (No response.)

6 MR. JONES: Hearing none, I assume we're ready
7 to vote. All in favor of the motion, please say aye.

8 (A chorus of ayes.)

9 MR. JONES: All opposed, nay?

10 (No response.)

11 MR. JONES: Motion carries. 3(d)?

12 MS. CARRINGTON: 3(d) is to Approve the
13 Extension for the Commencement of Construction. Their new
14 deadline request is February 21, 2003, and staff is
15 recommending that this extension be granted.

16 MR. CONINE: Move for approval.

17 MR. BOGANY: Second.

18 MR. JONES: Motion's been made and seconded.

19 Any questions, comments, discussions? Hearing none, I
20 assume we're ready to vote. All in favor, say aye.

21 (A chorus of ayes.)

22 MR. JONES: All opposed, nay?

23 (No response.)

24 MR. JONES: Motion carries. We will then move

1 into Item 4 of the agenda.

2 Mr. Gonzalez.

3 MR. GONZALEZ: We'll call Mr. Gaines also. We
4 had our -- a meeting earlier this morning. And the law
5 stated to go over a brief summary of what we covered.

6 MR. GAINES: Mr. Chair, members of the
7 committee. I'm going to be real brief. If you care for
8 me to elaborate on any of this please speak up.

9 The first agenda item, 4(a), is Quality
10 Assurance Review of the Internal Audit Function. The
11 conclusions by the independent auditor were that we fully
12 comply with the standards. She pointed out some best
13 practices and opportunities for improvement which we've
14 accepted and will be moving forward on.

15 The second item is the -- a review of the
16 department's responsibilities under its Affordable Housing
17 Disposition Program. The report was very positive towards
18 the agency, and very complimentary of the efforts spent to
19 date. No suggestions for improvement.

20 Report item number C, 4(c), is a report
21 prepared by the State Auditor's Office, Legislative
22 Summary Document Regarding TDHCA. In this document, it is
23 provided to members of the Legislature and oversight
24 committees.

1 It's a recap of different audit reports over
2 the last couple of years, going back to the last
3 legislative session. There may be reference to earlier
4 reports and instances where those reports are referred to.

5 This is just something I want to bring your
6 attention to. You've previously been emailed copies of
7 it. It's being passed around. So be aware of that.

8 The next item, 4(d), we've recently had the
9 state auditors complete a Performance Measurement
10 Certification Audit on the agency. The results of the
11 audit overall was four of like seven measures were
12 incorrect, which means they deviated greater than 5
13 percent.

14 Two of those measures -- the incorrectness came
15 about as a result of additional information coming in
16 after the end of what we believe was the reporting period.

17 And the state auditor believes we should go back and
18 amend those reports.

19 One of the areas related to how complaints are
20 defined, and what we were calling complaints in the
21 Manufactured Housing Division. And there was one more
22 relating to our definitions of -- there was one more area
23 that we've acknowledged, that escapes me without going
24 through my notes.

1 Read -- the others were what they call
2 certified, or within 5 percent with qualification, which
3 means that they felt like we needed greater controls on
4 how we compiled the documentation and had it reviewed and
5 approved for entry into ABEST, the information system of
6 the LBB, and a key issue there is once it's entered, we
7 need to verify that it's entered accurately.

8 Management is receptive to all recommendations
9 and has already taken corrective actions on several of
10 them, and intends to fully implement those issues.

11 The next agenda item, Status of Prior Audit
12 Issues -- off the top of my head I believe there was 19 --
13 six -- seven -- I am being real brief. I believe seven
14 were implemented.

15 MS. CARRINGTON: Sixteen issues, David.

16 MR. GAINES: Sixteen issues.

17 MS. CARRINGTON: Yes.

18 MR. GAINES: We discussed, basically, those
19 that were still open. A good handful of those related to
20 the HOME issuance. The department continues to work with
21 HUD on those. We have a meeting planned.

22 Our discussions of the meeting with HUD are in
23 place to sit down and have them go through and share with
24 us their conclusions regarding documentation that we've

1 submitted and proposals that we've provided to them.

2 Agenda item 4(f) is Status Review of Tax Credit
3 Inspection Fees. The financial information -- we'll start
4 with changes since we last reported to you.

5 Just this week the department has billed a --
6 this is kind of interesting. I'm going to try to get my
7 notes in front of me real quick here. The Construction
8 Fees -- Financial Information hasn't changed; the bottom
9 line is \$100,000 due to the department.

10 About 203 of that -- that's the net due to.
11 And we -- the recap of that is 203 due to the department,
12 and another 100,000 in refunds due back to the developers.

13 About this week, Accounting Division and
14 Financial Services Division has concluded that the
15 documentation analysis were conducted to date is
16 sufficient for them to resume billing.

17 We billed 103,000 this week -- excuse me,
18 108,000 this week. In the next several days, it expects
19 to bill another hundred and -- excuse me, another 40,000.

20 And documentation of the remaining balances of
21 approximately 47,000 is being evaluated. Accounting
22 groups, financial services groups -- they can make it
23 through that and get that billing done within the next two
24 weeks.

1 Just as a footnote to that, the Internal
2 Operating Division has a draft report of its review
3 circulating with management right now, affording them an
4 opportunity to provide input. We expect that back on
5 Tuesday, at which time it will arrive at Executive for
6 input for the same opportunities and that will be released
7 upon completion of that process.

8 And finally, we reported the Status of the
9 Central Database. We talked about primarily the
10 compliance monitoring trading system module. The
11 development phase of that module is now complete. The
12 remaining deployment pieces relate primarily to entering
13 tax credit data that has not previously been entered --
14 has not previously been captured in automated fashion.
15 That's a significant effort that the department will be
16 working on.

17 In connection with including that module, the
18 department, to build a team, anticipates completion of the
19 Affordable Housing Disposition Program portion of that
20 module by the end of February.

21 The completion of this and doing away with the
22 Legacy System has led the department to renegotiate or to
23 negotiate the contracts with the independent providers of
24 those services \$100,000 less than originally anticipated.

1 This is a real savings that we're recognizing
2 as a result of this, a savings that we see going forward
3 year in, year out. So we're excited about that.

4 There has been some slippage, primarily due to
5 viewing that piece of the database completed relating to
6 final fixes and enhancement on the compliance monitoring
7 tracking system.

8 The Compliance team, the functional users, the
9 Steering Committee, the Technical team have all agreed
10 that no more than 10 percent will be exerted on CMTS going
11 forward -- the Compliance Monitoring Tracking System.

12 Since it is now complete from the development
13 stage, that's very reasonable. We don't see any
14 additional time charged to that project unless it's called
15 a show stopper, in which case it needs to come before an
16 independent group to say yes, this needs to be done.

17 So that has pushed back the other milestones.
18 When one -- the one currently being worked on from --
19 pushed it back from March 18 to June 18, something about
20 like -- about three months pushed back on that. And I'm
21 kind of shooting off the top of my head, trying to be
22 brief here. But the committee's acknowledged that, and
23 we're really just looking forward to moving forward with
24 it.

1 Our money is anticipated to expire or to be
2 completely expended by the end of March, except for a
3 \$12,000 balance that we'll continue using for Contract
4 Programming services. Our strategy is that the Technical
5 team believes enough design work has been completed on the
6 system to keep them busy -- the programmers busy through
7 August, at which time we're hoping the new appropriations
8 will kick in for the 2004, and we'll -- at that point get
9 a designer back in here.

10 Should those appropriations not materialize, we
11 plan on going forward with our current in-house staff, and
12 we will still have the functionality of the systems
13 developed to date.

14 I'll entertain any comments, questions.

15 MR. CONINE: Move the acceptance of Audit
16 Committee Report.

17 MR. BOGANY: Second.

18 MR. GAINES: Thank you.

19 MR. JONES: Motion's been made and seconded.
20 Any questions, discussions? I think it was Mr. Bogany.
21 Questions, discussion? Hearing none, I assume we're ready
22 to vote. All in favor of the motion, say aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed, nay? Motion carries.

1 We will the move to Item 5 on the Agenda.

2 Ms. Carrington.

3 MS. CARRINGTON: Thank you, Mr. Chairman.

4 MR. JONES: We -- excuse me. Before we move to
5 Item 5, I'm sorry. We have a couple of witness
6 affirmation forms with regard to Item 5, now that we're
7 there.

8 Mr. Halla.

9 MR. HALLA: Thank you, Mr. Chairman, members of
10 the board. My name is Barry Halla. I'm with Life
11 Rebuilders. We have made an application under the HOME
12 Program Number 20020021. Even though it was the highest-
13 scoring application in the HOME round, it unfortunately
14 was denied. And the reason for its denial is that staff
15 is not sure that it would be an eligible HOME activity.

16 I know I've only got three minutes, so let me
17 just give you a brief history if I may, and I'll get back
18 to that point in just a second. This project is called
19 Grace Townhomes. It was built in Ennis, Texas. Strong
20 community support. We were invited in to do additional
21 units.

22 Our first development in this area was the
23 Creekside Terrace Apartments. A very successful project,
24 and the City of Ennis really wanted us to do another

1 community, so we did. We were successful in the bond
2 round, and couple that of course with 4 percent credits.

3 Two things happened. We were leasing up last
4 fall -- actually, winter, if you will. Two things
5 happened. A 250-unit development -- also a bond at 4
6 percent, started leasing up. We were ready to stabilize
7 our leasing at 90 percent. A combination of the holidays,
8 and you normally have a fallout from the holidays, plus
9 this new project started leasing took us back down to
10 about 60 percent occupancy.

11 We have worked very hard this last year. We
12 took over management. We have two people full-time on
13 site, plus my chief operating officer makes at least one
14 trip per week to make sure that an extensive social
15 service program that we've instigated is working.

16 It has worked. It is working. We're now
17 almost 95 percent leased, and I believe the occupancy is
18 right at 94 percent.

19 The second thing that happened to us that we
20 have no control over either, was the utility allowances.
21 And just to be very brief, if your rents are, say, \$600,
22 and your utility allowances are \$50, you would charge a
23 net rent of your tenants of 550.

24 In Ennis, Texas, the utility allowances have

1 virtually tripled. The one bedroom has gone from \$39 to
2 \$100. The two-bedroom UAs have gone from \$46 to \$128, and
3 the three-bedroom allowances have gone from \$59 to \$145.

4 The point of that is that with occupancy now
5 stabilized and expenses stabilized, we have \$1,200,000
6 in an earn-out account, that economically this project
7 will never, ever be able to see. There is just no way in
8 the world.

9 We applied for the HOME funds to cover this
10 gap. We struggled with staff. They have -- they wanted
11 to figure out a way to approve it, but couldn't find an
12 eligible basis. We think we have found a reason that it
13 will be eligible activity -- excuse me, not eligible
14 basis, but eligible activity.

15 The bond buyer is putting a lot of pressure on
16 us now, Charter Mac, to -- as they put it, to restructure
17 this. In other words, they realize with the economics the
18 way that they are, that 4,300,000-plus or minus is all the
19 bonds that this development will ever be able to justify.

20 Life Rebuilders has almost three quarters of a
21 million dollars cash of our own money into this project,
22 deferred developer fees of almost 900,000, which I don't
23 know if we're going to see much of that, if ever.

24 We're in a precarious situation due to

1 circumstances way beyond our control. We have worked very
2 hard to honor our commitment to the City of Ennis. We
3 have a beautiful bunch of tenants now, with a social
4 service program second to none.

5 We've been able to -- we've had people in
6 this --

7 MR. JONES: Can you wind up, sir?

8 MR. HALLA: Okay.

9 MR. JONES: Thank you.

10 MR. HALLA: I would like to respectfully
11 request this be -- we sent an appeal to staff, as we're
12 supposed to. I would like to respectfully request that
13 this be kept on the agenda so that we can have additional
14 time to work this out with staff in order to either prove
15 that it can't be an eligible activity, or that it can.
16 Thank you very much. I'll be happy to answer any
17 questions.

18 MR. JONES: Thank you, sir. The next person
19 who would like to have a comment, Mr. Mike Harris --

20 MR. HARMS: Harms. And I would just answer any
21 questions on the agenda.

22 MR. JONES: Okay. Thank you, Mr. Harms. And
23 then lastly, I have called her before.

24 Ms. Cormier? Okay. The reason I'm -- I tried.

1 I tried.

2 Okay. Now, that will close all public comment,
3 unless somebody tells me I've missed somebody. And I see
4 that I missed no one. Thanks.

5 We will then turn to Item 5 on the agenda, Ms.
6 Carrington.

7 MS. CARRINGTON: Thank you, Chairman Jones.
8 What you have before you this afternoon is staff
9 requesting approval for six transactions that would be
10 funded out of the CHDO funds in the HOME Program. The
11 HOME Program requires that 15 percent of the funds on an
12 annual basis go to community housing development
13 organizations -- CHDOs.

14 And this is actually the CHDO money from last
15 fiscal year, '01/'02. It was actually 8.3 million, or is
16 8.3 million that is available out of that CHDO funding
17 cycle.

18 The department received 24 applications. Those
19 applications totalled 16.2 million. What you have in the
20 chart behind the memorandum, about four or five pages
21 over, and then also on your board agenda also, are the six
22 transactions that we are recommending to you today.

23 These funding recommendations total \$2,716,727.
24 There is one of the six that did not meet the program

1 threshold requirements at the time of application. They
2 have since met those threshold program requirements.

3 We are going to be requesting a waiver from you
4 of allowing them to be in the recommended funding round
5 today, because they have since met that threshold
6 requirement.

7 And for your information, the two or three
8 pages after the memo are the -- is outlining the threshold
9 requirements, which was Item Number 4, Demonstrate
10 Reasonable HOME Program Expenditure and Project
11 Performance.

12 Basically, what we want any recipient to do is
13 to have expended at least 30 percent of the HOME funds
14 that they previously had through a contract to be eligible
15 to participate. So that's a threshold requirement.

16 And then what we've also included for you in
17 program administration is the ability to grant a waiver in
18 that regard. The one particular development -- I'm sorry,
19 not development, but the proposal, was from the
20 Brownsville Community Development Corporation, Brownsville
21 CDC. And they were requesting funds for homebuyer
22 assistance in the amount of \$500,000.

23 So we do have these six recommendations in
24 front of you, with one of them, as I said, needing an

1 approval of a waiver from the board for it to be in the
2 funding recommendations.

3 One of the things, certainly, that I asked
4 staff when we had six that came forward -- we had 24 that
5 applied was, well, what did the others look like? What
6 did the other 18 look like, and what are we going to be
7 able to do to be able to more fully utilize the CHDO set-
8 aside in our HOME Program?

9 And staff has given me a detailed breakdown of
10 each of the applications, actually all 24 of them, what
11 they applied for, how much money, where they scored. You
12 have some of that in your material.

13 And we are developing our strategy and our plan
14 for how we work with many of these nonprofits around the
15 state, so that they are able to develop and present to us
16 competitive applications.

17 There were two or three of them that were not
18 eligible activities under the HOME Program. Not much we
19 can do about that except work with them so that they will
20 know, or perhaps better understand what the eligible
21 activities under the HOME Program are.

22 Some of them, perhaps, didn't meet threshold,
23 or did not score high enough. So there really are a
24 variety of reasons why we only are bringing six to you

1 today.

2 We are in the -- we do have a HOME round going
3 on right now. I think our application deadline is April
4 3 -- April 2. Okay. We are also taking applications
5 under the CHDO set-asides, since we still have money in
6 that set-aside at in this current round.

7 So this is a portion of that money. It's 2.7-.

8 But as we said, we actually have about 8.3 million, I
9 think, to actually allocate out of this CHDO set-aside.
10 So there certainly will be opportunities for other
11 applicants.

12 So with that, we could act -- I could
13 recommend, maybe, we do all of these together. Or we also
14 have three that are contract-for-deed. There is a
15 legislative mandate that \$2 million on an annual basis
16 does go out of the HOME Program to our contract-for-deed
17 program.

18 And so actually what we have in front of you is
19 also 1.3 million that we are recommending in the contract-
20 for-deed program. And the total amount that we'd be
21 recommending to the board today is \$3,888,359. And that's
22 for a combination of rental housing development, two
23 applications that will be producing 20 units of rental
24 housing, 12 units of rental housing.

1 Three applications that will be providing
2 homebuyer assistance -- four applications for homebuyer
3 assistance, 822,500. That's our second-lien money that we
4 provide. And then three organizations that will be
5 providing contract-for-deed services.

6 MR. JONES: What's the board's pleasure?

7 MR. CONINE: I'll move for approval just to get
8 it on the table.

9 MR. JONES: Okay. The motion's been made for
10 approval. And that would be of everything?

11 MR. CONINE: Yes.

12 MR. JONES: Okay. We have a collective motion
13 for approval. Is there a second?

14 MR. BOGANY: Second.

15 MR. JONES: Motion's been made and seconded.

16 MR. CONINE: Ms. Carrington, can you address
17 Mr. Halla's -- is he a CHDO, I guess, or would have fallen
18 within the CHDO set-asides, assuming that his activity
19 would have been deemed appropriate for HOME funds?

20 MS. CARRINGTON: Yes, sir. All of these
21 applications you're looking at today -- all 24 of them, as
22 far as I know, did meet the definition of a community
23 housing development organization. I didn't see one that
24 did not.

1 And staff's determination on Life Rebuilders
2 group is that the application was for a refinancing, which
3 is not an allowable activity under the HOME Program,
4 unless the initial financing was with HOME funds.

5 MR. CONINE: Okay. And he's going to get
6 documentation. It sounds like it's going to say something
7 different. So we can -- my point is, we can consider that
8 later on, as a different event?

9 MS. CARRINGTON: Yes, sir. We certainly can.

10 MR. CONINE: Okay.

11 MS. CARRINGTON: We do have money, and we are
12 working with -- we actually -- we had an applicant in the
13 office two days ago that says they can provide us some
14 additional information that would change our decision.

15 MR. CONINE: Okay.

16 MR. SALINAS: Where is this Organizacion
17 Progressiva from?

18 MS. CARRINGTON: I'm sorry?

19 MR. SALINAS: Organizacion Progressiva -- is
20 that --

21 MS. CARRINGTON: Under the CFD.

22 MS. ANDERSON: It's a --

23 MS. CARRINGTON: Oh, okay. Okay.

24 MR. SALINAS: I know Willis is there. I don't

1 know what county's there.

2 MS. CARRINGTON: That is -- I asked the staff
3 next time to do where the activities were located. But
4 Mayor, I can find that for you in just a --

5 MR. SALINAS: Is that El Paso, or --

6 MR. BEAIRD: It's El Paso.

7 MS. CARRINGTON: Organizacion Progressiva.

8 MR. BEAIRD: San Alizario. Yes, sir.

9 MR. SALINAS: Okay.

10 MS. CARRINGTON: Thank you, Skip.

11 MR. JONES: Further questions, comments,
12 discussion? If not, we have a motion on the floor. Ms.
13 Anderson?

14 MS. ANDERSON: I said this in the Audit
15 Committee meeting, and so I will say it just for the
16 benefit of the rest of the board members that are
17 standing. But I've made this point once today. And I
18 know Ms. Carrington's acutely aware of my sentiments in
19 this regard.

20 Around Contract for Deed -- in several
21 instances, we just have cases where our productivity on
22 contract for deeds, or the apparent demand for the
23 contract for deeds conversions is not up at the level of
24 where we have it funded. This was true of a TSAHC

1 subcontract that's now become an audited -- it's on the
2 Audit Issue list.

3 It's true here, where we've got this \$2 million
4 mandated HOME set-aside for contract for deed. It's not
5 fully subscribed. We know that in some of our owner
6 junior lien things it's not -- they're not fully
7 subscribed.

8 And so I've just urged her and the staff to
9 really think and rethink how we work more closely with the
10 Water Development Board, who is doing Colonias
11 infrastructure, or what other alternative strategies we
12 can come up with to provide these funds where -- because
13 we all have seen these colonias.

14 We know there's a need. You've got to find the
15 right plots of land to do it on. But I'm concerned that
16 we just consistently seem to be falling short. And I know
17 that's not staff's intent, certainly not our intent. But
18 maybe there are some things we need to rethink about
19 contract for deed.

20 MR. SALINAS: Well, I know the Water
21 Development Board turned down everything in El Paso simply
22 because the elected officials are not doing their job as
23 far as supporting and doing the model rules and bringing
24 developers up to standards.

1 I don't think that there is anything the Water
2 Development Board can do unless the elected officials down
3 there -- and we're talking about El Paso and Fort Hancock
4 and all those areas, start doing what they're supposed to
5 do, and enforce the law that is along the Border and
6 throughout the state.

7 I know that contracts for deeds have to stop
8 one of these days. I think the Attorney General has made
9 it very hard for developers to do that. I just don't know
10 when it's going to stop. When are we going to --

11 You know, they ask us to put \$2 million every
12 time, just to keep somebody happy. That's not fair. I
13 think that the local officials in the local counties have
14 to do their job.

15 I know that there is a problem, and I know the
16 Water Development Board said no to a lot of the proposals
17 in El Paso simply because the elected officials are not
18 doing what they're supposed to do. And this is what I
19 heard from the Water Development Board.

20 MR. SALINAS: Well, maybe we need something
21 other than contract for deed as a way to build more
22 housing in the colonias, you know, or to make more housing
23 available. But we know there are needs for the people
24 that live in the colonias.

1 And I just am distressed that on numerous -- I
2 just keep seeing this pattern on the takeup on the -- and
3 maybe contract for deeds is not the way to get it done in
4 the future.

5 MR. SALINAS: Oh, it's not. I think it's a
6 very, very -- and I know they filed some lawsuits in the
7 Valley. And I think one of the fines was \$130,000 for the
8 developer, for just not filing the contract for deed in
9 time.

10 It comes back to the local officials doing
11 their job. If they go out there and go to the county
12 clerk's office, you see it's over 30 days, that's
13 violating the law. And the prosecutors -- Attorney
14 General should get after that.

15 We can't do anything about colonias and we
16 can't do -- and one developer can't do anything about
17 colonias unless the elected officials down in El Paso and
18 Hudspeth County start enforcing the rules and filing some
19 funding restrictions on their own subdivision model
20 groups. I think that's what's happening.

21 MR. CONINE: They mayor is exactly right. And
22 if the State Legislature would understand that they could
23 statutorily eliminate contract for deeds, we would not
24 have to convert them very much longer. So maybe they'll

1 hear this sometimes.

2 MR. JONES: I would like to join with my vote
3 today. But it's not on the agenda. But it's a bad, bad
4 process.

5 MR. SALINAS: We have that rule. People went
6 to see us. And I talked to Ms. Carrington about the ones
7 we met in El Paso. Well, Fort Hancock finally got a
8 planning grant. I talked to the Governor's office, and
9 they wanted us to meet with them in Fort Hancock to see if
10 we can get a block grant from ORCA, or some of those
11 people out there.

12 And finally they have a new county judge in
13 Hudspeth County. So they're going to start enforcing the
14 rules, and hopefully, ORCA and part of this group will
15 support them getting a grant, so they can do
16 infrastructure in those subdivisions.

17 MR. JONES: Excellent. Yes, we do have a
18 motion on the floor. Any further discussion on it. Are
19 we ready to vote? I assume we are. All in favor of the
20 motion, please say aye.

21 (A chorus of ayes.)

22 MR. JONES: All opposed, nay? Motion carries.

23 We then will turn to Item 6 on the Agenda, which is the
24 Presentation, Discussion, and Possible Election of

1 Officers of the Board.

2 We need three officers. We need a vice chair.
3 We need a secretary. And we need a treasurer, I believe.
4 What is the board's pleasure?

5 MS. ANDERSON: I move retention of our very
6 able officers of this board that are in place today.

7 MR. SALINAS: Second.

8 MR. JONES: We have a motion that's been made
9 and seconded. It was the mayor. Any further discussion
10 on the motion?

11 MR. CONINE: I'd like to amend the motion, if I
12 could, and --

13 MR. JONES: Certainly.

14 MR. CONINE: -- put Beth Anderson in as
15 treasurer.

16 MR. JONES: That would be great.

17 MR. GONZALEZ: Second.

18 MR. JONES: And do you accept the amendment to
19 your motion, Ms. Anderson?

20 MS. ANDERSON: Do you think he's trying to make
21 me a party to all this? Okay.

22 MR. JONES: Yes. She accepts your amendment.
23 So we don't even need to vote on it, because we have
24 that -- so the motion currently would be that the officers

1 would be, Mr. Conine as assistant chair. We would have --
2 and Mr. President.

3 And we would have Beth as Treasurer. And then
4 Delores as our Secretary. And if you don't vote for
5 Delores, we all need to disband. Any further discussion
6 of the motion?

7 Hearing none, I assume we're ready to vote.
8 All in favor of the motion, please say aye.

9 (A chorus of ayes.)

10 MR. JONES: All opposed, nay. The motion
11 carries. We then turn to Ms. Carrington's report.

12 MS. CARRINGTON: Thank you, Mr. Chairman. The
13 first item is a great item of interest to this department,
14 and I think for the board that's sitting here. And that
15 is we did have the hearing and the vote on the
16 continuation of the Texas Department of Housing and
17 Community Affairs, which was the only Sunset Advisory
18 Commission recommendation, as opposed to a couple of years
19 ago, when we had several.

20 And the vote was to extend the agency over 12
21 years. It was a unanimous vote. There was no discussion
22 at that meeting. And I was going to check --

23 Michael Lyttle, do you remember who made the
24 motion and who made the second?

1 MR. CONINE: I don't.

2 MS. CARRINGTON: Okay.

3 MR. LYTTLE: It's a pop quiz.

4 MS. CARRINGTON: Anyway, it was a unanimous
5 vote. So we're very pleased. Our legislation has been
6 introduced -- the reauthorizing legislation has been
7 introduced. It's about three lines.

8 Representative Dunnam, who sits on the Sunset
9 Advisory Commission, introduced the legislation in the
10 house. And Senator Lucio, who also sits on the Sunset
11 Advisory Commission, introduced the legislation in the
12 Senate. And so the legislation has been introduced for
13 the department to be continued for 12 years.

14 And I would like to thank the board and their
15 leadership that they have given the department during this
16 period of time. So thank you all very much.

17 The second item on the agenda we think is
18 noteworthy. As we have worked with our outstanding audit
19 findings, many of them related to the HOME Program, one of
20 the things that staff is also doing, and you heard this
21 this morning in David Gaines's report, about how many
22 projects and how many corrections we're actually having in
23 IDIS, which is the system that HUD uses -- or it's HUD's
24 system that we use to track the funds that have been

1 allocated, the activities that have done, and then closing
2 out of those projects.

3 We have closed out about a million and a half
4 in old loans. There were three loans in particular that
5 had been hovering around the department since like '96 and
6 '97. So that's good news. We're making great progress on
7 that.

8 Two of the three of them, the developer
9 actually had to come to the table with money, and he did
10 come to the table with money for us to be able to close
11 out the loans.

12 And I think this shows one more way that our
13 compliance tracking is working very well, because having
14 these outstanding loans was penalizing this particular
15 developer, who wanted to participate in the Low Income
16 Housing Tax Credit Program this year.

17 And so to be able to do that, he had to get the
18 loans closed. And so it certainly is providing, at least
19 in that instances, the stick that we need to be able to
20 get the development community to act appropriately on the
21 funds that they've been allocated.

22 So we plan to continue to have good news as it
23 relates to our HOME Program and HOME closeouts. And as
24 David said, identifying deobligating funds and then using

1 those funds.

2 The third item, the Young versus Martinez --
3 this is the HUD disapproval of the State's Consolidated
4 Action Plan. What we have received officially from HUD is
5 notification that our certification to affirmative -- Fair
6 Housing has not been approved. And we do have a 45-day
7 period to cure that. We're in the 45-day period now. And
8 we are working with HUD and the Governor's office to
9 resolve those issues.

10 Heatherwilde Estates, Item Number 4 --
11 Heatherwilde is a 9 percent tax credit transaction
12 allocated in San Antonio last summer. It was the highest-
13 scoring transaction in San Antonio. There was some
14 discussion at the board meeting. There was a little bit
15 of opposition at the board meeting.

16 What has happened since that time is that there
17 has been, since the board took their action, there has
18 been some substantial amount of opposition that has been
19 raised to this particular development.

20 There was an open records request by State
21 Representative Ken Mercer to the Attorney General's
22 office, for all the records related to the allocation of
23 the tax credits by this department. And we are working
24 through those issues. We are asking for a meeting with

1 Representative Mercer's office, and do plan to be working
2 through those issues.

3 Item Number 5, which you all have already heard
4 mentioned briefly -- this is the Senate Finance meeting on
5 February 19. So that's Wednesday of next week. And
6 they're calling it our building blocks. We're basically
7 taking our legislative appropriations requests, which this
8 board did review and approve back last summer, that was
9 over to the Governor's office and the LBB, for the next
10 biennium, '04/'05.

11 And what we will be doing, or what Bill and his
12 staff are doing is looking at what's been presented to the
13 LBB. They are changing up a little bit how we're doing
14 our presentations, doing it more from a building blocks
15 perspective, as opposed to a strategy perspective.

16 I'm sure you all have heard the zero-based
17 budgeting concept. So the idea is we are building it up
18 from the bottom. And our hearing is Wednesday of next
19 week.

20 As far as hearings go, we did have a hearing
21 yesterday with Urban Affairs. We were invited testimony.

22 That is the committee in the House that all of TDHCA's
23 activities go through. It is a -- it's basically a brand-
24 new committee.

1 There are only two members who are holdovers.
2 One of them is Al Edwards. Actually, both of them, I
3 guess, are both from Houston, Representative Al Edwards
4 and Representative Kevin Bailey.

5 Five out of the seven members, I think, from
6 Houston. They're calling them the Houston Mafia, Mr.
7 Bogany, so -- and they talked about that yesterday. They
8 don't know how they all got on from Houston.

9 The chair is Robert Talton, who is from
10 Pasadena. And I did visit with Representative Talton on
11 Tuesday evening in his office for about an hour and a
12 half. He is a former policeman. He is an attorney now.
13 Admits that he knows a lot about fire and police
14 protection, but doesn't know a whole lot about housing.
15 And so I did spend some time with him on Tuesday
16 afternoon.

17 Yesterday, I would say the testimony probably
18 was about ten to 12 minutes. There are some of the things
19 that I felt like, since this was a new committee, that the
20 department ought to discuss. And some of the things we
21 discussed are what we felt like were the challenges that
22 were facing the department.

23 We talked about Sunset and how well we've done
24 in implementing Senate Bill 322. But some of the other

1 challenges we talked about were the audit findings that we
2 have, and our diligence from the direction of the board in
3 resolving those audit findings I would rather tell them
4 than to have them come up and ask me about it a month or
5 so later.

6 We also talked about the opposition to
7 affordable housing that we are encountering, primarily in
8 Houston, but certainly in other areas of the state. My
9 staff went two days ago to an open house in Elgin. And
10 the City Hall closed on that afternoon so they could all
11 go over to the open house of a tax credit development.
12 And so I think sometimes staff forgets that there really
13 are many communities around the state who want affordable
14 housing, and consider themselves very blessed because they
15 have an opportunity.

16 So sometimes, as Ms. Anderson reminded me the
17 other day, I sort of get bogged down sometimes. And so I
18 do want to acknowledge to you all that we go to as many of
19 those open houses as we can, and that generally we're very
20 well received.

21 But when I met with Lieutenant Governor
22 Dewhurst's person a couple of -- three days ago, we talked
23 about the opposition issue, because I do think it's
24 substantial, and I do think we are going to be hearing it

1 during the session.

2 We also talked, Mr. Bogany, about Qualified
3 Census Tracts in my testimony yesterday, for the same
4 reasons that you had mentioned earlier today. There are
5 areas of the state that are designated as qualified census
6 tracts. The developers get the additional boost to go
7 into those areas. And what's happening is that some of
8 them are becoming impacted.

9 And at least in our 9 percent program, what we
10 did this year -- Federal law says you have to give
11 priority if you're in a qualified census tract. So they
12 get the additional boost. And I think we're giving like
13 one point.

14 Last year it was five points if a development
15 was going into a QCT. Now we're only giving one. So
16 there's obviously many other ways that that one point can
17 be offset in the Qualified Allocation Plan.

18 My testimony was probably about ten, 15
19 minutes. And then after they were getting ready to
20 adjourn, I went back up and said, Can I say one more
21 thing, because I had said something to them that wasn't
22 quite right, and I wanted to straighten that out. And I
23 think we probably ended up with another 15 or 20 minutes
24 of questions from the committee members.

1 But I felt like it was a good day for TDHCA.
2 It's a group we don't know. And they're our oversight
3 committee at the House. So it was very important, I
4 think, for us to begin to develop that relationship with
5 them. And then, as we've already reported, Bill, Ruth and
6 I and Michael went over to the General Government
7 Committee on Appropriations, and that went fairly well.

8 Update to Reorg. You've already heard. March
9 3. Since that's the first workday, we'll be in our new
10 groups with an operating budget that reflects us working
11 in that way. Certainly as I have visited with the
12 legislators now over the past two or three weeks, they've
13 been very interested in what we've done in the way of
14 reorganization, and how we've aligned the agency, because
15 it does some of the things, of course, that Governor Perry
16 talked about a couple of days ago, when he said we've got
17 21 agencies in this state that do space planning and
18 purchasing.

19 And I said, you know, we had four or five
20 places in this agency where we did construction draws,
21 where we did construction monitoring. And so what we're
22 doing is creating, as you all know, those specialized
23 areas. So that has played very well with the Legislature.

24 Staff honors. Gordon Anderson -- is he still

1 here? Gordon is our communications manager. And Gordon
2 has been elected as president of the Statewide Association
3 for Communications Directors who are with state
4 agencies -- government. So I guess it's not just --

5 MR. ANDERSON: Primarily state, some cities.

6 (Applause.)

7 MR. CONINE: Another Mr. President.

8 MR. JONES: We've got presidents coming out of
9 our ears.

10 MS. CARRINGTON: Well, you know --

11 MR. JONES: You know, executive director
12 doesn't sound so good anymore.

13 MS. CARRINGTON: You know, I wasn't around.
14 But of course, you know, Mr. Bogany was Mr. President for
15 a long time of the largest realtor association in the
16 country. So --

17 MR. JONES: You've got to remember that too.
18 Yes.

19 MS. CARRINGTON: And Ms. Anderson and Mr.
20 Gonzalez, are you all going to go out --

21 MS. ANDERSON: Oh, wow.

22 MS. CARRINGTON: -- go out for something?

23 MR. GONZALEZ: We're forced to now.

24 MS. CARRINGTON: We're very pleased. We're

1 proud of Gordon. And we have many staff who do
2 participate in their professional associations. And the
3 department values that kind of participation.

4 MR. JONES: Thank you, ma'am. I appreciate
5 your report, Ms. Carrington. Do we have need for an
6 Executive Session?

7 MS. CARRINGTON: Yes, we do.

8 MR. JONES: We do. Do I have the form for it?
9 I don't think I do. We will then go into Executive
10 Session. On this day, January 13, 2003, at a regular
11 board meeting of the Texas Department of Housing and
12 Community Affairs held in Austin, Texas, the board
13 directors adjourned into a closed Executive Session as
14 evidenced by the following.

15 Could you -- excuse me. Yes. Thank you. It's
16 hard for her to -- I try to go so fast she can't get it in
17 anyway. So when everybody else is talking, she can't get
18 down anything.

19 The board of directors began its Executive
20 Session today, February 13, 2003, at 2:02 p.m. The
21 subject matter of this Executive Session deliberation is
22 as follows:

23 Litigation and Anticipated Litigation, the
24 Century Pacific Corporation case; Consultation with

1 attorney pursuant to 551.071(2) of the Texas Government
2 Code, regarding Multifamily Housing Mortgage Revenue Bonds
3 (William Run Apartments); Young v. Martinez; Heatherwilde
4 Estates Apartments; Personnel Matters taken in the case of
5 Government Code, Section 551.074; and, if permitted by
6 law, discussion of any item listed on the board meeting
7 agenda of even date.

8 With that by way of introduction, we will move
9 into Executive Session.

10 (Whereupon, the board was adjourned to
11 executive session.)

12 MR. JONES: The Executive Session of the Board
13 of Directors Texas Department of Housing and Community
14 Affairs for February 13, 2003 has been completed, and it
15 is completed on this day, February 13, 2003 at 2:28 p.m.

16 The subject matter of the Executive Session was
17 Litigation and Anticipated Litigation concerning the
18 Century Pacific Corporation. Action taken was none.

19 Consultation with the attorney pursuant to
20 551.071(2) of the Texas Government Code, regarding
21 Multifamily Housing Mortgage Revenue Bonds (William Run
22 Apartments), action taken, none.

23 The Young v. Martinez case, action taken, none.
24 The Heatherwilde Estates Apartments, action taken, none.

1 Personnel Matters, action taken, none. And if permitted,
2 discussion of any item listed on the board meeting agenda
3 of even date, action taken, none.

4 I hereby certify that this agenda of an
5 Executive Session of the Texas Department of Housing and
6 Community Affairs was properly authorized pursuant to
7 551.103 of the Texas Government Code, posted at the
8 Secretary of State's office seven days prior to the
9 meeting, pursuant to Section 551.04 of the Texas
10 Government Code.

11 That all members of the Board of Directors were
12 present. There were no exceptions. Everybody was there.

13 And that this is a true and correct record of the
14 proceedings pursuant to the Texas Open Meetings Act,
15 Chapter 551 Texas Government Code as amended, signed by
16 myself.

17 And with that, I'll entertain a motion that we
18 adjourn our meeting.

19 MR. GONZALEZ: So moved.

20 MR. SALINAS: Second.

21 MR. JONES: Motion's been made and seconded.

22 All in favor of the motion, say aye.

23 (A chorus of ayes.)

24 MR. JONES: The motion carries.

1 (Whereupon, at 2:30 p.m., the meeting was
2 concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Department of Housing and Community
Board meeting
LOCATION: Austin, Texas
DATE: February 13, 2003

I do hereby certify that the foregoing pages,
numbers 1 through 160, 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.

(Transcriber) 02/24/2003
(Date)

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