

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:15 a.m.
Wednesday,
February 11, 2004

The Westin Galleria
Consular/Congressional Room
13340 Dallas Parkway
Dallas, Texas 75240

COMMITTEE MEMBERS:

BETH ANDERSON, Chairman
SHADRICK BOGANY
C. KENT CONINE, Vice Chairman
VIDAL GONZALEZ
PATRICK GORDON
NORBERTO SALINAS

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
BROOKE BOSTON
BILL DALLY
DAVID GAINES
DELORES GRONECK
BYRON JOHNSON
CHRIS WITTMAYER
TOM GOURIS

CONSULTANTS:

DAVID GAINES
BYRON JOHNSON
GEORGE SCOTT
CHRIS WHITAKKER

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P R O C E E D I N G S

1
2 MS. ANDERSON: This is Board Meeting for the Texas
3 Department of Housing and Community Affairs. First item of business
4 is to call the roll.

5 Beth Anderson, Chair, is present.

6 Vice Chairman Conine:

7 MR. CONINE: I'm here.

8 MS. ANDERSON: Shad Bogany?

9 MR. BOGANY: Here.

10 MS. ANDERSON: Vidal Gonzalez?

11 MR. GONZALEZ: Here.

12 MS. ANDERSON: Pat Gordon?

13 MR. GORDON: Here.

14 MS. ANDERSON: Mayor Salinas?

15 MR. SALINAS: Here.

16 MS. ANDERSON: Thank you. We have six present. We
17 have a quorum. First order of business is public comment.

18 The Board will solicit public comment at the beginning
19 of the meeting and will also provide for public comment on each
20 agenda item after the presentation made by Department staff and
21 motions made by the Board.

22 I have a number of witness affirmation forms. Is
23 everyone that wants to speak this morning -- have you all completed a
24 witness affirmation form. Thank you.

1 For all the witness affirmation forms I have, everyone
2 appears to want to speak when their agenda is presented, which is
3 fine, except for Mr. Printice Gary, who indicated that he wants to
4 speak during the public comment period.

5 Yes, sir. Welcome.

6 MR. GARY: My name is Printice Gary, and I'm a partner
7 with Carlton Construction Company. And I'm here to speak positively
8 on the Bellfort Village development down in Houston, Texas.

9 Carlton Construction will be performing as the prime
10 subcontractor for the project in getting it built. Indeed, as I
11 speak my partner and head of the construction company, Neil
12 Hildebrand, is down in Houston investigating the site.

13 So we will be ready to move as soon as this thing moves
14 forward. I'd just like to say that working with Province -- I've
15 worked with them before; they have provided opportunities for
16 minorities.

17 Our firm has had a very good relationship with them,
18 and it continues into the future. And I hope that you vote
19 positively on this bond issue.

20 Thank you.

21 MR. CONINE: Could you tell which agenda item you're
22 speaking to?

23 MR. GARY: I'm speaking to item number 7(a), the
24 Bellfort Village.

1 MR. CONINE: Got it. Thank you.

2 MS. ANDERSON: Thank you, sir. And the rest of the
3 public comment we will take at the agenda items.

4 First item on the agenda is Presentation, Discussion
5 and Possible Approval of Minutes of Board Meeting of January 13,
6 2004.

7 MR. CONINE: So moved.

8 MR. BOGANY: Second.

9 MS. ANDERSON: It's been moved and seconded to approve
10 the minutes. Any discussion?

11 (No response.)

12 MS. ANDERSON: I assume we were ready to vote. All in
13 favor say, Aye.

14 (A chorus of ayes.)

15 MS. ANDERSON: Opposed? No.

16 (No response.)

17 MS. ANDERSON: Minutes are approved.

18 MR. GONZALEZ: One abstention.

19 MS. ANDERSON: One abstention. Yes. Thank you, Mr.
20 Gonzalez.

21 Next item on the agenda is Presentation and Discussion
22 of Audit Reports from our auditors Deloitte & Touche.

23 Mr. Bogany?

24 MR. BOGANY: Okay. We did not have an Audit Committee

1 Meeting. What we're going to do is have David Gaines come up and
2 explain what we've had done and what was the results of the audit.

3 MR. GAINES: Morning, Board members. Chair, Ms.
4 Carrington.

5 We have George Scott, Managing Partner, and he has the
6 Audit Manager, Tracy Guidry here today. I think they'd do a better
7 job at this than I would.

8 George?

9 MR. SCOTT: Thank you, David. I'm George Scott,
10 partner with Deloitte & Touche, and responsible for the audits this
11 year.

12 Also with me back in the audience is Tracy Guidry, who
13 is the Manager on the engagement this year.

14 There are a number of reports that have been provided
15 to you. I will just go over them briefly to give you the highlights
16 of those reports.

17 As David has already said, we did perform the audit of
18 the financial statements for the year ending August 31. In our
19 opinion, the financial statements do present fair with the financial
20 position of the Agency as of that date.

21 In order to reach that opinion, we have to audit a
22 variety of documents and interview individuals throughout the
23 organization, both in staff and management.

24 During the course of the audit, there were no

1 restrictions placed on our access to information. There were no
2 restrictions placed on our access to individuals for that process.

3 An audit is not an easy process to go through, and we
4 certainly appreciate everyone's cooperation and assistance. We did
5 receive outstanding cooperation and assistance throughout that
6 process.

7 This audit was done in accordance with generally
8 accepted auditing standards and also government auditing standards,
9 because of the federal assistance that's provided to this Agency .

10 Again, no standards require that we plan and perform an
11 audit to reach a reasonable assurance that the financial statements
12 are free from material misstatement.

13 During the course of the audit, as you compare one
14 financial statement to another, there were no significant changes in
15 application of accounting policies and estimates and every financial
16 statements.

17 There are numerous estimates and judgments. And during
18 the audit, we look at those to determine the consistent application
19 of those, in that we identify that those were consistent from year to
20 year.

21 There were no past adjustments, as far as corrections
22 to the financial statements. There was one large adjustment of about
23 \$20 million, which pertained to the change in the reserve for
24 uncollectible accounts.

1 As you may recall, our management letter would make an
2 observation about reviewing that process, or reviewing what that rate
3 should be at a minimum on an annual basis, but perhaps, based on
4 changing market conditions, looking at that, this actually increased,
5 reduced the reserve, as opposed to increased it, because your
6 historical result had improved on those collection processes.

7 So, as I mentioned earlier, there were no disagreements
8 with management during the course of the audit. We were aware of any
9 consultation with other accounting firms, as it pertained to
10 accounting issues, reporting issues.

11 Also there were no discussions with our firm prior to
12 beginning or retention of the current year's audit.

13 Also as a part of the audit, we did review other
14 documentation contained in these reports, which were not covered
15 totally by our audit, such as the MBNA. We did look at that to see
16 if it was in conformance with the financial statements and found no
17 exceptions in that regard.

18 Also we did not provide any consulting services to the
19 Agency during the course of the year. And we met all the
20 independent requirements as required both by the GAO and the SEC
21 during the course of the project.

22 Also, as I mentioned earlier, we did issue a report to
23 management, that did contain one comment discussing or identifying
24 the issue of reviewing the loan loss reserve calculation, at least on

1 an annual basis.

2 As you may recall last year, we had a comment also
3 concerning the reserve, but this pertained only to a very specific
4 part of the reserve, and that was those over 90 days, and that was
5 adjusted and corrected and dealt with during the year.

6 The other comment we made in the prior year, which was
7 dealt with, was the insurance coverage issue, which was discussed
8 with the Audit Committee the prior year.

9 In addition to the audit of the financial statements,
10 we also did issue a report on the computation of encumbered fund
11 balances. In that report, we identified no situation which needs to
12 be reported.

13 That is something that is required under your bond
14 ordinances and legal requirements, with that report to be printed on
15 an annual basis.

16 In addition, as a subset of the annual report, there is
17 also a separate financial statement, just on the revenue bond
18 program.

19 Basically when you look at that report, you'll see that
20 it's identical to the information in the other report.

21 It's arranged a little bit differently for a different
22 audience, but it is the same information going from one to the other,
23 with more detail that's provided in some of the bond schedules in the
24 back.

1 Again, our opinion on that is a clean opinion. It's
2 unqualified.

3 With that I'd be happy to answer in questions you might
4 have for me.

5 MR. CONINE: Mr. Scott, did you get a chance in the
6 course of your investigation to render your opinion on Bill Dally, by
7 any chance?

8 MR. SCOTT: We theoretically do not issue an opinion on
9 any individual. Just call your attention, it's a clean opinion.

10 MS. CARRINGTON: The staff was extremely cooperative.

11 MS. ANDERSON: Thank you, very much.

12 MR. SCOTT: Thank you.

13 MS. ANDERSON: Next item on the agenda is Presentation,
14 Discussion and Possible Approval of First Quarter Investment Report.
15 Ms. Carrington?

16 MS. CARRINGTON: Mr. Dally?

17 MR. DALLY: Good morning, Madam Chair and Board
18 members. Ms. Carrington.

19 We had some decision on this quarterly investment
20 report yesterday at our bond training. I know not everybody was able
21 to attend, so I'll go through it real briefly.

22 This is our first quarter for that quarter ending
23 November 30 in this fiscal year. I've done some bar graphs and
24 charts. I apologize, they were done in color and they do not

1 reproduce in black and white very well. We'll adjust that in future
2 Board books.

3 That first chart is showing you sort of the relative
4 size and change in the quarter among the single family indenture, the
5 RMRB, the CHMRB, the multifamily and on across the various funds.

6 We then have a chart that is showing you the grouping
7 of the investment types and their ranges in rates. Then we've done a
8 trendline that will show you sort of where they've been over the
9 year.

10 We then move on to the next bar graph, which will show
11 you by investment type. You can see that the vast majority of our
12 investments are the mortgage-backed securities associated with our
13 bond issues.

14 Next come the guaranteed investment contracts,
15 investment agreements. There again, that's where those bond proceeds
16 are invested temporarily before we make them mortgage-backed
17 securities or we fund the loans that are going in to develop
18 multifamily projects.

19 And then on that last chart of numbers and stuff,
20 you'll see mortgage-backed securities at various investment types.

21 Just to point out some of the activity here than
22 happened. Under the purchases in the mortgage-backed securities, we
23 had roughly \$17 million in new activity mortgage-backed securities.

24 We had \$43 million in maturities. So that's showing

1 you the refinance and prepayments that are rolling in. So that was a
2 bigger element in this last quarter than are new originations.

3 Also, I'll just point out there is an unrealized gain
4 of \$7.4 million in this particular quarter. It's called unrealized
5 because the investments are locked up, and we don't take advantage
6 necessarily of those gains.

7 The other thing that I pointed out at yesterday's
8 meeting, is that this is a very short view of our investments over
9 about a three-month period. And it is not the best way to judge the
10 finances here.

11 The best way is to take each of these elements and put
12 them back in with their indentures on a cash flow statement, because
13 that compares both these assets, along with the liabilities of the
14 bonds that are associated with them.

15 It's the matching of those cash flows over the next 20,
16 25 years that's important. And those are done typically every time
17 we do a new issue into an indenture or every one or two years if we
18 haven't done a new issue in a particular indenture.

19 But that's where the true test of the finances are, and
20 not this quarterly snapshot. But this a requirement of all public
21 entities to do a quarterly -- a public investment report, they have
22 investment policies.

23 With that, I'll close and answer some questions.

24 MR. CONINE: Motion to accept the Investment Report by

1 Mr. Dally.

2 MR. BOGANY: Second.

3 MS. ANDERSON: Any discussion? All in favor of the
4 motion say, Aye.

5 (A chorus of ayes.)

6 MS. ANDERSON: Opposed, No.

7 (No response.)

8 MS. ANDERSON: The motion carries.

9 Next item is Presentation and Discussion of Report from
10 Programs Committee. Mr. Conine.

11 MR. CONINE: Thank you, Madam Chairman.

12 A couple of things. This report item is only for the
13 Board. You'll find under tab 4 the 2003 Performance of a lot of our
14 different programs done in a couple of pretty neat pie charts with
15 colors on them.

16 I'll refer you to those so that you can get a feel for
17 the activity, maybe on a little more precise basis, and take a look
18 at what the Department's been doing.

19 And also there's a projection for 2004 and the amount
20 of volume of activity in each of our particular programs. We are
21 currently monitoring that, just to make sure we are putting our
22 resources in the appropriate spot.

23 Also meeting with various legislative mandates that we
24 currently have, again not only for '03 but anticipated for '04.

1 Secondly we took a look this morning at our performance
2 measures, which are again behind tab 4. You'll see them listed there
3 behind a lot of pretty red-and-blue coloring.

4 What you'll find in the left-hand column is the '04-'05
5 current fiscal year performance measures that we have approved and a
6 the proposed changes in the '06-'07 biennium presented to the
7 Governor's office and the Legislative Budget Board, et cetera.

8 What we want the Board to do is analyze those, take a
9 look at those, and then we're going to come back next month at the
10 March meeting, and make any revisions or suggested changes the Board
11 deems necessary, and move those on for approval next month.

12 So, if you have a chance, look at both of those and
13 give us some feedback next month.

14 With that, that concludes the Programs Committee's
15 report.

16 MS. ANDERSON: Any questions for the Chair of the
17 Programs Committee?

18 (No response.)

19 MS. ANDERSON: Thank you, Mr. Conine.

20 Next item is the agenda is Presentation and Discussion
21 and Possible Approval of Programmatic Items.

22 Mr. Conine?

23 MR. CONINE: Okay. The first one is the Adoption of
24 2004 Housing Tax Credit Rural Rescue Policy. Ms. Carrington?

1 MS. CARRINGTON: Thank you, Mr. Conine.

2 In March of last year, the Board approved a Rural
3 Rescue Policy for our 9 percent tax credit program.

4 And the idea behind this was that, if you had
5 properties that had been financed by USDA Rural Development, that
6 many of those are either going into foreclosure, have been foreclosed
7 on, or loans are being accelerated.

8 And it was very difficult for these applicants to wait
9 for the application cycle in our 9 percent round to be able to apply,
10 because timing was very crucial.

11 So what the Board did in March of last year, was
12 approve this Rural Rescue Policy, that said, If it's a time other
13 than during our application cycle, if you are purchasing an RD
14 property, if you have one that where the loan is being accelerated,
15 you could apply in this basically off-cycle.

16 So the Board did approve that. The credit, had they
17 been allocated, would have come from that credit allocation amount in
18 the next year, out of the rural allocation.

19 We did not have any developers or developments that
20 took advantage of this policy last year. We are asking that you
21 adopt the policy again for this year.

22 In talking to the QAP roundtable yesterday, there were
23 certainly several rural development developers in that audience. And
24 they said that basically last year, that RD had really slowed down on

1 any accelerations or any foreclosures.

2 However, they knew of some that were coming up this
3 year. We talked about the fact that we had it in place last year,
4 and nobody utilized it.

5 I said, I'm recommending to the Board that we do it
6 again, but I said, My guess is, unless you utilize it this year, then
7 we may not find a need to recommend it for next year.

8 What we provided you is a black line. We've made some
9 very minor changes to this black line, changing the date so that
10 they're consistent with the '04 round on the tax credit program, and
11 also changing the term "set-aside" on the rural amount to
12 "allocation."

13 Staff is recommending that you approve this for one
14 more year.

15 MR. BOGANY: So moved.

16 MR. CONINE: I second.

17 MS. ANDERSON: Discussion? Questions from the Board?

18 I have one question, Ms. Carrington. Just a technical
19 question. In paragraph 5, where it says, "The Board will make its
20 decision based on 50.10a of the QAP." I just don't know what that
21 says.

22 MS. CARRINGTON: May I ask Ms. Boston? Oh, I'm sure
23 Ms. Boston can tell us what that says.

24 MS. BOSTON: I think I know what that section says.

1 Basically that part of the QAP identifies the process that the Board
2 will use, and the fact that you'll document your decisions, and that
3 you have discretion --

4 MS. ANDERSON: Thank you. Any other questions?
5 Discussion?

6 (No response.)

7 MS. ANDERSON: Carrying on. I assume we're ready to
8 vote. All in favor of the motion say, Aye.

9 (A chorus of ayes.)

10 MS. ANDERSON: Opposed no.

11 (No response.)

12 MS. ANDERSON: Motion carries.

13 MR. CONINE: Next we have the Adoption of Amendment to
14 Public Comment Procedures. Ms. Carrington?

15 MS. CARRINGTON: Thank you, Mr. Conine.

16 What we are asking for the Board to approve today is an
17 amendment to a previously approved rule that would include the topics
18 that the Board would consider at public hearings.

19 And this is a requirement of Senate Bill 264, 78th
20 Legislature. There are ten items listed on your summary page that
21 were specific in the legislation, that say we will include.

22 And what we have done is provide for you both an
23 Attachment A and an Attachment B. You will remember that you looked
24 at this last month.

1 Attachment B was the black line you looked at last
2 month. We made some changes to it.

3 And what Attachment A is, is reflective of the word-
4 for-word out of the legislation that lists those ten items on the
5 second page of Attachment A.

6 And staff is recommending that the Board does approve
7 the Rule for Topics to be Discussed at Public Hearings and Meetings.

8 MS. ANDERSON: Just for clarity. I'm sorry.

9 MR. BOGANY: So moved.

10 MR. CONINE: Second.

11 MS. ANDERSON: Thank you. We have a motion, and it's
12 been seconded. Questions, discussion from the Board?

13 Just for clarity for what we're voting on. Are we
14 voting to approve Attachment A or Attachment B?

15 MS. CARRINGTON: You're voting to approve Attachment A.
16 Attachment B was what you looked at in January and made changes.

17 MS. ANDERSON: Okay. I have a couple of questions or
18 things I'd like to ask your thoughts on.

19 In paragraph (c) on procedures which is on page 1 of
20 Attachment A, bottom of the page, paragraph 2. It says, "Member of
21 the public may also give testimony at the time of the agenda item,
22 after the presentation made by Department staff and motions by the
23 Board."

24 As I was reading this, I wasn't sure that's the way

1 I've been doing things.

2 I sort of struggle with whether we want to codify in a
3 rule and prescribe that it has to be done one way or the other,
4 because I think sometimes a motion can be influenced or directed
5 based on the public comment that comes in.

6 So, I'm interested in staff's thinking why that
7 language is the way it is.

8 MS. CARRINGTON: There is some language in our statute
9 that specifically addresses how and when we take public comment.

10 Mr. Wittmayer, would you please come up.

11 MR. WITTMAYER: The first sentence there that you're
12 asking about is directly from legislation. That's why it says what
13 is says.

14 We tried to provide the Board some greater flexibility
15 in the next sentence, by saying what that sentence says.

16 MS. ANDERSON: I've not been adhering consistently to
17 that rule, and I'm duly chastised and will do better by all of you.

18 The other question I have is about paragraph (f), which
19 is on the second page of Attachment A at the bottom of the page,
20 particularly the second clause that says, "However, any discussion of
21 the subject by the Board must be limited to a proposal to place a
22 subject on that agenda for a future meeting."

23 And again, just as a practical matter, when I think
24 back to other public comment that we've had that was at the beginning

1 of the meeting that was not about something that was specifically on
2 the agenda, I'm very proud of how we take public comment.

3 In this Agency, we're very open to public comment; we
4 welcome it. And I know that in the past we've taken public comment
5 on items that weren't on the agenda, and that public comment was not
6 just about a proposal to put it on a future agenda.

7 So I'm wondering again. I'm just asking for an
8 explanation about why we word it this way, because it seems to be
9 limiting to me.

10 MR. WITTMAYER: Again, this language follows directly
11 from statute, but we provided additional flexibility later on down in
12 the rule under 1(a), where it says that we may make a statement of
13 specific facts "when information is given in response to the
14 inquiry," or in (b), "may provide information concerning existing
15 policy in response to the inquiry."

16 But the Board is free to listen to any public comment
17 on any subject during the public comment period. But the Board is
18 precluded from having a policy decision on that issue.

19 If you want to have a policy discussion, then you'd put
20 it on a subsequent agenda to have that decision.

21 MS. ANDERSON: So can hear anything, just as long as we
22 don't then have a decision?

23 MR. WITTMAYER: Exactly right.

24 MS. ANDERSON: Thanks.

1 MR. CONINE: Let me ask, then a follow-up question to
2 that.

3 On number 10 out of paragraph (e), the kind of catchall
4 paragraph, do we need to establish a rule that would say that -- if
5 we established a rule that said that during public comment, something
6 comes up that's not on the agenda, we can have a policy discussion
7 about that.

8 Does that work, or not work?

9 MR. WITTMAYER: I believe that would be in
10 contravention of the open meeting requirement that you post the
11 subject matter, the information on which you would have a policy
12 discussion, or take action on.

13 MS. ANDERSON: Because this says, "Any other topics
14 that the Board, by rule determines to be appropriate." Since we
15 haven't created a rule, I'm wondering if we --

16 You have language in the original draft rule that said,
17 "Any matter considered by the Board to be relevant to the approval
18 decision and in furtherance of the Department's purposes and
19 policies" --

20 I am asking your guidance on whether or not it might be
21 appropriate to substitute that language for the language that's
22 currently in item 10.

23 MR. WITTMAYER: One way to do that would be to adopt
24 this rule and then propose and amendment to --

1 MS. ANDERSON: Because we didn't post it.

2 MR. WITTMAYER: Correct.

3 MS. CARRINGTON: And may I say that the ten items that
4 you see listed are directly out of statute.

5 MS. ANDERSON: The only concern I have is that it says
6 "by rule." It doesn't just say "any other topic the Board considers
7 relevant." It says, "the Board by rule adopts."

8 MR. CONINE: Maybe we could have that on next month's
9 agenda?

10 MR. WITTMAYER: We could put it on next month's agenda
11 if --

12 MS. ANDERSON: To amend the rule?

13 MR. WITTMAYER: -- to amend the rule. And then we'd
14 propose that amended rule, have a 30-day minimum public comment
15 period, and then we could add that language, if that's what you'd
16 like to do.

17 MR. CONINE: Do we want to amend this or just create a
18 new rule?

19 MS. ANDERSON: Well, I think we're being asked -- the
20 motion on the floor is to approve this rule.

21 MR. WITTMAYER: Which we recommend that you do. We
22 recommend that you adopt this rule. You then would have the ability
23 to amend this rule, to take advantage of this provision number 10,
24 which allows you to add additional topics.

1 MR. CONINE: Okay. Got you. All right.

2 MS. CARRINGTON: One think I do want to say is that the
3 public comment period on this rule ended yesterday.

4 But we have not had any public comment on it. So we
5 don't typically bring something to you when it hasn't fully fulfilled
6 that public comment period. But we felt fairly secure in not having
7 any substitute comments on it from the public.

8 MS. ANDERSON: I think it's a credit to the staff, and
9 if I may say so, ourselves, the Board, that we have set up and have a
10 track record of being very open to public comment. And maybe that's
11 the reason people didn't feel a need to comment.

12 MS. CARRINGTON: And it was an amendment of an existing
13 rule already, about how we take public comment at our meetings.

14 So are we clear, Chris, on what the Board is
15 recommending?

16 MS. ANDERSON: Does everybody understand what we're
17 voting on?

18 MR. CONINE: We didn't make any changes.

19 MS. ANDERSON: Correct. Any other questions or
20 discussion? Are we ready to vote?

21 (No response.)

22 MS. ANDERSON: Assume we are. All in favor say, Aye.

23 (A chorus of ayes.)

24 MS. ANDERSON: Opposed, No.

1 (No response.)

2 MS. ANDERSON: Motion carries. The rule is adopted.

3 MR. CONINE: Now I have an Amendment for Orange County
4 under the Housing Trust Fund State Energy Conservation Office
5 Program. Ms. Carrington.

6 MS. CARRINGTON: Thank you, Mr. Conine.

7 In August '03, the Department entered into a contract
8 with the Orange County Housing Authority to provide a SECO, that's
9 State Energy Conservation, of \$162,000 to two properties that were
10 owned by the Orange County Housing Authority.

11 We have since had a request from the City of Orange and
12 the Orange County Housing Authority to do a shift in the two
13 developments that this \$162,000 would be allocated to --

14 Some of the Orange County Housing Authority properties
15 are being transferred over actually to the City of Orange.

16 And there is a change in not only the number of units
17 that would be assisted, but also a change in the dollar amount. The
18 dollar amount would be reduced from \$162,000, which was approved in
19 August of last year, to \$81,000.

20 A number of units are actually being decreased from 108
21 to 54. One of the properties, Village Oaks, is actually being sold
22 to HUD. So basically, out of the control.

23 And then the other one, we are changing the property.
24 So staff is recommending that this request for the movement of those

1 SECO funds be approved.

2 MR. BOGANY: So moved.

3 MR. SALINAS: Second.

4 MS. ANDERSON: Any questions for the staff? Discussion
5 by the Board?

6 (No response.)

7 MS. ANDERSON: Hearing none, I assume we're ready to
8 vote. All in favor say, Aye.

9 (A chorus of ayes.)

10 MS. ANDERSON: Opposed, No.

11 (No response.)

12 MS. ANDERSON: Motion carries.

13 MR. CONINE: That concludes my report.

14 MS. ANDERSON: You did an awesome job.

15 Next item on the agenda is Presentation, Discussion and
16 Possible Approval of Single Family Bond Program restructuring.

17 Ms. Carrington?

18 MS. CARRINGTON: The item before you is the
19 restructuring of Program 57(A), Series A/B/C/D.

20 This was a program and a series that was issued -- that
21 was authorized by the Board in June. We closed it in June '02.

22 And the interest rates on this program ranged from 5.9
23 percent to 6.65 percent. At this point the mortgage origination
24 period on this program is going to terminate on September 1, 2005.

1 We had in this program an original amount of lendable
2 proceeds of a little of \$100 million. We've actually originated
3 \$21.4 million of the proceeds in this program. We did discuss this
4 some yesterday at our bond workshop.

5 What we've provided you on the first page of your
6 writeup is a chart that shows the various categories originally of
7 that \$100.6 million, how many were assisted, how many were the Fannie
8 Mae expanded approval program, and the amount of loans originated and
9 the interest rates on each of those.

10 I've asked Byron Johnson to come up, who is our
11 Director of Bond Finance. And what we are asking for is actually
12 four items on this program for Board action today.

13 We are looking to maintain the expanded approval
14 component of 57(A), which is something that you all were very clear
15 about. We are proposing to reduce the interest rate on assisted
16 mortgages from 6.65 percent to 5.9 percent.

17 We would be reducing the unassisted mortgage rate from
18 6.15 to 5.90, and change unassisted mortgage funds to assisted
19 mortgage funds with 4 percent assistance.

20 So again this decision we had yesterday of what moves
21 for us is the money is assisted. So we would actually be taking
22 those proceeds that were unassisted and move it into the assisted
23 category.

24 When you look on the second page, this is what its

1 structure would look like. The left-hand column is the Before 57(A)
2 Restructuring, and the right-hand side would be the After 57(A)
3 Restructuring.

4 And so with that, I would like to ask -- you all can
5 ask Byron any questions.

6 Mr. Johnson.

7 MR. JOHNSON: Good morning. Byron Johnson, Director of
8 Bond Finance.

9 MR. CONINE: Would you clarify the 4 percent assisted
10 program for me one more time.

11 MR. JOHNSON: We provide borrowers for 4 points of
12 assistance for down payment and closing costs. Typically we fund
13 that down payment assistance with premium bonds.

14 This time, because we got stuck with a program -- rates
15 in a declining market rate market, we had to draw from funds from
16 other sources within the indenture.

17 So the source of the down payment assistance for this
18 particular, if you want to call it, bond program makeover, is other
19 funds from within the single family indenture.

20 MR. CONINE: And how much other funds are we picking up
21 in order to do both down payment assistance and the buydown in the
22 rates?

23 MR. JOHNSON: If we move to page 2 of the Resolution.

24 MR. CONINE: Resolution 04-010?

1 MR. JOHNSON: Resolution 04-010. The very top
2 paragraph of the WHEREAS, we have items: (ii) use of 0 percent loan
3 of amount necessary, (iii) transfer of \$2.8 million, and also
4 \$300,000 of Department Funds.

5 If we move down into Article I, Section 1.2, "Zero
6 Percent Loan Funds," we anticipated using "not to exceed \$750,000";
7 and Section 1.3, \$2.8 million from the single family indenture, and
8 then Section 1.4, Department Contribution about \$300,000.

9 In Section 1.3, the \$2.8 million, includes
10 approximately \$2.1 million that we would use for down payment
11 assistance. I think it's \$2 million to \$2,100,000.

12 MR. CONINE: And am I to assume that the \$300,000
13 coming from Department funds is just happened to be laying around
14 doing nothing?

15 MR. JOHNSON: We have funds that we use to help pay for
16 cost of issuance.

17 And rather than using those funds for cost of issuance
18 to try to move the money out of our old programs as fast as possible,
19 we're just going to allocate that cost of issuance fund money and
20 investing in this program and trying to originate the funds.

21 MR. CONINE: Again, can you go through the details of
22 the assisted part of this for me right quick? Which of the two
23 programs that you talked about yesterday are we using? The \$5,000,
24 \$7,500 or \$10,000 --

1 MR. JOHNSON: We refer to the assistance programs as
2 GAP or DPAP. GAP stands for "Grant Assistance Program." DPAP is
3 "Down Payment Assistance Program."

4 The GAP, Grant Assistance Programs, is typically funded
5 by premium bonds in the amount of 4 percent of the mortgage amount.

6 The DPAP is \$5,000, \$7,500 or \$10,000. The amount of
7 the Down Payment Assistance allocated to the borrower depends upon
8 the county in which the residence is purchased.

9 The funding for DPAP is sporadic and is based on
10 whenever we have surplus revenues available.

11 MR. CONINE: Let me ask another question. Are these 95
12 percent loans, 97 percent loans, 90 percent loans -- what are these?
13 Loan value or loan to purchase price?

14 MR. JOHNSON: The LTVs I would guess would be 95
15 percent. With the 4 points assistance, the borrower may have to come
16 up with something.

17 A lot of times, I believe, they may use the 97 percent
18 LTV programs. And so the borrower would have enough to cover the
19 Down Payment Assistance and have some money for closing costs.

20 MR. CONINE: So we do have the capacity in these
21 programs to do 97 percent.

22 MR. JOHNSON: Yes or FHA.

23 MR. CONINE: Why would you do FHA loans on a bond
24 program?

1 MS. ANDERSON: Probably FHA loans are about 75 to 80 to
2 85 percent of the loans that are originated out of these fund
3 programs.

4 MR. JOHNSON: More precisely, FHA loans are 90 percent
5 of the loans we make.

6 MR. CONINE: My confusion is you're using FHA
7 underwriting, but not the loan itself. Is that right? I mean the
8 mortgage bond proceeds has got to go somewhere.

9 MR. JOHNSON: Right. And when the borrower takes out
10 the loan, the lender funds the loan.

11 MR. CONINE: You're funding these FHA loans with these.
12 So you're getting FHA insurance on top of everything else we've got.

13 MR. JOHNSON: Right. Most of our loans are FHA or VA
14 loans.

15 MR. CONINE: Sounds kind of expensive.

16 That's all the questions I have.

17 MS. ANDERSON: Okay. Any other questions? Discussion?

18 (No response.)

19 MS. ANDERSON: Hearing none, I assume we're ready to
20 vote. All in favor of the motion, please say, Aye.

21 (A chorus of ayes.)

22 MS. ANDERSON: Opposed, No.

23 (No response.)

24 MS. ANDERSON: Motion carries.

1 MR. JOHNSON: Thank you.

2 MS. ANDERSON: Thank you, Mr. Johnson.

3 Next item on the agenda is Presentation, Discussion and
4 Possible Approval of Multifamily Mortgage Revenue Bonds and Four
5 Percent Housing Tax Credits with TDHCA as the Issuer.

6 Mr. Gonzalez.

7 MR. GONZALEZ: Yes.

8 MS. ANDERSON: And I do have a public comment on this
9 topic.

10 MR. GONZALEZ: If you'll go to tab 7-A. We'll start
11 off with the Proposed Issuance of Multifamily Mortgage Revenue Bonds
12 for Providence at Bellfort Village, Houston, Texas in an Amount Not
13 to Exceed \$13,700,000 and Issuance of Determination Notice (Requested
14 Amount of \$739,659 and Recommended Amount of \$716,805), for Housing
15 Tax Credits for Providence at Bellfort Village, 03-469.

16 Ms. Carrington?

17 MS. CARRINGTON: The proposal before the Board today is
18 new construction, 240 units to be located in Houston. It's a
19 priority 2 transaction. Consists of two and three bedrooms.

20 The bond structure is that they're unrated and
21 unenhanced bonds that are going to be initially privately placed. It
22 is from a 2003 bond allocation cap. It was a carryforward into '04.
23 Scheduled closing date on the transaction is February 18.

24 You have before you the reports from the staff. Tab

1 item 3 is the tax credit-recommended amount for this transaction,
2 which is \$716,805. That equates to the eligible basis amount for
3 this transaction.

4 Staff is recommending less than the applicant request,
5 which is \$739,650.

6 At the bottom of the summary page from the multifamily
7 area, you can see the summary of the public comment on this
8 transaction from citizens, one in support, 156 in opposition. A
9 petition with 281 names.

10 At the public hearing, 11 in support, 101 in
11 opposition, and 10 that were neutral.

12 On the right-hand column at the bottom, you can see
13 communication that the Department has received from legislators or
14 local officials. We have several that are NC, which is "no comment."

15 We do have Congressmen Chris Bell, District 25, who is
16 in opposition to the transaction.

17 Tab 5 is the Underwriting Report of this particular
18 transaction. On the last page of the Underwriting Report.

19 Actually, on the bottom of the first page of the
20 Underwriting Report, we have staff's recommendation, which is the
21 housing credit allocation that we have mentioned to you.

22 Then also if the structure changes on the transaction,
23 they have an obligation to come back to the Department, and we will
24 take another look at it.

1 Behind Tab 7, you have the map that shows the location
2 of this particular development. In the market analysis and in the
3 underwriting evaluation, the development did meet all of the
4 requirements as far as capture rate and any and all other items that
5 we look at from a Department standpoint.

6 Behind tab 9, you have the transcript of the public
7 hearing, along with the summary of those who did speak at the public
8 hearing.

9 And as I have indicated, the staff is recommending
10 issuance of \$13,700,000 in tax-exempt bonds for this transaction.

11 It's proposed to have a second lien of \$2,300,000,
12 which is a private loan, is not bond funded, and a credit allocation
13 amount of \$716,805.

14 MS. ANDERSON: Thank you, Ms. Carrington.

15 We have substantial public comment on this agenda item
16 that we will begin now.

17 Because of the number of people that have asked to
18 speak, I'm going to ask that we limit individual public comment to
19 three minutes per person.

20 And Ms. Groneck will help us that with that and give us
21 the high sign. There's an elected official in the room, as well as a
22 representative of an elected official. So I'm going to ask them to
23 go first.

24 Commissioner Price?

1 MR. PRICE: Good morning. Having a little trouble
2 hearing there in the back. And hopefully, I won't present the same
3 problem.

4 Madam Chairman, members of the Board, Ms. Director, and
5 those assembled, I came today --

6 First of all, I am John Wiley Price, Dallas County
7 Commissioner, 411 Elm Street, Dallas 75202.

8 I come in two capacities, both in my official capacity
9 and individually. Having been a member of this community for some 40
10 years now, I've watched housing developments go and come.

11 So therefore this morning I come to basically talk to
12 you about quality. I want to see if this Commission has within its
13 purview the power to clone Provident and Bill Fisher.

14 We would like to export that kind of product all around
15 this community. I've had the occasion to write you and talk to you
16 about housing developments.

17 And having seen a number of these products in the
18 community, it is rare when you see someone who comes in and has the
19 kind of real foresight.

20 It's okay to look a property as it is being constructed
21 presently. But some of us have the vision to look five, ten, twenty
22 years out, and to see what those kind of properties will reveal.

23 I just want you to understand that I represent
24 Southeast Dallas County, primarily most of the City of Dallas, about

1 five smaller cities in the southern sector.

2 And in that 550,000 constituents, I would say that,
3 having seen the new Rolls Court [phonetic] Development and other
4 properties, that this particular developer has come in and worked
5 with the hospital community, the public school community, and having
6 the kind of planning going forward.

7 I just want to tell you today that I definitely support
8 his effort to be a planned development and deserves all of the
9 consideration that this particular Board can give.

10 The tax-exempt bonds are not anything I take lightly.
11 I think we have some people here today who also do a lot of work for
12 the County, also does work for this particular Agency.

13 They will tell you that I question developers. I watch
14 them; I marshal them; I police them. And I found Provident to be
15 able to live up to all of those expectations of both that I would
16 expect and the County expects, from Dallas County.

17 So today I just come to support them and their efforts
18 to get tax-exempt bonds.

19 MS. ANDERSON: Thank you for your testimony,
20 Commissioner.

21 MR. CONINE: Commissioner Price, could I have a
22 question?

23 MR. PRICE: Sure.

24 MR. CONINE: Is there any chance that maybe we could

1 get an affordable housing component to the Cowboy Stadium deal you're
2 working on currently?

3 MR. PRICE: Well, if Provident is going to be anywhere
4 around working on it, we might work that out. It's in the right
5 district.

6 Thank you, very much for your consideration.

7 MS. ANDERSON: Thank you, sir.

8 Ms. Brandon with Councilman Fantroy's office?

9 MS. BRANDON: Good morning, Madam Chairwoman and
10 members of the Commission. Thank you for being here and thank you
11 for allowing input to such a most worthy project as Provident Realty.

12 My name is Carol Brandon. I live at 116 Halsey,
13 Dallas, Texas 75224. I have the Vice President of the City of Dallas
14 Planning and Zoning Commission. I serve at the pleasure of Dallas
15 City Councilman, James L. Fantroy.

16 I'm the former Vice President of the Parkland
17 Recreation Board. So as you can probably tell, my service is
18 probably not quite as long as yours, but I've had some service within
19 the City of Dallas.

20 Provident Realty has come into District 8 and worked
21 with the councilmen, but most importantly, worked with the
22 constituents in bringing out a multifamily project, that really had
23 not been welcomed in the southern sector before.

24 They did not practice stacked housing, as some

1 developers had. They have come in and done what is dear to my heart:
2 open space, soccer fields, means of recreation, a true home and
3 community effect.

4 I won't take my whole three minutes. But they have
5 done a wonderful job.

6 And as Commissioner Price said, we hope you do call
7 them, because when working with developers as I have every day,
8 almost every day of my life, so far this has been one of the most
9 pleasing projects that we've seen in District 8, as far as
10 multifamily development has been.

11 And we sure do hope that you will consider them and do
12 everything possible to make them more welcome in the City of Dallas.

13 Thank you.

14 MS. ANDERSON: Thank you.

15 Mr. Raymond Short?

16 MR. SHORT: I'm here. I'd like to relinquish my time.

17 Thank you for your patience.

18 MS. ANDERSON: And that individual's name is?

19 MR. SHORT: Elaine Gaskamp.

20 MS. ANDERSON: Okay. Thank you, sir.

21 Watts McKee?

22 MR. MCKEE: Madam Chair, I would also like to

23 relinquish my time to our designated speaker.

24 MS. ANDERSON: Thank you, sir.

1 Shirley Mize?

2 MS. MIZE: I would also like to relinquish my time to
3 our designated speaker.

4 MS. ANDERSON: Thank you.

5 Elida Ruiz?

6 MS. RUIZ: The same. I would like to designate Elaine
7 Gaskamp.

8 MS. ANDERSON: Okay. Thank you.

9 Bill Fisher?

10 MR. FISHER: Can I approach; I've got some handouts.
11 If I may?

12 Thank you, Madam Chairman, Board members. My name is
13 Bill Fisher, and I am here representing Provident Realty on the
14 Providence at Bellfort Development in southwest Houston.

15 I know it's important to this Board that we work hard
16 as developers to garner community support. One of the primary
17 purposes of me speaking to you today is to show you that we do have
18 community support.

19 I've handed you letters of support from Houston City
20 Councilman Khan, Houston Area State Representative Garnett Coleman, a
21 very nice letter of support we were able to get from the Baptist
22 Ministers Association of Houston, which represents the entire city,
23 and a letter of support from a very large, a nearly thousand-member
24 Baptist church in our direct community of southwest Houston, whose

1 executive offices are across the street from our development, the
2 Rice Road Mount Olive Baptist Church.

3 We went through a long process here to make sure this
4 community was aware of our developments. We worked hard to get the
5 word out. We put additional signage up.

6 We held a townhall meeting with the community prior to
7 the TEFRA hearing, so that they would come to the TEFRA hearing with
8 some information on our development.

9 We did our TEFRA hearing. I did numerous follow-up
10 meetings with some of the community leaders, involving city council
11 members.

12 I worked directly for several weeks with the Southwest
13 Houston 2000 group, in an effort to garner their direct support for
14 the development.

15 I made them written offers of assurances to address
16 some of their concerns about safety and security on our property,
17 including rights to verify our criminal background checks, inspect
18 our property.

19 They are in the process of fostering a Blue Star
20 Program, which many communities are using now with their annual
21 inspections and fees to the cities, which allows them to come on
22 multifamily properties and inspect them, both for safety and
23 soundness and take steps to insure that the landowners keep these
24 properties up.

1 They expressed concerns about the school. I offered to
2 purchase a site next to the school and donate it to the school
3 district, including the construction of portable buildings.

4 I felt at one point we were close to resolution but was
5 unable, given the tight time line, to get final commitment from them.

6 This area of southwest Houston has nearly 20,000
7 substandard apartments, that were built back between mid-1970's up
8 until 1983.

9 Eighty percent of the units in this area are
10 one-bedrooms. These were DINK apartments, "dual-income-no-kids
11 apartments." There's been no affordable housing built in this area
12 since 1996.

13 The community's afraid of apartments. That's what
14 they're going to tell you, and that's what this record shows. The
15 problem is that, I believe, that they're frozen by their fear.

16 It takes a developer to put quality housing in that's
17 affordable to these residents, who are suffering in what the
18 neighbors will admit are 20,000 unsafe, substandard apartments in the
19 area.

20 To raise the bar for these slumlords and begin that
21 urban renewal process, we have offered to be that catalyst, and I
22 believe we are this catalyst with this particular development.

23 As you go down the concerns of the residents -- I'm
24 sure that they feel that their concerns are legitimate, but they're

1 concerns that you've heard before: don't want apartments; don't need
2 more kids in the school; those types of issues which I know this
3 Board has considered carefully in deciding whether to approve a
4 development.

5 I wanted to comment briefly on the debt-sizing. We
6 provided a market study for the Department, as well as an appraisal
7 that support both rents and indebtedness on the property.

8 Our financing comes from MA Financial, which requires
9 their own appraisal and underwriting, which they did and sized the
10 debt appropriately.

11 So I think the staff has recommended it, and I don't
12 think there's any question about financial feasibility and our
13 ability to get the rents and operate the property under the current
14 structure.

15 I did want to comment briefly --

16 MS. ANDERSON: Please wind it up.

17 MR. FISHER: I'm just addressing an issue that the
18 staff asked me to address specifically.

19 As part of my TEFRA presentation, I make a PowerPoint
20 presentation. So as you're looking at my comments in the public
21 record, there are visual aids being flashed up on a board.

22 As I see now, reading the public record, it appears
23 that I don't do good job of making the distinction of my experience
24 with Southwest Housing versus my experience with Provident Realty, as

1 it appears in the record.

2 I've provided a copy of my PowerPoint presentation to
3 the staff. I think it clarifies anything. I don't think anyone
4 could possibly be misled by a letter of reward addressed to me in
5 Southwest Housing, that it was under my tenure there.

6 But I did want to commit to the staff that I would try
7 to do a better job, so that the transcript of record was clear on
8 that issue, by making some type of firmer statement early on.

9 And with that, I'll be happy any questions you have.

10 MS. ANDERSON: Questions for Mr. Fisher?

11 (No response.)

12 MS. ANDERSON: I have just one question. In which
13 statehouse district is this development located?

14 MR. FISHER: Ron Wilson's.

15 MS. ANDERSON: So, not Mr. --

16 MR. FISHER: No. But Garret Coleman is kind of the
17 recognized housing guru in this area. Mr. Wilson is in a significant
18 electoral race and had opted to be neutral at this time.

19 MS. ANDERSON: Thank you for your testimony.

20 Mary Tom Barr?

21 MS. GASKAMP: We have a designated order that we'd like
22 to follow, so Mary Tom will speak, but Elaine Gaskamp would like to
23 be the first one.

24 MS. ANDERSON: Okay. That's fine.

1 MS. GASKAMP: You want me to --

2 MS. ANDERSON: Yes, please.

3 MS. GASKAMP: Shall I take my time in three-minute
4 increments?

5 MS. ANDERSON: Four people gave you their time, so
6 that's a total of 15 minutes, so you may do it any way you want.

7 MS. GASKAMP: Any way? Okay. I have a few handouts.

8 As the Board knows, we do have quite a volume of
9 information and testimony from our Mill [phonetic] meeting of the
10 public hearing on December 17.

11 So certainly, there's some things in here at some
12 point, I'd like to comment on. But I'd like to make my initial
13 statement here.

14 I am Elaine Gaskamp. I am now Greater Fondren
15 Southwest Super Neighborhood Thirty-Six's president. I have lived in
16 the southwest area of Houston, in the neighborhood of Glenshire for
17 31 years.

18 I have been on the Board of Directors there for ten,
19 having served three of those ten as president of the community of
20 over 1300 homes.

21 I am also a licensed real estate broker in the State of
22 Texas, having been a broker for 18 of my 20 years in real estate.

23 I work primarily in southwest Houston and worked on
24 occasion with Shadrick Bogany's office in selling new homes in the

1 southwest Houston area. I'm also a member of the Braeswood
2 Revitalization Association.

3 You will find in front of you the first handout. And
4 these handouts go hand in hand with what I may say to you.

5 The first one of our members who has the most
6 information about the apartments in southwest Houston is Ruth Hurst.

7 These two articles, major articles represent -- the
8 Houston Press, which is dated October 17 through 23, 2002, it's the
9 Houston Press with the "Family Moving On" on the top.

10 The second group of papers is the Houston Chronicle.
11 It's May 1997. You will see throughout both of these articles -- and
12 I will just briefly give an overview.

13 Ruth Hurst has been instrumental since her retirement
14 over ten years. She's become a community activist, and she took upon
15 herself the plight of the apartments.

16 Being president of Super Neighborhood Thirty-Six, we do
17 have a map. This organization is recognized by the City of Houston.

18 It encompasses 97 multifamily apartments complexes.

19 They are noted in the orange. You will see two sticky
20 notes there in pink, one of them representing the proposed location
21 of Providence at Bellfort.

22 The other one shows the new development, Concord at
23 Williamcrest, which, to contradict Mr. Fisher, has just been
24 completed. It is a 288-unit complex representing one-, two- and

1 three-bedroom properties.

2 We'll go into that a little bit further later on. But
3 we do have just recently just down the street, not even a half a mile
4 from this proposed location, this Concord at Williamcrest.

5 In my latest visit to the Concord, which was yesterday
6 afternoon, they have leased all of the units, except one
7 three-bedroom. They initially started their rents at \$499.

8 They did accept housing, because I understand there's a
9 certain period of time, which they need to get occupancy taken care
10 of it. Another of our representatives will speak further on it.

11 One other item on this map: we have a recent
12 development of 89 homes, that were built right in from of my
13 community of Glenshire by Gateway Homes. Those homes ranged in price
14 between \$126,900 and \$150,000.

15 Soon after the time frame that that sign went up,
16 because there has been no new single family housing dwellings built
17 in that area for so long, that they were snatched up almost
18 immediately.

19 They're about to finish out that little subdivision
20 just momentarily. They're closing on almost everything. I see two
21 or three houses that have SOLD signs that have not become occupied.
22 So, it's pending closings on those.

23 There is a need for housing in southwest Houston. The
24 need for housing in Houston is single family. There is a need for

1 parks and recreation in southwest Houston.

2 We see no need for another multifamily apartment
3 complex. You have had comments from people who do not live in the
4 area. You have in your hand two documents that represent not only
5 one resident's viewpoint, but multiple.

6 You have people representing the City of Houston;
7 Adrian Garcia is mentioned in here. You have residents who have
8 wanted to come and live close in.

9 We started having problems in the 80's in this area.
10 As we all know, Houston had the oil crunch. There were many
11 beautiful homes built in this area. We are very proud of Glenshire,
12 Braeburn Valley, Braeburn Valley West, Northfield, Maplewood.

13 This developer has gone all the way to 610 in his
14 study. Our neighborhood, Fondren Southwest, where this is to be
15 built, has 97 multifamily dwellings in a five-square-mile radius.

16 We have crime. We're number two in the City, ranked
17 only with Gulfton and Brindspoint, because they, too, have so many
18 multifamily dwellings.

19 There's no doubt that this developer may build a
20 beautiful product. There's no doubt. You've heard comments from
21 Dallas people.

22 It's my understanding that this is being built in
23 Houston, Texas. You have comments of major opposition from those
24 people who live in Houston, Texas. Those that supported this in

1 Houston, Texas, do not live in this area.

2 Now, let's talk about vacancy rate, and let's talk
3 about occupancy and rental rates. There are vacancy rates that are
4 15 to 20 percent out of many of these complexes.

5 We have one class A, which is the best-rated apartment
6 in this area. It is Crystal Falls. They normally have 98 to 100
7 percent occupancy.

8 With this Concord at Williamcrest that has one
9 three-bedroom left, their occupancy rate is down to 85 percent right
10 now. They have never been at this rate in 15 years.

11 Another reason for their vacancy rate is not because
12 they don't have the quality; it's a class A, remember. It is because
13 the interest rates nationally are down.

14 So those apartment dwellers find it very practical to
15 go out -- and I can attest to this, being a real estate broker. And
16 the manager point-blank told me, "Elaine, it's partly your fault.
17 You realtors are able to put these apartment dwellers now into a
18 home."

19 Well, certainly we want apartment people -- we've all
20 been at that point in our lives -- to have ownership.

21 When a family or individual has ownership in their
22 property, then they have a reason to keep that neighborhood nice.
23 They have a reason to become active in that community, and preserve
24 that neighborhood.

1 We don't have crime in a lot of the areas where we have
2 certainly senior housing.

3 I do want to bring up the fact that, for example, if a
4 buyer purchased a \$100,000 home, put 3 percent down, that's \$3,000
5 down, at just say 5-1/2 percent. There's some less than 5 percent
6 rates out there now.

7 That principal and interest is about \$550.76. Of
8 course, you have to add taxes and insurance to that, but in southwest
9 Houston you can get by adding \$300-\$325, because luckily Houston
10 taxes in Harris County aren't as high as when you got into Fort Bend.

11 So you can be talking about a mortgage payment equal to
12 or less than what they're proposing and what they have to lease these
13 properties for, whether it be Providence at Bellfort, Crystal Falls
14 or Concord.

15 Of course, if you have subsidized housing, we have some
16 that are getting in at far less than that. We know that buyers quite
17 often have to rent, because they don't have that \$3,000, that down
18 payment.

19 However, there are programs for first-time buyers out
20 there, where there's 100 percent financing. I've dealt with that
21 every year in the past five, ten years. Mr. Bogany may be able to
22 confirm that.

23 So there is a way for individuals to get into a home at
24 the same rates and have more square footage. If you look at the

1 square footages, it certainly would be more practical to own a home,
2 than to be in size apartments.

3 Moving on. There are not very many three-bedroom homes
4 out there for lease. Those that are, are in about the same price
5 range, except for Concord which is renting those for far less, just
6 to get their property filled.

7 Let me continue here. I've got quite a few notes, so
8 bear with me.

9 I don't know what the comparables that were used in
10 underwriting or appraisal for Providence at Bellfort. Crystal Falls
11 I mentioned. Beacon Hill has two bedrooms. They rent 1100 square
12 feet for about \$850, which is comparable to Providence.

13 There's another, Foxboro, that has two-bedroom, 991
14 square-foot units for about \$720, which is far less than this.

15 Will you all give me some kind of time frame to let me
16 know how many minutes I have left?

17 MS. GRONECK: You have one minute.

18 MS. GASKAMP: I do need to contradict, and I don't mean
19 to contradict, but I'll just change "contradict" to "correct."

20 We have a letter which was supposed to have been faxed
21 over to you. Ron Wilson is in opposition to this. Here is the
22 letter; he is not neutral; he is opposing this. You should have this
23 letter. If not, if I may give you a copy.

24 We'll move on. You also should have a copy that was

1 faxed over to you yesterday. We now have a new Mayor, Bill White, in
2 the City of Houston.

3 If I may take a moment and address this, because Super
4 Neighborhood is an organization that looks after the best interests
5 and brings any issues forward. And that's what our position is here.

6 This is Bill White's letter.

7 "My office has been contacted by this organization.
8 I'd like to be on record embracing my support for Super
9 Neighborhood's position.

10 It is my belief that citizens and neighborhoods, where
11 these types of apartment projects are being developed, are equipped
12 to make decisions about the impact that they can have on their
13 communities.

14 The citizens are knowledgeable about their communities,
15 and have spent considerable time and effort in determining what works
16 in the best interests of their neighborhoods.

17 At the last two public hearings, the community comments
18 opposing the project have overwhelmingly outpaced support of this
19 project.

20 Considering these facts, I encourage you, being you
21 sitting, to give their comments due consideration in your
22 deliberations."

23 And one last comment. I passed out to you your mission
24 statement, and it is that "Texas Department of Housing and Community

1 Affairs, to help Texans achieve an improved quality of life through
2 the development of better communities."

3 We are representing our neighborhood -- many, many,
4 many people, who are very adamantly opposed to this, just because
5 it's another apartment complex. We are overwhelmed. They will
6 probably fill it, but then they will have vacancies and vacancies.

7 One last comment. This is the November 2003 ABODE.
8 It's the Houston Apartment Association monthly magazine.

9 Throughout this magazine they talk about the plight of
10 apartments in Houston. They talk about vacancy rates. They talk
11 about the economy, in that with the low interest rates, it's quite
12 more affordable for someone to go into a house.

13 There was some discrepancy in some of the underwriting
14 here. I wanted to address this at some point

15 MS. ANDERSON: If someone else will continue to yield
16 to you their time.

17 And your name is, ma'am?

18 MS. HILL: Cheri Hill.

19 MS. ANDERSON: Okay. Thank you. And her name is?

20 VOICE: Lela Jones.

21 MS. GASKAMP: No, Lela's talking.

22 MS. ANDERSON: All right, so that's two more.

23 MS. GASKAMP: In the documents that were on the
24 website, it was mentioned under the purpose, and you have that in

1 your binder. It's under Board Approval Memorandum, under
2 Development.

3 It says, "Development program actions require purpose."

4 I'm on the purpose page, which is here. And it mentions here that
5 the purpose is that the borrower intends to lease the units of the
6 development to senior citizens.

7 All right. Please keep that in mind, senior citizens.

8 MS. CARRINGTON: It is indeed a family development.
9 All of the other information presented in the Board book, she's
10 absolutely correct. It's an incorrect statement on our part. It's a
11 family development.

12 MS. GASKAMP: So can you stand corrected, or how does
13 that work? Being green at this -- the staff recommended this for
14 approval, and now you're saying --

15 MS. ANDERSON: Well, all of the other reports, it's
16 very clear that it is a family development. It sounds like there's
17 an error in the Board Approval Memorandum.

18 MS. GASKAMP: The reason I'm bringing this up is that
19 it was brought up at our initial developer's meeting on December 10.

20 A resident brought up the fact that if it were a senior
21 citizen development, then we would not have the crime; we wouldn't
22 have the overcrowding in the schools.

23 And it was also brought up that he was open to that at
24 December 17 -- and it should be in your commentary.

1 All right. So I just need to be sure the Board
2 understands exactly where we are, and we as residents of Houston know
3 where this developer stands. I think that's important to know.

4 Need for housing development: It has been brought up
5 here in the document. It is for families of low and very low, or
6 families of moderate income, that they can afford.

7 In none of our meetings, and of course in your
8 comments, the developer did not mention that is was low and very low.
9 So that gives us a concern.

10 The public comments page here: I had sent an email to
11 Robbye Meyer and asked why our petitions had not also been scanned
12 and put in. I think it would have shown an impact if you could have
13 seen the actual petitions themselves with all of the signatures
14 involved.

15 Also there were letters written. I don't know whether
16 you have those. I was told that the letters should be there.

17 I must say that there was a letter from Southwest 2000.
18 It was mentioned earlier by Mr. Fisher, that they were in support.
19 If you could please look at that letter, you will clearly see that
20 they are opposed.

21 So that is a contradiction here from the developer.

22 Southwest 2000 is opposed. They are also a stakeholder
23 in Super Neighborhood 36 -- stakeholder meaning a member of the
24 overall picture of our Super Neighborhood. So I certainly want that

1 to be corrected.

2 The public comments also show that there were eleven
3 people in support. The vast majority of those in support were people
4 that do not live in our area. I would certainly like for that to be
5 brought up.

6 It's rather representative of the Commissioner from
7 Dallas having come to support this approval for a development that is
8 not in his area. When he moves to southwest Houston and becomes a
9 part of our community, I would welcome him to then make comments.

10 You will see that -- Ron Wilson is not --

11 MS. ANDERSON: I need to ask you to wind down, Ms.
12 Gaskamp. I think if you could share copies of those letters with us,
13 that'd be great.

14 MS. GASKAMP: And one last thing, please. The Summary
15 of Risk and Issues. It does mention on the last page of that
16 underwriting document, "Significant inconsistencies in the
17 application could affect the financial feasibility of the project, in
18 that more than 5 percent of some of their expenses are outside vendor
19 underwriter's variable range."

20 So with discrepancies that have been noted both here
21 and that the staff did not catch, and from what we're saying, I
22 really feel like we really need to have this developer find another
23 location, and we welcome him to do so.

24 Thank you for listening and for having us here today.

1 We have a long trip with the change, and we appreciate your time.

2 MS. ANDERSON: Thank you for your testimony, Ms.
3 Gaskamp.

4 Mary Tom Barr? So you want to go in a different order.
5 So Marci Williams. Ms. Williams?

6 MS. WILLIAMS: Good morning. I'm Marci Williams, and
7 I'm a resident of the southwest area. I'm an implant, military,
8 retired, 36 years.

9 I moved to Houston in 1987; I was reassigned. Along
10 with this I lived in two different housing areas, all within the
11 southwest area. One was seven blocks away from the other one.

12 Having said this, I also presented the flooding -- and
13 this is the first time we have been issued a flooding, all of a
14 sudden in the southwest area.

15 I won't belabor that at this time, because you already
16 have those comments. Now this is the overall map that was put in to
17 your presentation. I think you can see it.

18 And that in mind, what I have done is I've taken
19 pictures of the different areas, of the different shopping centers
20 within this project.

21 Also I've labeled this one right over here. This is
22 what you see, where this project is proposed to be built.

23 And what it shows you that right in front of this
24 project that is being built, is a house which needs to be torn down.

1 We have a gravel pit. We have like [indiscernible] and sand, and so
2 forth.

3 But it really gives you a good idea as to where it's
4 being built right in between. And it is, like Elaine spoke prior,
5 that this project is being built.

6 And we have the picture of the Concord. I put the
7 Concord, you'll see on there. It's right down the street. Somebody
8 with a good arm could throw a baseball into it.

9 Saint Albert's Church is right across the street. The
10 church which is mentioned that supports this project is not on this
11 particular street. It's Cross West Bellfort, in front of your Welch
12 Middle School.

13 I have them all pictured there. Also, we have down the
14 street from the proposed site is another school, Valley West. I'm
15 really confused. The literature which was written up says that West
16 Bellfort --

17 And we have a picture of the land which encompasses the
18 site and the post office. I've put them together to give you a
19 perspective as to how this would fit right in between.

20 MS. ANDERSON: I need you to wind up, please, Ms.
21 Williams.

22 MS. WILLIAMS: And basically is what I'm getting at is
23 that we have all of these apartment complexes. And we have the
24 Concord almost across the street from it. And we don't need another

1 one.

2 Thank you for listening and having us here.

3 MS. ANDERSON: Now, Ms. Barr? Who's going next? And
4 your name please?

5 MS. BARR: I'm Mary Tom Barr. Thank you for having us
6 here and listening to my comments. I'm with the West Airport
7 Homeowners Association on the Board as the Architectural Control
8 Committee.

9 I'm going to say I also work with Southwest Super
10 Neighborhood 36. We work together to try to improve and keep our
11 neighborhood, so that it will be a pleasant and wonderful place to
12 live.

13 Right now we have an overabundance of apartments. You
14 go down Bellfort, West Airport, Gessner and you have apartments, and
15 you have apartments strung along.

16 And you can tell that there's a high vacancy rate.
17 They've got banners strung out on the side of the wall, proclaiming
18 "Free Rent. \$99 Move In. No Deposit." All these things to try to
19 bring in people, because their occupancy rate is so low.

20 So why do we need another apartment? We don't. And a
21 lot of these, especially down Gessner have recently undergone
22 extensive renovation to make them really look nice and be nice and
23 livable for people to come.

24 They're trying to entice people to come in and rent

1 these places, and it's not happening. So why do we need another one?

2 We don't.

3 We live in Houston. We know our situation. These
4 people do not. The people that have approved this and sing these
5 developers' praises live here in Dallas.

6 Now, I'm sure that they have a nice reputation, but we
7 don't need this particular project in this part of Houston.

8 Thank you.

9 MS. ANDERSON: Thank you, ma'am.

10 Lela Jones?

11 MS. JONES: Good morning. My name's Lela Jones, and
12 I'm here to represent myself. I live in one of the neighborhoods,
13 Braeburn Valley West. And I'm also representing Valley West
14 Elementary School. I work in the office there.

15 My concern is where will we put all of these kids. We
16 are at capacity. We have kids coming in to enroll. We have to find
17 places to go to school in other schools, that belong to us, but we
18 cannot accommodate them.

19 We don't need other kids. My daughter lives at
20 Glencourt, and when she first leased there, they were not accepting
21 subsidized housing.

22 She pays \$900 a month. Somebody who lives right across
23 the hall from her with the same floorplan, a three bedroom, pays \$43.

24 That's how bad they needed to rent those places.

1 My main concern, though, is where will we put all of
2 those kids, because there will be a lot of kids.

3 Thanks for listening.

4 MS. ANDERSON: Thank you, ma'am.

5 Charles Fredrickson.

6 MR. FREDRICKSON: I've already yielded.

7 MS. ANDERSON: I'm sorry. I signed the wrong form.
8 There was a Charles with a last name starting with K?

9 MR. KRACKOWSKI: I already yielded.

10 MS. ANDERSON: Okay. And you yielded to whom, Mr.
11 Krackowski? I don't think so. Somebody's due time.

12 MS. GASKAMP: Just a few more comments, just in
13 summary.

14 We mentioned the crime situation in southwest Houston.
15 Ruth Hurst, as I mentioned before, has been very involved in that
16 avenue, as Ms. Marci Williams, because through New Braeswood, which
17 is also a member of Super Neighborhood 36, which was just organized
18 in 2000 -- and these ladies have been working on this for years -- we
19 know that crime goes hand in hand with a nice-looking community.

20 And so there have been quite a few efforts of
21 beautification in southwest Houston. We're lucky to have a
22 storefront on Fondren. We have a new captain, Capt. Lumpkin, but
23 Capt. Bullock had been there before.

24 We have 150 officers that are assigned to this District

1 17. With the numbers of apartments, not even including the number of
2 neighborhoods in our area, who quite often would even pay for their
3 own private constable service, have contracts with constables or
4 privately.

5 If you take 150 officers, divide them by three, because
6 you have three shifts, you're down to 50 officers per shift.

7 This really spreads our officers very, very thin.
8 They're called countlessly. And like I said before, the crime in
9 this area is number two in the Houston area.

10 We are putting our officers at risk by having all of
11 these apartments. Putting 244 more units in the area, when we've
12 just had 288 that were just completed, I'm sorry but I really
13 appreciate the officers that have given their time as a profession.

14 I do not want them to give their life. So please
15 consider this. They have been involved with the Blue Star. Ruth has
16 initiated that program many years ago.

17 It has been development stages, and they're trying to
18 get it all of the apartment complexes. But certainly you have to
19 have apartment others willing to participate in that.

20 We really want you to look at the overall picture. We
21 have crime. We have -- certainly you heard over and over again --
22 children. That is a factor.

23 I am also a certified teacher in the State of Texas.
24 So children are certainly a priority to me. I have, as you will see

1 in your notes, spoken specifically about children in those area
2 schools and about the overcrowding.

3 We need to make sure that we have a neighborhood. And
4 remember your mission statement again. Let's have better
5 communities.

6 You're entrusted with a very strong responsibility in
7 this state and sitting on this Board. I hope you take it very, very
8 seriously, as we take our mission here to have made this trip, and
9 for the betterment of our neighborhood.

10 I thank you very much again.

11 MS. ANDERSON: Thank you.

12 MR. CONINE: Ms. Gaskamp?

13 MS. GASKAMP: Yes. Question.

14 MR. CONINE: You had stated that you have professional
15 credentials, being a real estate broker and such.

16 MS. GASKAMP: Yes.

17 MR. CONINE: We've been provided evidence from two
18 other professionals, through the market study and appraisal process,
19 showing that there is a need for rental units in this area.

20 How am I supposed to take your professional credentials
21 and their professional credentials and reconcile the two?

22 MS. GASKAMP: If I had Ruth Hurst here, who has been in
23 every one of these apartment complexes -- I'm not pushing this off to
24 Ruth, because she's not here today -- she told the developer -- I

1 sell more homes than I rent apartments, so I can't speak
2 professionally on what credentials and what market studies.

3 Ruth brought this ABODE, this marketing study to one of
4 the meetings and said, "I have better facts of who lives in these
5 apartments and how many are here and the vacancy rates, because I
6 have worked it."

7 You'll read in one of these articles -- I believe it
8 was in 1997 -- Ruth will not share her facts. She's worked long and
9 hard to develop all that, and she's not just going to give it away.

10 So to try and answer your question, I can't answer
11 that, but I know that I've already seen discrepancies in this
12 appraisal that would give me concern and reservations, if I sat where
13 you sat.

14 With that in mind, I know your staff has made a
15 recommendation for approval here. But I know that we came forward,
16 we were trying to provide to you occupancy and rental rates, and
17 compare that with home ownership.

18 With that in mind, I would think that if you were in my
19 position, and we certainly have a program at Houston Association
20 Realtor website, that says, "Let's compare buying and renting."

21 And the way interest rates have gone recently, it's
22 much more practical to be a homeowner than it is to be a renter.

23 MR. CONINE: Of course, you being a real estate
24 professional know that in that very short opportunistic window for

1 home buying opportunity and related to our nation's history, we don't
2 get the lowest interest rates in 40 years every now and then.

3 What about Mr. Fisher's statement about this project
4 being a catalyst for change in the neighborhood. It's a \$23 million
5 investment, paying \$175,000 a year in property taxes.

6 MS. GASKAMP: I agree. It will make a change. And let
7 me tell you how it'll make a change. And some of this is the same
8 thing over and over, the cycles that have been happening.

9 A new development just like the Concord was built.
10 Everyone who's in an apartment would love to be in a new place.

11 The numbers of these properties, from my understanding,
12 will need to be available to low-income people. They're going to
13 move out of those areas that they don't want to be in that are 1984-
14 ish, and come here.

15 We're going to have then decrepit apartments that will
16 bring in drugs, bring in crime.

17 MR. CONINE: Well, but you see Ms. Gaskamp, we also see
18 those projects come back through for low-income housing tax credits
19 and bonds for remodeling and updating and so forth.

20 That's how the particular cycle works. And from our
21 viewpoint, we see it as the ability to institute change and upgrade
22 the entire neighborhood versus, I guess, just turning our backs and
23 ignoring the situation.

24 MS. GASKAMP: Certainly. Could you tell me when was

1 the last time that someone came forward to you from southwest
2 Houston? We welcome this developer to come in and apply for some of
3 these tax credits and revitalize those areas.

4 That's what we need. We need revitalization. We don't
5 need a brand-new project that takes some more greenspace, and leave
6 that other piece of concrete over there to sit and decay even
7 further.

8 I would think that there would be a neighborhood or a
9 community in Texas that would certainly welcome and need this amount
10 of money to revitalize an area in theirs, or to bring in some
11 industry. We'd be glad to share and link with you these pictures.

12 The shopping areas that were shown on your little
13 sketch in your binder -- we've had -- Randalls moved out; Albertson's
14 moved out. We have only one neighborhood shopping center there which
15 is adjacent to the Providence at Bellfort site.

16 In the past two weeks, I've gotten a call to tell me,
17 and I've passed it on to the neighborhood, "Be careful." We've had
18 one of our elderly retired ladies went over to shop on a Saturday
19 morning at 10:30, was pistol-whipped in the parking lot.

20 MR. CONINE: Ms. Gaskamp, I don't have any more
21 questions. I'd just like for you to know that you need to share the
22 word that we do have money and programs for those sorts of projects.

23 MS. CARRINGTON: All right. We'll be glad do. And
24 again, if you can tell the name of the project that you all have

1 helped with --

2 MR. CONINE: Our staff will be glad to follow up on
3 that.

4 MR. SALINAS: Let me ask a question. Have you talked
5 to your local elected officials on seeing about these problems? We
6 are not here to solve your problems.

7 You know the problems that you have. And you want us,
8 the Board, to take care of those problems. We don't live in Houston.
9 We don't know how you zone or don't zone.

10 This is the only town in the whole state of Texas that
11 we have problems with that we have to hear your zoning problems.

12 Those people in Houston, elected officials, the mayor,
13 the new mayor, look at this and see if they can find a way to help
14 you in solving your properties.

15 You come and tell us all your problems. And here we
16 are; our job is only to see if we can go and ahead and allow some tax
17 credits to a developer.

18 And we have to hear all of your problems with your
19 neighbors, how in the other apartments that are going to leave those
20 apartments and move into the new ones --

21 You know, it makes it so hard for us. I've been trying
22 to help as many as I can, but it gets to the point that that is not
23 our job. You know, I think it's people like you that should get
24 together and go talk to the mayor.

1 Except you cannot allow these people to come in and
2 forget about us. And you cannot expect us to go the housing agency
3 and tell them to take care of your zoning problems.

4 It's very, very bad for us to do this. And this is not
5 the first time we seen this. And this is the only place we have
6 problems with.

7 You go to Dallas, you go to Planning and Zoning. They
8 control that. You have public hearings where the people can go
9 complain. And if those people say, No, it's no. If it's yes, it's
10 yes. And they come to us.

11 But in Houston, and I hate to say this, this is not our
12 field. I wish you could also know that. Everywhere else we go it's
13 taken care by Planning and Zoning, by their commission, by their city
14 councils, their mayors, their county commissioners, the state rep.

15 You know, those state representatives, they give you a
16 letter and they run away. What they need to do is to talk to the
17 City of Houston to be able to solve some of those areas.

18 And tell that's where we can place apartments and who
19 to help in these issues.

20 MS. GASKAMP: So, it's not good enough for the mayor of
21 Houston to --

22 MR. SALINAS: No. The mayor of Houston needs to get
23 busy and start talking to the community and ask where these
24 apartments are going to be built. It's not our responsibility.

1 I know Houston's new mayor. And he should get busy and
2 do something about the problem you have. Instead he writes a letter
3 and says its okay or it's not okay.

4 Well, he's the guy with the two-by-four. He should be
5 able to gather the people of Houston, and maybe they can start doing
6 some solving and tell us where we can build apartments and tell the
7 developers and the builders where they can build.

8 Instead, and you cannot blame our staff for
9 recommending this, because according to what she has, by law she has
10 to recommend the project.

11 Now we've denied some, but not many of them. We went
12 to Katy, and we did that but we had about 2,000 people there.

13 But it's getting to the point that, what do we do here.
14 Do we stop helping Houston completely.

15 MS. GASKAMP: One of the things that Houston -- and
16 I've lived there for 31 years, and I can certainly tell you I'm not
17 the only one that's frustrated with Houston not having zoning.

18 But I also served as chair for eight years in deed
19 restrictions in my own neighborhood. And it's through the deed
20 restriction process enforcement, that we try to keep our communities.

21 But we don't have anything other than that. But of
22 course, Mr. Fisher says that he will have deed restrictions on this
23 property that are only as good as your Board is able to enforce them
24 and how strong they can be.

1 So again, all I can do -- I can't change the zoning
2 format. I will give you the letters that you've requested.

3 Thank you. Any other questions?

4 MS. ANDERSON: Thank you, Ms. Gaskamp.

5 Rev. Nathan Johnson?

6 MR. JOHNSON: Good morning. I'm Nathan Johnson, pastor
7 at the Antioch Baptist Church, downtown Houston, president of Antioch
8 Project Reach, a CDC and a certified CHDO in Houston, vice-president
9 of Fourth Ward Coalition, also a certified CHDO.

10 I stand to reinforce the letter that you have and also
11 to share a few personal comments in the time that I have.

12 The pastor of the Rice Road Mount Olive Church, Rev.
13 J.D. Johnson -- no relation to me -- sent his letter because his
14 church is in two locations. The office complex is directly across
15 the street from the vacant property.

16 The new sanctuary sits as the corner as that was spoken
17 of. But I want to emphasize that, in that a letter was read from our
18 mayor, Mayor White, about the citizens of the community.

19 I think that you've heard a portion of the citizens'
20 view of the community.

21 But I think that you would need to give weight to other
22 citizens of the community, who are represented by the pastor of a
23 church with well over a thousand members and that has been there for
24 quite a while.

1 He is in full support of the development. And being a
2 pastor in the area, he would be sensitive to the needs of housing,
3 particularly for those who would need affordable housing.

4 I believe in the work of Mr. Fisher. I realize that
5 again we have a lot of zoning problems in Houston. And it is not
6 your responsible to solve those. I understand that.

7 So I pray that you will give your full support to this
8 venture of Providence at West Bellfort, for the benefit of families
9 coming in and having a better place.

10 I see it starting a catalyst to cause the others to
11 either get on the stick and do the things that would really provide
12 development.

13 I'll say this, and I'll close. The church that I
14 pastor is 130 years old. We're a regional church. I have members
15 who live in the southwest area.

16 But one of the things that a church being 130 years
17 old, we have to consider how to preserve our history without
18 preventing our future. And I think that I want to encourage you to
19 be mindful of what is there, but also keep a good eye on what could
20 be there.

21 Thank you so much for your time.

22 MS. ANDERSON: Thank you, sir.

23 Eugene Thomas?

24 MR. THOMAS: Madam Chair, Board. Eugene Thomas. I am

1 a resident here in Dallas, Texas. 5654 Windswood Trail.

2 But I'm here on a personal note, for the citizens of
3 southwest Houston, more particularly my daughter, Candance Dismuth
4 [phonetic].

5 She's a professor there at the University of Houston
6 and also at Texas Southern University. She's just moved to this
7 community. She and her group went to the meeting on December 17 to
8 voice their support of this project.

9 She was very concerned that housing was affordable and
10 available in this area. Some of the students that she is teaching
11 right now are in transition to graduate.

12 They're looking for good, decent, affordable housing.
13 These types of housing products that you are supporting, that you are
14 putting out here in the area are very of significance and important.

15 Half of all those citizens there in the southwest area,
16 particularly those of minority descent, there are about 60 percent of
17 those individuals who are working right now, who can't be here right
18 now, who can't come up here and show their support.

19 But I do have a stack of some 20 some-odd letters I'd
20 like to give to support of this project from that community. Also I
21 was talking with another resident who has lived there over 20 years
22 in that community, who is also in support of this community.

23 I, too, am also a real estate broker. My daughter
24 moved in that area. I went down there as a courtesy to her. She

1 wanted me to check out the area. And I did check it out for her.

2 And we did discover those apartments, and we did have
3 some concerns. But she also realized that she and her two girls and
4 her husband were safe living in that community after we did a
5 thorough search of that area.

6 So I am in support of this project 100 percent, because
7 I am a housing advocate for affordable housing in Texas, because I
8 think those individuals need a voice, someone to speak and to stand
9 up for them, who can't speak and stand up for themselves.

10 Thank you very much for the time and appreciate it, and
11 we look forward to your support. Thank you.

12 MS. ANDERSON: Rev J.H. Johnson?

13 REV. JOHNSON: Good morning. I think it is still
14 morning. Good morning, Chairperson. And to the rest of the members
15 of the Commission, let me thank you for the opportunity to share with
16 you my concern for people pool across the state of Texas.

17 I am a Texan, and perhaps I live in three cities:
18 Dallas, Houston and Galveston. And I'm just about 70 years old. So
19 I've been around for a while. I pay taxes in all of those areas:
20 Dallas, Houston and Galveston.

21 So I do have a little bit of a right to say something
22 about what happens to my tax dollars in the state of Texas.

23 But let me also say that the thing that concerns me
24 today basically is that all citizens of the state of Texas ought to

1 be adequately and properly represented.

2 Having said that, the area around Gessner and Bellfort
3 is about 60 percent black, about 40 or 30 percent Hispanic and about
4 5 percent others.

5 Several years ago we instituted what we call the CDC,
6 developments that the people in the area could determine what would
7 happen in that area.

8 Our state government, as you know more than I, really
9 said let's let the people who occupy those areas determine what's
10 going to happen in the area.

11 Again I repeat, although I sound redundant, let the
12 people in that area determine what's going to happen with the land
13 mass that they occupy in their portion of the city.

14 Of course, I'm excited more than about just the
15 housing. The housing according to the Baptist Ministers Association
16 that I represent here today, Rev. J.T. Robinson is president, who has
17 given a letter of support.

18 I'm concerned more than just with the housing. We
19 pastors, particularly us, we have what we call hands-on with people
20 in the community.

21 If anybody is going to have to do with any of those
22 folks who will occupy this particular development and others, it's
23 going to be the pastors in that area.

24 Somebody asked me last night, When do you shut your

1 cell phone off? I said, I don't. It's open 24 hours a day, because
2 we are people persons. We deal with people.

3 I said to Bill Fisher at Provident. I want to see more
4 than just a housing development coming to that area.

5 What I'd like to see, and they have agreed to do so,
6 that apprenticeship programs go right along with this development,
7 that the people in the area, the young men and the young ladies could
8 link up with the people that are building this structure and develop
9 skills.

10 So when this is done, they will be able to afford other
11 housing as well. The Baptist Ministers Association says for us that
12 this is a very needed development in this area.

13 MS. ANDERSON: Reverend, I'm going to have to ask you
14 to wind up.

15 REV. JOHNSON: Yes, ma'am. I forgot it wasn't Sunday
16 morning. I'm so sorry.

17 Let me just read the final statement. Therefore, the
18 Baptist Ministers Association asks your support in the favorable
19 outcome of this development. Thank you in advance for your
20 consideration. And may God bless each of you. Thank you.

21 MS. ANDERSON: That completes the public comment on
22 this item. As is often our practice, we're going to take a short
23 ten-minute break, and then we'll reconvene the Board meeting.

24 (Whereupon, a short recess was taken.)

1 MS. ANDERSON: Come back to order. Thank you.

2 We are on agenda item 7(a). The public comment for
3 that agenda item is closed. The staff made its presentation.

4 What is the Board's pleasure?

5 MR. SALINAS: I move that we accept the recommendation
6 of our staff.

7 MR. CONINE: Second.

8 MS. ANDERSON: They couldn't hear. I'm sorry. There's
9 been a motion made by Mayor Salinas to approve the staff's
10 recommendation for this development, and it's been seconded.

11 Board discussion? Questions for staff?

12 Mr. Bogany.

13 MR. BOGANY: I wanted to talk a little bit about this
14 project and just give you my thoughts.

15 Being a Board member, I'm probably the only Board
16 member that's actually visualized and driven this neighborhood and
17 been in this neighborhood.

18 This area, in my opinion -- when about two or three
19 months ago I got a call from Southwest 2000, it was a just very --
20 because I knew the chairman of that particular group.

21 He asked me if I knew about this particular project,
22 and I told him I didn't know about it. But you can do like everybody
23 else, come up to the Board meeting and present your case, but I
24 really don't want to talk about it.

1 I know this developer does a very, very nice project.
2 I know this developer probably will upgrade the area, and it will
3 probably the nicest apartment complex in this area, and I know his
4 work is extremely good.

5 My biggest concern, considering I'm from Houston, I
6 know this complex. My mother lives in the neighborhood over there.

7 She hasn't said a word to me about it. She lives in
8 the area but she knows I don't want to hear it, don't talk to me
9 about that, and stuff like that.

10 I truly believe that the issue here is
11 overconcentration. There are 97 multifamily units in this area,
12 counting the townhouses, condo complexes all throughout this area.

13 And when you take those that you would consider --
14 probably half of those are owner-occupied; the others are renters --
15 you have a high concentration of rental units there.

16 The Concord that they mention to me is probably the
17 hideous thing in the area, considering its being brand new.

18 But even them have a sign out saying -- and they're
19 brand new -- that they are drop rents, what the rents are. And for
20 them to start taking subsidized housing tells me they couldn't have
21 rented these units out.

22 It kind of bodes to the reports that the citizens here
23 brought up. I truly believe that this is just a high concentration
24 of units. This particular area has been tolerant of apartments,

1 because if you go through, there's 97, and it's all the way across
2 and all over the place. All throughout the area, you see signs that
3 say, "Free rent. \$99." And I truly think this developer's project
4 will be an upgrade over any of those.

5 But what concerns me is that those people who live in
6 some of these other apartments are going to move here, and then we're
7 going to create another area of vacant units, that they're going to
8 have to lower their rents even lower to try to get people to get
9 people to come into the area.

10 I've looked at this; I've driven it. I think the
11 developer does a great project. He can build in my neighborhood any
12 time he wants to. I think he does a good job.

13 But this is probably not a great location in my opinion
14 for these apartments to be here. And I'm saying it from somebody
15 that works that area and live that area.

16 It's just a lot of apartments. And I'm just really
17 concerned. I asked the guy from Southwest 2000, Well, the Concord
18 get in here? Why did you let those units go there?

19 And he said, Well, they just kind of slipped in. We
20 really are not opposed to apartments. What we're finally saying is
21 we've got too many.

22 And when you've got 97 complexes -- think about it:
23 97 -- and then on top of that you've got townhouses and condos
24 throughout the area that are available for sale and also for lease.

1 I truly believe this is a concentration issue. I don't
2 believe the deal about the schools. Schools are in the business of
3 educating people. So if I bring more people, you educate them.

4 I think the issue here is concentration. And I think
5 it would be a detriment. My question is, would this developer put
6 this project here if it was not a tax credit program?

7 And I'm surprised the market study could ever even say
8 it needed to be here. It just really surprised me. I looked at the
9 letters of support. Most of the people of the letters of support
10 don't even live in the neighborhood.

11 I got 27 letters of support, because I'm from Houston;
12 I know zip codes; I know where people say they live. Maybe seven of
13 them live in the area.

14 My thought is that I would talk against this project
15 from the point that I would support if it wasn't in this particular
16 area.

17 I've voted and supported those down the street from my
18 personal home. And I see no difference here, just that it's too
19 many.

20 I think this jeopardizes from the financial side of
21 this agency, making money on this project, being able not to have to
22 take it back.

23 It tells me that we really need to look at market
24 studies, and redefine it on the next QAP, really put some things to

1 it, because of this issue that you could get a market study to
2 justify this complex. That really blows me away that you could do
3 that.

4 And if the Concord, which is brand new, did not have
5 signs hanging out, lowering their rents, taking subsidized housing,
6 market tells me they're having problems leasing; that's why they're
7 doing what they're doing.

8 I like this project. I just don't think this is the
9 right spot for it, and I would vote in support against this
10 particular project.

11 Like I said, I'm the only Board member that drives that
12 neighborhood, going to visit my mother. I sell houses over there.

13 The crime is a problem. The neighborhoods over there
14 are strong. They've sued two complexes; knocked them down; took the
15 land over; redeveloped it. This is a strong group. Actually it's
16 stronger than the Katy group.

17 That's where I think this project should go, out in
18 Katy. I know the developer doesn't want to look at it that way. I
19 like his work; he does great work, guys. And if you've not seen his
20 project, it would be an upgrade.

21 But you've got so many over there. And that's my
22 concern. I could not support this.

23 MS. ANDERSON: Other comments from the Board?
24 Questions of the staff?

1 (No response.)

2 MS. ANDERSON: I have a question of Mr. Gouris, please.

3 Based on what you've heard today, in your review of the
4 market study, do you believe that the proposed rents and thus the
5 financial feasibility of this development are really attainable,
6 based on what you know about the comps in the area, et cetera?

7 MR. GOURIS: That's a really good question. I'm Tom
8 Gouris, Director of Real Estate Analysis.

9 The market study dealt with some comparables that we've
10 been struggling with, to be quite honest with you. There are a
11 number of developments in the area. All of them are considerably
12 older developments, as was proposed here.

13 The newer developments that are referred to in the
14 market study came from outside the area, nearby but outside the
15 primary market area. And they substantiate the rents that were being
16 proposed in the analysis.

17 The market analysts did a good job of providing a
18 comparable matrix to show what adjustments needed to be made to both
19 properties inside the market area and properties that they used as
20 comps outside the market area.

21 In the end, I believe it's a difficult market area to
22 determine what the appropriate comps are.

23 There's one Class A property that was referred to by
24 the speakers this morning. Their rents are higher than what's being

1 proposed for this property, or at least that's the information we
2 have.

3 And so the long and short of it is, it's possible that
4 these rents are achievable. I think we've always used that as our
5 guideline, that it's possible.

6 We've also approved the transaction -- you all have
7 approved the transaction a couple months ago in the same market area,
8 slightly lower rents, but still at those rents, a transaction would
9 be feasible.

10 So in summary, I it's likely that the rents are
11 achievable. Even at a \$75 reduction, the transaction still works.
12 Much below that in rents, we'd have a difficult time, but I think
13 that's a pretty good cushion, margin for cushion.

14 MS. ANDERSON: But that doesn't get you anywhere close
15 to \$499.

16 MR. GOURIS: That doesn't get you anywhere close to
17 \$499.

18 MS. ANDERSON: Thanks, Tom.

19 Mr. Bogany?

20 MR. BOGANY: Tom, I have a question for you.

21 If you've got 97 complexes over there, and you have one
22 Class A complex out of that 97, then with this complex coming on
23 board, he's going to be competing with those particular housing, that
24 are already at substandard rents, already in that general area.

1 And that's not counting the condos; that's not counting
2 the townhouses. And I think this community has seen when people left
3 one complex to go to another one, you have vacant complexes.

4 This area has trouble with prostitution. And this is a
5 residential community. They've taken over a condo complex that
6 wasn't managed right, two apartment complexes that weren't managed
7 right.

8 My feeling is that now we've got one A complex, and now
9 we've got one top-of-the-line, beautiful other complex.

10 So we're going to have another complex that's going to
11 become vacant, because those people are going to migrate to the new
12 complex. They are going to go there.

13 And so once again we've hit this neighborhood again
14 with another vacant, crime -- and things of that nature. It is a
15 high crime area. It's there. You see policemen all day long in this
16 area.

17 I just find that we have one A+ apartment complex here,
18 out of 97? So his competition's not that A+ complex, it's those
19 other 96.

20 MR. GOURIS: There's one identified. There may be
21 others. But you're right, the majority of the complexes in the area
22 are of lesser quality, of older age.

23 There's going to be folks that move from those to
24 upgrade into the affordability that's going to be provided by this

1 project.

2 MR. BOGANY: Without a doubt, Tom, this is going to be
3 the nicest thing in that neighborhood. If we vote to put this in,
4 it's going to be the nicest apartment complex. It's probably going
5 to be better than the A+ there, if we vote to put this in here.

6 The concern is that where are those going to migrate to
7 and then leave these other units vacant? And you've got a new
8 complex. Was that in the complex, the new complex, the Concord, in
9 the market study?

10 MR. GOURIS: Yes, it was.

11 MR. CONINE: But isn't he describing a real estate
12 phenomena that always occurs when you build a new complex? Don't we
13 always empty the old ones? Nothing new.

14 MR. GOURIS: Yes, he is. In fact, our concentration
15 policy, capture rate policy, really focuses on the developments that
16 we've recently funded that haven't stabilized.

17 It doesn't really address the concentration of older
18 transactions or older properties, because that's a different
19 concentration issue.

20 So our policies and our missions focus on the most
21 recent developments, not --

22 MS. ANDERSON: Did you say we approved one in this area
23 two months ago?

24 MR. GOURIS: Yes, several months ago. It's a little

1 now

2 MR. CONINE: Submarket. The market area, didn't you
3 say?

4 MR. GOURIS: In the submarket, yes.

5 MS. ANDERSON: Other comments, questions?

6 (No response.)

7 MS. ANDERSON: Thank you, Tom.

8 Discussion?

9 (No response.)

10 MS. ANDERSON: Hearing none, I assume we're ready to
11 vote. There's a motion on the floor to approval staff's
12 recommendation to approve this development. It's been seconded.

13 All in favor of the motion please say, Aye.

14 MR. SALINAS: Aye.

15 MR. CONINE: Aye.

16 MS. ANDERSON: Opposed say, No.

17 MR. GORDON: No.

18 MR. BOGANY: No.

19 MS. ANDERSON: No.

20 MR. GONZALEZ: No.

21 MS. ANDERSON: The motion fails.

22 VOICE: I'd like a roll call, please.

23 VOICE: Roll call.

24 MS. ANDERSON: I don't know.

1 VOICE: Could we just clarify what the roll was?

2 MS. ANDERSON: Those in favor?

3 MR. CONINE: Two in favor.

4 MS. ANDERSON: Four against.

5 Okay. The next item on the agenda is item 7(b), which
6 is Proposed Issuance of Multifamily Mortgage Revenue Bonds for Park
7 at Woodline Townhomes. And we do have a representative here, if the
8 Board questions, someone here to answer those questions.

9 MS. CARRINGTON: Thank you, Madam Chair.

10 This is tab 7-B. Park at Woodline Townhomes. It is
11 located in Spring, Texas, Montgomery County. 252 units, new
12 construction. Configuration would be one, two's and three-bedroom
13 units.

14 One series of bonds, \$13,800,000, tax-exempt, variable-
15 rate debt for a five-year period on this transaction. Thereafter,
16 fixed rate. Credit enhanced during the first five years, but after
17 that it will be privately placed.

18 The anticipated closing date of the transaction is
19 March 4. Tab 3 is the tax credit recommendation on this particular
20 development. And that is a tax credit allocation on the 4 percent
21 credits for \$659,734, which is the eligible basis amount.

22 On the underwriting report, which is behind tab 5,
23 there were some environmental issues that were identified that are on
24 page 3 of your underwriting report, at the bottom of the page and

1 then going to the top of the page.

2 There were findings of pipelines, minor dumping and
3 some other issues that were identified.

4 There were some recommendations on page 4 on how these
5 environmental issues could be mitigated and the mitigation of those
6 satisfactory to the Department is indeed part of the Department's
7 recommendation for the allocation of the credit and the bonds.

8 Your map on where this is located in Montgomery County
9 is behind tab 7, and the public comment summary is behind tab 9.
10 This was a relatively uneventful public hearing.

11 Two people attended. Two people supported. You can
12 see we have not received any letters of opposition or emails of
13 either support or opposition.

14 I skipped over, I guess, on the Tax Credit Summary
15 page, which is tab 3, where we not only provide you information of
16 comments at the public hearing, but also any letters or email that
17 the Department has received.

18 Again, none from citizens. Two in support at the
19 public hearing, and no comments from local elected officials in the
20 area.

21 Staff is recommending the issuance of the bonds,
22 \$13,800,000, and the allocation of the tax credits in the amount of
23 \$659,734.

24 MR. CONINE: Move for approval of Resolution 04-013 on

1 the Park at Woodline Townhomes.

2 MR. GONZALEZ: Second.

3 MR. CONINE: And for the credits to go along with it in
4 the amount of \$659,734.

5 MS. ANDERSON: We have a motion on the floor; it's
6 been seconded. Board discussion? Questions?

7 (No response.)

8 MS. ANDERSON: Hearing none, I assume we're ready to
9 vote. All in favor of the motion, please say, Aye.

10 (A chorus of ayes.)

11 MS. ANDERSON: Opposed, No.

12 (No response.)

13 MS. ANDERSON: Motion carries.

14 The next item on the agenda is Proposed Issuance of
15 Multifamily Mortgage Revenue Bonds for Meadow Ridge Apartments in
16 Round Rock.

17 Ms. Carrington?

18 MS. CARRINGTON: Thank you. This is Tab C of your
19 Board book. This is a refunding of an issue of private activity
20 bonds that the agency issued in December 1997.

21 And I think at least to my knowledge in the two years
22 that I've been at the Agency, I think this is the first time that the
23 Board has been asked to consider such a transaction.

24 The original bond issuance amount on this transaction

1 was \$13,575,000. There are approximately \$12,950,000 in private
2 activity bonds that are still outstanding on this transaction.

3 The current structure of this transaction is that it's
4 Fannie Mae guaranty; it's rated AAA. There has been a default on the
5 bonds by the general partner.

6 Fannie Mae has stepped in to make those payments, so
7 there is not a default to the bondholder, but there has been a
8 default to the guarantor in this particular transaction.

9 A subsidiary, Red Capital, has stepped in to the
10 general partner role in this particular transaction. What is being
11 asked of the Department is to basically restructure this transaction.

12 By the restructuring, we would be lowering the interest
13 rate. It would be variable-rate debt for five years. We'd lower the
14 interest rate. It would be interest only on that debt for a period
15 of five years.

16 Red Capital is the syndicator in the transaction. They
17 have stepped in and made a loan to the partnership. The structure
18 also involves yet another loan to the partnership.

19 It's located in Round Rock. There's been a substantial
20 amount over the years of overbuilding in Round Rock, and so the
21 market is very soft. Basically what you have coming to the
22 Department is a workout scenario.

23 We have had to look at this from two perspectives. We
24 always look at it from two perspectives, but we sort of have an

1 interesting recommendation for you today.

2 That is, that we have an underwriting report that, if
3 you will look at tab 4 on the first page of your underwriting report,
4 we say, "Not recommended due to lack of anticipated cash flow to
5 support the proposed restructure in five years. Should the Board
6 approve the refunding, it should be conditioned upon the following."

7 There are five items that been identified in the
8 underwriting report that, should the Board decide to move forward,
9 that we would require to be satisfied.

10 So from an underwriting standpoint, we had issues with
11 being able to recommend to the Board to approve the transaction.

12 From a business standpoint, the questions that we have
13 been asking ourselves are, would we been in a worse position by
14 approving this restructuring that we're in now?

15 I think generally our answer is, No. We don't believe
16 that we'd be in a worse position in this particular development.

17 We would still be getting a letter of credit that's
18 rated AAA, that would be wrapped by the Federal Home Loan Bank.
19 Fannie Mae would be out of the transaction. But we would still have a
20 AAA credit in the transaction.

21 If something happens to the letter of credit rating
22 with that bank, there's a requirement that they would replace it with
23 a letter of credit that would be AAA-rated.

24 In five years, the credits would be gone on this

1 particular development. It's been in operation for about five years.

2 So five years of credits are gone. It has five years of credits
3 left.

4 By doing this refunding of these bonds -- of course,
5 you're not issuing another allocation of credits, not doing that.
6 The credits that were allocated initially are the credits that stay
7 in place.

8 But what the Department would be getting is an
9 additional 30 years of affordability on this particular development.

10 It was financed with bonds in 1997. So it is one of
11 those early transaction that we don't see much any more, that had the
12 minimum set-aside, which was 40 percent of the units at 60 percent of
13 area median family income.

14 So those rent and income restrictions are proposed to
15 stay in place.

16 With that, as the Executive Director of TDHCA, I'm
17 recommending to the Board that for business reasons, the Board
18 approve this transaction of the refunding of the bonds on Meadow
19 Ridge Apartments in Round Rock.

20 MR. BOGANY: So moved.

21 MR. GONZALEZ: Second.

22 MR. CONINE: Question, Madam Chairman.

23 Ms. Carrington, how did this project get to us to this
24 point? Did it have a ping pong ball in the hopper and go through the

1 allocation process?

2 MS. CARRINGTON: Well, it was a 1997 transaction, and
3 the lottery was in place at that point.

4 MR. CONINE: I know, but in 2003?

5 MS. CARRINGTON: When they came back to use and said --

6 MR. CONINE: Right.

7 MS. CARRINGTON: Well, we're the issuer on the bonds.
8 They are still bonds outstanding on this transaction. And we do have
9 the ability to refund outstanding private activity bonds.

10 MR. CONINE: With private activity bond cap?

11 MS. RIPPY: Elizabeth Rippy with Vinson and Elkins,
12 bond counsel to the Department.

13 You don't need new volume cap if you're not changing
14 the owner of the property, and you're just refinancing on a
15 tax-exempt basis, tax-exempt bonds that are already outstanding.

16 There's no requirement. If you are increasing the bond
17 size, you would need volume cap for the difference. That would be
18 considered new money financing.

19 But they're no more tax-exempt bonds outstanding in the
20 market if we refund these bonds. We'll take the proceeds from the
21 refunding bonds, and you'll completely pay off the existing bonds
22 within 90 days.

23 So there won't be any more tax-exempt debt outstanding
24 in the market.

1 MR. CONINE: But you're extending the term.

2 MS. RIPPY: There are cases we did re-TEFRA. There
3 are requirements that you have to meet if you extend the term of the
4 debt. There are limitations on that. It requires a new TEFRA
5 hearing.

6 But you do not need a new volume cap under the tax law
7 to the refinance. That's just the way it works.

8 MR. CONINE: The way it works. If I was a dollar over
9 the outstanding indebtedness, would it --

10 MS. RIPPY: You would need a dollar of volume cap in
11 order to do that on a tax-exempt basis.

12 MR. CONINE: So it's a net deal, not a gross deal. In
13 other words, under existing tax law, it would be a net increase, not
14 the gross amount.

15 MS. RIPPY: Exactly.

16 MR. CONINE: Okay. That's the first question as to how
17 it got here. The second question would the parameters by which bond
18 projects come to us --

19 I guess what you're going to tell me, since it's not
20 using up any of the bond allocation, it's not subject to any of the
21 rules and regs that we currently have in place for those we do,
22 because I see this project has four bedrooms in it, and we have rules
23 against that.

24 MS. RIPPY: It was approved in '97 and under the rules

1 at that time, you allowed four-bedroom projects. It's built.

2 MR. CONINE: You can't do anything about it.

3 MS. RIPPY: Right.

4 MR. CONINE: Probably why it's in default, because it's
5 got four bedrooms.

6 MS. RIPPY: Maybe. There are those who might think so.

7 MS. ANDERSON: Yes, sir. Mr. Bogany.

8 MR. BOGANY: What's the alternative if we do not
9 approve this, and maybe Ms. Carrington can answer this.

10 If we do not approve this, do we get this project back?

11 It's a Fannie Mae project, so we don't get it back. So if we don't
12 do it, are we at risk at any point?

13 MS. CARRINGTON: As the Board heard yesterday, we are a
14 conduit issuer, and this does have credit enhancement and is
15 guaranteed. We will not get this development back.

16 We do not know what Fannie Mae's intentions would be
17 should they decide to foreclose on the property. They had stepped
18 up, as they should have under their guaranty, and paid the
19 bondholders.

20 We have been told, we do believe that Fannie Mae is
21 intent on foreclosing on the property, should there not be a
22 restructuring.

23 At that point we do not know whether Fannie Mae would
24 retain the additional five years on the credit and keep it in the

1 affordable housing inventory, or what their business decision would
2 be about this property.

3 MR. BOGANY: So if we went ahead and approved it, we
4 would keep some affordable housing available in Round Rock for some
5 people, because rents would now be more, a lot less, and we wouldn't
6 be taking housing off the market.

7 MS. CARRINGTON: This structure isn't going to impact
8 the rental regulations or requirements. What it will do is
9 provide -- because you're refunding bonds, as Elizabeth said, you're
10 basically issuing refunding bonds, which have a new life.

11 That new life is basically 30 years.

12 MR. BOGANY: Okay. Thank you.

13 MR. CONINE: I am perplexed by this particular
14 situation, as you might suspect, especially when staff recommendation
15 was opposite of what the Executive Director just recommended, and
16 hearing that Red Capital has stepped up in the GP department, as well
17 as Fannie Mae not knowing what they're going to do.

18 I think there's a lot of unanswered questions that I
19 don't know whether I want to take the time to try to get today, so
20 what I'd like to propose is moving to table this item until next
21 month's meeting, to enable us to get a little more information as to
22 the intent of the stepped in general partner as well as the intent of
23 the guarantor.

24 Then try to reconcile at least in my mind the

1 differences between staff recommendations and what Ms. Carrington
2 just put on the table.

3 So I move to table this item until next month.

4 MS. ANDERSON: I'll second it, and it's not debatable.

5 MR. BOGANY: It's not debatable?

6 MS. ANDERSON: Not a motion to table. Not debatable.

7 So I guess you can ask a question, though.

8 MR. BOGANY: I have a question. Can I ask a question?

9 MS. ANDERSON: Yes.

10 MS. CARRINGTON: And then I have a comment, if I can
11 make a comment.

12 MS. ANDERSON: It's not debatable.

13 MR. BOGANY: My question is that by tabling this, does
14 this cause the project to go ahead and be foreclosed on for the
15 following month? Do we jeopardize this project by tabling it to
16 another month?

17 I agree with Mr. Conine that I've got some questions
18 and concerns on why staff and Ms. Carrington's report and thoughts
19 are little bit different, but I'd also like to know whether or not we
20 would jeopardize them losing it next month. They may not own it all.

21 I'd like to ask Ms. Carrington. That's a question, not
22 a debate, Ms. Anderson.

23 MS. CARRINGTON: What we do know, Mr. Bogany, is that
24 Fannie Mae to this point has done indeed what they're supposed to be

1 doing, which is making good on their payment to bondholders.

2 We are told that Fannie Mae is very interested in
3 either taking the property over or having some kind of restructuring.

4 We don't know. We can't tell you what Fannie Mae's timeline is.

5 MR. BOGANY: Why is your recommendation
6 different than the staff's?

7 Is that a debate? Can we vote down -- not vote down,
8 but can we vote on the table and then bring it back?

9 MR. CONINE: Sure.

10 MR. BOGANY: Because I'm curious to know why the
11 difference.

12 MS. CARRINGTON: I would like to clarify something I
13 said. As we make our recommendations to the Board, the underwriting
14 report, the work of the Real Estate Analysis Division is a very
15 important component of the recommendation.

16 It is not the only element that we look at, as we make
17 recommendations to the Board.

18 And in the particular case, what I wanted to do, of
19 course -- I mean what are obligation is, is to present to you all
20 what the Underwriting Analysis Division presented.

21 Then from a programmatic, policy standpoint -- from a
22 business standpoint, we think there are reasons for the Board to
23 consider it.

24 MR. BOGANY: Do we have any advantage of going along

1 with your recommendation?

2 Is that a debate? I'm sorry.

3 MS. ANDERSON: Well, you're just pushing the envelope,
4 my friend.

5 MR. BOGANY: I guess I'm trying -- Mr. Conine has tabled
6 the voting, and we've seconded it --

7 MR. CONINE: I withdraw my motion to table for some more
8 dialogue. Now go ahead and ask some more questions.

9 MR. BOGANY: Thank you. I did have a question.

10 Basically when we get our recommendations from get our
11 recommendation from Underwriting, I feel like if our Executive
12 Director feels different, or there's other recommendations, we should
13 also have that in the package so we can weigh everything if possible.
14 Just a suggestion.

15 MR. CONINE: Just a comment. If this project was going
16 to be foreclosed on, Ms. Carrington would know that Fannie Mae
17 intends to post it for foreclosure, because it has to be done 21 days
18 ahead of the date. We're darn close to that.

19 I'm sure she would know, or someone would be speaking up
20 to that effect. Does anyone know whether or not it's going to be
21 posted for foreclosure?

22 MR. CINQUINI: We have, subject to approval of the
23 bonds, on behalf of --

24 MR. CONINE: Can you get up and go ahead and tell us who

1 you are?

2 MS. ANDERSON: Complete a witness affirmation form for
3 me, please?

4 MR. CINQUINI: I did. First I apologize for not
5 submitting the form. I didn't know it was to be submitted earlier in
6 the process.

7 My name is Anthony Cinquini. I'm with Red Capital. We
8 are the current Fannie Mae DUS lender. We're also going to be -- our
9 affiliate will be the credit enhancement provider by the Federal Home
10 Loan Bank.

11 The project went into default in April 2003. We, as our
12 Fannie Mae lender, have been funding bond payments. The bonds are
13 current. The mortgage is in default.

14 We have the right to elect for a foreclosure of the
15 property. This refinancing, if not approved, will be our option,
16 because there's no sense in keeping those high coupon bonds
17 outstanding.

18 To answer your question, that would be the intent. We
19 are also under a deadline with Fannie Mae by the end of March, to
20 have this transaction accomplished.

21 We approached the issuer in December, outlining the
22 proposal, what we were doing. We've done a lot of work to get to
23 this point.

24 MR. CONINE: But once approved, you can close the

1 transaction in how long?

2 MR. CINQUINI: A couple of weeks. I mean the assumption
3 goes, we're burning time and money inclusive of funding mortgage
4 payments and paying for lawyers, and lots of them, to get to a Board
5 meeting where it's not approved.

6 We as the lender are writing big fat checks, and we're
7 just kind of tired of it. So we'd like to get this thing resolved,
8 get the property right-sided up.

9 MR. CONINE: What's the reduction of debt service from
10 the current bond portfolio to the new proposed --

11 MR. CINQUINI: It's about \$400,000 in today's
12 environment.

13 MR. CONINE: Annually?

14 MR. CINQUINI: Yes. If interest rates stay where they
15 are or move up a little bit, yes.

16 MR. BOGANY: I have a question.

17 MS. ANDERSON: Yes, Mr. Bogany.

18 MR. BOGANY: So are they going to lower their rents -- I
19 read this -- are they going to lower their rents and try to be more
20 competitive to get this --

21 MR. CINQUINI: Yes. In fact, since we booted out the
22 general partner of the deal -- the average per unit rent was over
23 \$800, we are now down to about \$690 a unit.

24 The property was offering huge concessions. It was

1 about -- we're now up to 97 percent physically occupied. Our average
2 rents are about \$692. We're offering very little concessions.

3 MR. BOGANY: Okay. Ms. Carrington?

4 MS. CARRINGTON: Yes, Mr. Bogany.

5 MR. BOGANY: If we vote to do what you recommended,
6 isn't that a win-win situation for all the parties involved, and is
7 the Department hurt at all in that?

8 MS. CARRINGTON: We do not believe the Department is
9 harmed by the Board taking an affirmative action on this today.

10 MR. GONZALEZ: We have a motion and second.

11 MR. CONINE: I pulled the motion.

12 MS. ANDERSON: He pulled the motion.

13 MR. CONINE: But I'll make a motion to table one more
14 time just because I still conceptually have a little hard time with
15 this. And it sounds like one more month's not going to kill us, that
16 we can get the thing done in time.

17 And since this is the first time, I'd like to be a
18 little more careful. As a Board member, I'd like be a little more
19 careful on what we're doing.

20 MS. ANDERSON: Second.

21 All in favor of the motion, please say, Aye.

22 (A chorus of ayes.)

23 MS. ANDERSON: Opposed, No.

24 MR. BOGANY: No.

1 MR. GONZALEZ: No.

2 MS. ANDERSON: The ayes have it.

3 The next item is 7(d)(1), which is the Transfer of
4 Funds.

5 Ms. Carrington?

6 MS. CARRINGTON: Thank you. Item 7(d)(1) is to approve
7 the Transfer of Funds from the Below Market Interest Rate Program,
8 the BMIR program, to Multifamily Finance Production and Increase the
9 Existing Notice of Funding Availability for the Multifamily Housing
10 Preservation Program.

11 We would actually be transferring \$1,079,722. The NOFA
12 then -- the total amount that would be available in the NOFA would be
13 \$2,900,181.50.

14 If you turn over to the second page, one of things we
15 did talk about yesterday in our bond workshop was our Junior Lien
16 Program and how much we had put in that Junior Lien Program.

17 And the second page of the staff's summary does include
18 the fund allocations for the Multifamily Preservation Program. You
19 can see that to date we had transferred \$4,497,905.

20 We've listed the project awards for you, that in October
21 of last year. And then the transfer we're requesting today would
22 bring us up to this \$2 million -- little over \$2 million. Staff is
23 recommending that transfer be approved.

24 MR. BOGANY: So moved.

1 MR. GORDON: Second.

2 MS. ANDERSON: Discussion from the Board? Questions for
3 the staff?

4 MR. CONINE: We're taking it from a single family
5 program to a multifamily program. Is that right?

6 MS. CARRINGTON: Yes, sir. The Below Market Interest
7 Rate Program. Yes, sir.

8 MR. CONINE: And it's surplus money we have we've got a
9 need over in the multifamily group that can't be met anywhere else.

10 MS. CARRINGTON: Yes, sir.

11 MS. ANDERSON: Could you help me understand? Earlier
12 today we just moved \$300,000 in Department funds and stuff in the
13 Restructure Program 57 to try to bring rates down in that program.

14 Now we've got money coming out of the Below Market
15 Interest Rate Single Family Program going to the multifamily program.
16 Why didn't we use this money, instead of taking \$300,000 of the
17 Agency's funds?

18 I just get confused with all the buckets of money moving
19 around.

20 MS. CARRINGTON: Is Bill Dally in the room?

21 MS. GRONECK: I don't know. Bill?

22 MS. ANDERSON: He wasn't? I don't know how to ask this
23 question again.

24 My question is -- we're discussing item 7(d)(1), which

1 is moving money out of the Below Market Interest Rate Finance
2 Production --

3 MS. CARRINGTON: For Housing Preservation Program.

4 MS. ANDERSON: For Housing Preservation. Okay.

5 MS. CARRINGTON: Or a little over a million dollars.

6 MS. ANDERSON: And so moving it from the Below Market
7 Interest Rate Program in Single Family to Multifamily --

8 MS. CARRINGTON: That BMIR

9 MS. ANDERSON: So we've got a

10 MR. DALLY: In the Unencumbered Fund Balance Report, on
11 that page under the operating deal, we the standing balance of the
12 BMIR program.

13 The BMIR program dated back to the Texas Housing Agency.

14 There were some properties, and we got into a deal --

15 MS. CARRINGTON: Arkansas.

16 MR. DALLY: Arkansas. And so we'd gotten a collection
17 of those funds into there.

18 And I think the first priority was to look at some of
19 those legacy properties. If they didn't need any rehabilitation or
20 money in them, then those funds were free to do multifamily
21 preservation, as we would do.

22 Currently, it's a balance sitting there. So this is
23 sort of giving it a purpose and moving it forward into something
24 specific.

1 MS. CARRINGTON: And there were restrictions when we did
2 that program with the Arkansas Housing Finance Agency, that it be
3 used for multifamily.

4 MR. DALLY: Yes.

5 MS. CARRINGTON: That's the one that you all have seen
6 several times. We've gotten a nice chunk of money that we --

7 MR. CONINE: Yes. Found money.

8 MS. ANDERSON: Yes, Mr. Bogany.

9 MR. BOGANY: Can I make a motion?

10 MR. CONINE: I thought there was one on the floor.

11 MS. ANDERSON: Yes, there was.

12 Pat, didn't you move for adoption of this?

13 MR. GORDON: Yes.

14 MS. ANDERSON: It's been moved and seconded.

15 Other questions for staff?

16 (No response.)

17 MS. ANDERSON: I have a question about the funding of
18 Sherwood Apartments. Is that --

19 MR. SALINAS: We're still on 7(d)(1).

20 MS. ANDERSON: So all we're doing right now is --

21 MR. CONINE: Getting it over with.

22 MS. ANDERSON: -- approving the transfer of money.

23 Other discussion?

24 (No response.)

1 MS. ANDERSON: Hearing none, I'm assuming we're ready to
2 vote. All in favor of the motion, please say, Aye.

3 (A chorus of ayes.)

4 MS. ANDERSON: Opposed, No.

5 (No response.)

6 MS. ANDERSON: Motion carries.

7 7(d)(2). Ms. Carrington?

8 MS. CARRINGTON: This request for approval of some of
9 those preservation funds for the Sherwood Apartments, which is
10 located in Edinburg. And this the second page behind 7(d).

11 Our legislation says that the Department is to
12 "establish and administer a housing preservation program," and that
13 we can provide incentives through loan guaranties, through loans,
14 through grants, to preserve multifamily housing that's designed as
15 either Class A or Class B.

16 For those of you in the multifamily business, this is
17 not what you're thinking about in Class A and Class B properties.

18 Specifically Class A-type properties include any
19 federally subsidized multifamily housing development at risk, because
20 the contract granting of federal subsidy is about to expire, or
21 because the mortgage is eligible for prepayment or is near the end of
22 the term.

23 Class B includes any other multifamily housing
24 development with low income rental use or rental affordability

1 restrictions.

2 By approving this transaction the staff is recommending
3 today, what the Department will be doing is preserving a federal
4 subsidy that is being provided to this development and to the
5 applicant.

6 So it meets the Class A of the requirement under Class A
7 of maintaining a federal subsidy.

8 This is an existing property. It's 56 units. It's
9 family. I was constructed in 1997. It's in Edinburg, which is in
10 Hidalgo County.

11 The existing affordability restrictions on this
12 property -- it has a HUD-insured 236 load. And it also has actually
13 two housing assistant payment contracts.

14 The Section 8 contracts cover 100 percent of the units.
15 One of them has about a year to go on the HAP contract. The other
16 one has about ten months to go on the HAP contract. The 236 loan on
17 this property will actually be in place until 2012.

18 So what we would be preserving today is the requirement
19 that the HAP contract be renewed on an annual basis.

20 So they must apply to HUD. They must accept the HAP
21 contract, if indeed the HAP contract is offered by HUD.

22 At the point, the HAP rents in the Edinburg area, and
23 the incomes of the families that are living there -- about 50 to 55
24 percent of area-median income.

1 So the HAP rents that are currently being charged on the
2 property are substantially below the market rents in the Edinburg
3 area.

4 We do have more information on the second page about the
5 structure of the transaction. There is an underwriting report on the
6 transaction.

7 There is about, I think it was \$2500 to \$2800 on a
8 per-unit basis that is going in for some upgrade on the property.
9 With that amount, certainly there's not a substantial amount of rehab
10 going in.

11 But again that wasn't the requirement of the program.
12 It was to preserve a federal subsidy, if one was at risk of being
13 extinguished.

14 Staff is recommending the \$825,000 loan.

15 MR. BOGANY: So moved.

16 MR. SALINAS: Second.

17 MS. ANDERSON: You've heard the staff presentation.

18 There's a motion on the floor, and it's been seconded. Two people
19 would like to make public comment on this agenda item.

20 Mr. Ron Anderson?

21 MR. ANDERSON: I have Ray Lucas with me also. I really
22 don't have any further comments, except to say that this property is
23 particularly vulnerable, because the original developer managed it
24 for the life of the property.

1 It's in excellent shape, and it could be sold very
2 readily, and the subsidy would go away. The reason we're working on
3 preserving it is because Edinburg does need subsidized housing.

4 If you have any questions --

5 MS. ANDERSON: Mr. Lucas?

6 MR. LUCAS: I'll defer my comments.

7 MS. ANDERSON: Discussion? Questions from the Board?

8 MR. CONINE: Ms. Carrington?

9 MS. CARRINGTON: Thank you.

10 MR. CONINE: The existing debt on the property looks
11 like \$382,769, approximately. We're making a new loan or a second,
12 if you will, for \$825,000. And you said there's some rehab work in
13 there. I did a quick multiplication and I got \$125,000 or \$150,000.

14 What are the use of the other proceeds of the loan?
15 What am I missing?

16 MR. GOURIS: Acquisition.

17 MS. CARRINGTON: The acquisition.

18 Mr. Gouris, would you come on up in case Mr. Conine has
19 other questions?

20 MR. CONINE: Walk me through the source and use, would
21 you please?

22 MR. GOURIS: The acquisition price was a million
23 dollars. And so the difference between the acquisition price and the
24 \$382,000 outstanding is going to be equity that's going to go to the

1 seller of the property.

2 It's actually gone to the seller of the property.

3 MR. CONINE: All right. Now I understand. We're done.

4 MS. ANDERSON: Any other discussion?

5 (No response.)

6 MS. ANDERSON: Hearing none, I assume we're ready to
7 vote. All in favor say, Aye.

8 (A chorus of ayes.)

9 MS. ANDERSON: Opposed, No.

10 (No response.)

11 MS. ANDERSON: Motion carries.

12 The next item is item 8(a), Issuance of Determination
13 Notice on Tax-exempt Bond Transactions with other issues for Mayfair
14 Park Apartments,

15 Ms. Carrington?

16 MS. CARRINGTON: One for the Board's consideration.

17 Mayfair Park Apartments, Houston, with the Houston Housing Finance
18 Corporation is the issuer, so it's a credit allocation only on this
19 particular transaction.

20 What is being recommended by staff is \$629,049 in the
21 way of credit allocation, which is less than the amount that was
22 requested by the developer. Because we are not the issuer, what you
23 have is the underwriting report on this particular transaction and
24 the tax credit recommendation amount.

1 It one, two and three bedrooms, and it's a priority 2
2 from last year carryforward into this year, on bonds.

3 MR. CONINE: We don't get colored maps because we're not
4 the issuer.

5 MS. CARRINGTON: We don't get colored maps, because
6 we're not the issuer. You don't also get all those tabs.

7 MR. GONZALEZ: Move for approval.

8 MR. CONINE: Second that.

9 MS. ANDERSON: The motion on the floor has been
10 seconded. Is there any discussion or questions for staff?

11 (No response.)

12 MS. ANDERSON: Hearing none, I assume we're ready to
13 vote. All in favor say, Aye.

14 (A chorus of ayes.)

15 MS. ANDERSON: Opposed, No.

16 (No response.)

17 MS. ANDERSON: Motion carries.

18 Agenda item 8(b).

19 There is public comment on one of the developments here,
20 Ms. Carrington, so I don't how you want to proceed.

21 MS. CARRINGTON: Pinnacle stands alone. These three all
22 come together.

23 MS. ANDERSON: Come together. Okay.

24 MS. CARRINGTON: So maybe we'll take Pinnacle and then

1 the other two.

2 MS. ANDERSON: That sounds like a good plan.

3 MS. CARRINGTON: We will take the first item, 8(b),
4 which is a Proposed Amendment to a Housing Tax Credits Project, which
5 is Pinnacle Point Apartments in Victoria. That is behind tab 8-B in
6 your book.

7 These come to the Board if the developer is requesting a
8 material change in tax credit allocation amount -- one of the reason
9 for the allocation of the credits --

10 This is an '03 allocation of credits. The City of
11 Victoria, where the property is to be located has requested a site
12 plan change.

13 As a result of that request in the site plan, we did do
14 a site plan change. We did an underwriting analysis. And I have
15 also determined that there would be a reduction in the amount of
16 credits that were committed to this particular development.

17 The changes would not have affected the applicant's
18 receipt of an award, which is always very important for us to take a
19 look at. Would it have impacted scoring, and would this change have
20 impacted their ability to get an award.

21 In this case, we always tell you whether it would or
22 would not. It would not have impacted their ability to receive
23 award. Staff is recommending that the material change be approved.

24 However the tax credit reduction amount is actually

1 \$7,458 less than the original award, which is less than what the
2 applicant had requested. They had only requested about a \$4,800
3 reduction in the tax credits.

4 Our underwriting analysis justified a \$7,458 reduction
5 in tax credits.

6 MR. CONINE: Move for approval.

7 MR. BOGANY: Second.

8 MS. ANDERSON: Any discussion?

9 (No response.)

10 MS. ANDERSON: Hearing none, I assume we're ready to
11 vote. All in favor say, Aye.

12 (A chorus of ayes.)

13 MS. ANDERSON: Opposed, No.

14 (No response.)

15 MS. ANDERSON: Motion carries.

16 MR. CONINE: Let's do the staff report first.

17 MS. ANDERSON: We do have a gentleman that likes to make
18 public comment on this.

19 Sen. Parker?

20 SEN. PARKER: Very briefly, I don't want to talk you out
21 of anything. It's going so well.

22 Carl Parker, Port Arthur, Texas, One Plaza Square. I'm
23 here to speak to you about Pebble Creek, Crystal Creek and Cedar
24 Ridge.

1 We're asking for a contingent modification. You
2 approved the thing at 30, 40 and 50 percent of median income. The
3 people who want to lend the money have said, "However."

4 Because these projects are so subsidized by Section 8,
5 if Section 8 is not renewed for some reason, not the fault of the
6 operator, they would like a 60 percent cap.

7 I believe 60 percent would not have changed the award
8 back when it was done. We're asking you to implement the staff
9 recommendation to let us have a 60 percent cap, only in the event
10 that Section 8 is not refunded or renewed as a contract on these
11 projects-based apartments.

12 One other thing that's an issue, underwriting. We
13 understand they would like to have re-review of the underwriting,
14 upon implementation of the loan. And we'd have no problem with that.

15 Are there any questions?

16 MS. ANDERSON: Questions for the Senator?

17 (No response.)

18 MS. ANDERSON: Thank you, sir.

19 SEN. PARKER: Thank you.

20 MS. ANDERSON: Staff. Yes.

21 Ms. Carrington?

22 MS. CARRINGTON: We can take these three together. They
23 were awards out of the '03 allocation. All three of them were at
24 risk, or are at risk. They came out of the at-risk set-aside, which

1 is the set-aside, which is undersubscribed.

2 You all may remember that in months past, as we have had
3 some developers come to us and ask for relief in these targetings,
4 that we have recommended that the Board not grant that relief.

5 The substantial difference in those requests that you
6 have received in the past and what staff is recommending today, is
7 that you do have multiple letters from the syndicator, from the
8 lender, indicating that in their professional opinion, the
9 transactions are not financially feasible, if the 30, 40 and 50
10 percent restrictions are retained, if the Section 8 goes away.

11 So for these reasons, the staff is recommending that
12 they do have the flexibility to go up to the 60 percent rents and
13 income, if indeed the Section 8 should not be renewed.

14 MR. BOGANY: So moved.

15 MR. GONZALEZ: Second.

16 MR. CONINE: Ms. Carrington, I'm a little uncomfortable
17 because I'm not as familiar with the HAP contracts. Maybe I should
18 be.

19 In Mr. Palmer's letter it says, "Or if the federal
20 government fails to appropriate sufficient money each year in the
21 annual budget to fund the contract."

22 There's a million people running around today that think
23 the federal government doesn't fund sufficient money now. So how are
24 you making that delineation from a staff and/or a restriction point

1 of view?

2 MS. CARRINGTON: What Mr. Palmer is referencing is a
3 different issue from what you're talking about, Mr. Conine.

4 Over the last couple of years, there has been discussion
5 in Congress about fully reauthorizing the funding for the Section 8
6 program.

7 So even though an entity that administers vouchers may
8 have still the same number of vouchers, they may not be getting as
9 much of an allocation from HUD to fulfill the obligations of those
10 vouchers.

11 Over the last year or so, as there's been the discussion
12 of block granting the Section 8 programs to the states, one of the
13 discussions in that proposal was that the states weren't going to get
14 as much money for assistance under the vouchers as what individual
15 PHAs around the country are getting now.

16 So I think there is a sense of uncertainty about what is
17 really going to be authorized and allocated for Section 8.

18 MR. CONINE: Wasn't that uncertainly there when we
19 approved these particular projects to begin with?

20 MS. CARRINGTON: Yes. But I think as we've gone into
21 this federal fiscal year, I think that there may be more discomfort
22 with that uncertainty.

23 MR. CONINE: Well, I have a terrible discomfort
24 eliminating 30, 40 and 50 and going to 60, in the event that the

1 inflated funding is reduced by a dollar, which is what I'm reading
2 could be a criteria met, unless you tell me something different than
3 that.

4 If federal funding drops a dollar, are these guys going
5 to get a chance to turn 30, 40, and 50 percent units loose and go to
6 60?

7 MS. CARRINGTON: No.

8 MR. CONINE: Okay. So tell me how it works?

9 MR. GOURIS: If federal funding reduces to a level that
10 they can't fund these HAP contracts, and these HAP contracts aren't
11 renewed because of lack of federal funding, they're asking that they
12 get some relief from the 30, 40, 50 percent restrictions, because
13 without that relief the transaction doesn't work.

14 MR. CONINE: HAP contracts are annual contracts?

15 MS. CARRINGTON: They are now.

16 MR. GOURIS: Yes. But I think this one goes until '05?

17 It's an extended contract. Some contracts are funded on
18 an annual basis. This contract was an extended contract, which lasts
19 for a longer period of time, but is subject to annual funding -- HAP
20 appropriations by Congress.

21 We underwrote this at the HAP contract rent level
22 originally, not at the 30, 40 rents. If we'd have underwritten it at
23 30, 40 rents, it wouldn't have worked. But that wouldn't have made
24 sense, since we had to underwrite it at the HAP contract level.

1 MR. CONINE: I'm more confused than I was when we
2 started.

3 MR. GOURIS: If we had underwritten it at the 30, 40 and
4 50 percent rents, the transaction would not have worked. They're
5 still serving the 30, 40 and 50 percent tenants, because the tenant
6 is not paying more than that percentage of their rent.

7 Under federal tax law, if you can get project-based
8 subsidy, you can collect more rent, as long as it's not coming from
9 the tenant and it's project-based. That's what's going on in this
10 case.

11 MR. CONINE: Okay. We generally have a pretty good,
12 long lead time when the federal budget's passed. Why couldn't the
13 lender or the sponsor of this particular project come in at that time
14 for relief, instead of having it done now?

15 If it underwrote now at the current HAP contract, don't
16 we have enough lead time? We meet on a monthly basis around here.

17 MR. GOURIS: My understanding is that the permanent
18 lender has a lot of concern that we would hold the project to the 30,
19 40 and 50 percent, and then they'd be left holding the bag then,
20 potentially, not the developer.

21 MR. CONINE: That's why they got the credits to begin
22 with, because it came out of the at-risk subset.

23 MR. GOURIS: It proposes to serve those folks that
24 at-risk set-aside and has to maintain the HAP contract, as long as

1 the HAP contract's offered and funded.

2 MR. CONINE: So why are we doing this now?

3 MR. GOURIS: Because they asked us to give some
4 confidence to the lender.

5 MR. CONINE: I need some more clarification, Ms.
6 Carrington.

7 MS. ANDERSON: Do you have a witness affirmation form,
8 sir?

9 MR. AKBARI: Yes. My name is Ike Akbari. I'm the
10 developer and also the owner of these projects. We don't anticipate,
11 and we don't ever want this Section 8 contract ever expiring without
12 being renewed.

13 Of course, from the beginning of the time when we got
14 awarded the tax credit we're discussing with the difference
15 indicators -- in fact we even had the letter of intent from one of
16 the syndicators to examine our numbers and everything.

17 Then after two or three months, they came back and said,
18 We cannot do this because of the uncertainty of the federal
19 government, if they ever not to renew this Section 8 contract for the
20 at-risk program.

21 We do want to keep these contracts, we do want to
22 continue an extension, of course, of these contracts, as long as we
23 can be able to. We're not even talking about the 15 years; we're
24 talking about beyond 15 years.

1 Now, the syndicators are concerned of course, because
2 years ago they used to do a 20-year contract. But now the federal
3 government has changed that. They give you a five-year contract,
4 only a five-year contract for this type Section 8.

5 Of course, even at five years, every year, you have to
6 apply for renewal. It's five years, with annual renewal for
7 [indiscernible] purposes.

8 Keeping that in mind, the syndicator says, Okay. What
9 would happen five years from now, if they don't renew this?

10 And since this project was underwritten based on this
11 Section 8 present rent, therefore it would a cap of \$10,000 per
12 month, and that would be an annual of \$120,000, therefore the
13 syndicators, of course are saying, We won't be able to underwrite
14 this project because of the Section -- that big gap.

15 MR. CONINE: The problem I have, though, is that you
16 applied for credits under the at-risk set-aside, yet you're asking
17 relief to go to the 60 percent level, not today, but sometime in the
18 future over the next 15 years.

19 You would have been put in a whole different point
20 category if you were underwritten at 60 versus 30, 40 and 50.

21 MR. AKBARI: Yes, sir. I understand that. In fact --

22 MR. GOURIS: I don't believe they would because they
23 would have satisfied -- as long as they maintained the HAP contract,
24 as long as it's offered, they would have satisfied the requirements

1 to stay in the at-risk category, and they would have still been the
2 highest --

3 MR. CONINE: But our at-risk contract is not subject to
4 HAP contracts, is it? It's 30, 40 and 50.

5 MR. GOURIS: It's not based on the rental restriction.
6 It's based on the preservation of funds that are at-risk. The HAP
7 contracts are what's at risk, and the affordability in the HAP
8 contracts.

9 Our original underwriting was subject to them
10 maintaining the HAP contract rents as well, so the assumption the
11 whole time was they had to maintain the HAP contracts, and if they
12 don't, they can't meet that income target.

13 They're bringing that subsidy to the project and
14 contributing that as long as the U.S. government is willing to fund
15 it. It has to; otherwise the transaction does not work.

16 That's something we had to struggle with when we first
17 underwrote this transaction, and any transaction that has HAP
18 contracts associated with the.

19 MS. CARRINGTON: I think, at this point they're not
20 proposing any changes. It just sounds like they are perhaps
21 projecting what happens if.

22 What happens if the HAP is not renewed, and they have,
23 as part of their LURA, the 30, 40 and 50 percent requirements. So
24 then they have something in the LURA that the cannot comply with,

1 because the HAP contract has not been renewed.

2 They could have waited until perhaps the HAP contract
3 was not renewed and then come to the Agency.

4 But what we see by the information that's in the Board
5 book, is that the syndicator and the lender are basically saying,
6 Unless we can get some relief from the 30, 40 and 50 percent, because
7 something that might happen in the future, we're not willing to
8 invest now.

9 MR. AKBARI: Mr. Conine, this is really beyond our
10 control. We definitely do not want this to happen. We don't even
11 want to come back there and ask for that relief today, because
12 mainly, we're asking you for that relief, because we want to preserve
13 this Section 8 complex.

14 It's a beautiful complex. It's basically 95 to 98
15 percent occupied. And these are 20 years old. Based on your help,
16 we'll be able to renovate and continue to make this affordable
17 housing for the community.

18 We're not anticipating ever -- in fact one of the
19 conditions is the developer at any time come back here or come ask
20 to -- not to renew the contract. We're obligated to renew the
21 contract, as long as we're offered.

22 But at any time we're not offered, we just don't have --
23 we can't definitely ask for something they're not going to offer us.
24 We'll ask, but if they deny us, we have no control on that.

1 MR. CONINE: Tom, how does the existence of HAP
2 contracts on this project generate \$120,000 additional cash flow?

3 MR. GOURIS: Because if they charge the rents that the
4 tenants are paying, if they only collected that, they would be at 30
5 percent and 40 percent rents. The difference between that and the
6 fair market rents --

7 MR. CONINE: Then that's what they're collecting on the
8 Section 8.

9 MR. GOURIS: That's right.

10 MR. GORDON: Tom, what was the terms of these HAP
11 contracts when this was approved?

12 MR. GOURIS: I believe they were annual or extended
13 renewals. They weren't for the full remaining term of the underlying
14 debt. But there's always been an expectation that they would be
15 renewed and provided as long as they don't --

16 MR. GORDON: So nothings's changed in these HAP
17 contracts.

18 MR. GOURIS: That's correct. Nothing has changed.

19 MR. AKBARI: And these contracts are, as I mentioned to
20 you -- and in order to qualify, it has to be a short-term contract.
21 Otherwise, it would not even qualify under set-aside preservation.

22 MS. ANDERSON: Sir, with respect, would you please sit
23 down, because you're not supposed to debate with the Board, while
24 we're having a Board discussion. Okay?

1 If we have another question, then we'll sure ask you to
2 respond. Thank you for your understanding.

3 I have a question, Mr. Gouris. The way this is being
4 presented in my feeble mind is that they would only be released from
5 the 30, 40, 50 in the case that the HAP contract was not renewed.

6 But then when I read the language of these letters --
7 Barry Palmer's letters -- they want to "eliminate the requirement
8 that the project maintain units at 30, 40, 50; request that all rent-
9 restricted units be capped at 60 instead."

10 So I'm really confused about how this is being presented
11 versus what I see in the language.

12 MR. GOURIS: The language in the letters that were sent
13 may have been a little more expansive than what we are willing to
14 recommend.

15 That recommendation was structured to be very specific
16 and very clear that we'd only recommend the release of those --

17 MS. ANDERSON: A real contingency clause

18 MR. GOURIS: Only if the HAP contracts were not being
19 renewed.

20 MR. CONINE: What stage is this project in right now?

21 MR. GOURIS: It's a rehab, so they probably acquired it.
22 Have you closed on the acquisition?

23 MR. AKBARI: No, we have not closed on the acquisition
24 yet. We're in process of closing. I fact we will close by the end

1 of the month, if [indiscernible].

2 MR. GOURIS: Right.

3 MS. CARRINGTON: And I do want to reiterate what Tom
4 said. The staff's recommendation is indeed that these restrictions
5 would only be lifted in the extent that the HAP contracts were not
6 renewed or the amount of assistance is decreased.

7 MR. BOGANY: So I guess the letters are a little bit
8 more liberal than we're willing to do?

9 MS. CARRINGTON: They were requesting. They were indeed
10 requesting more flexibility than what staff is recommending.

11 MR. BOGANY: I'd like to make a motion that we approve
12 staff recommendation.

13 MR. SALINAS: I think you already had a motion and
14 seconded.

15 MR. CONINE: I don't think there was.

16 MR. SALINAS: I think so.

17 MS. ANDERSON: Did you move?

18 MR. SALINAS: No they did.

19 MR. BOGANY: Yes, we did to get it up for discussion.

20 MR. CONINE: Oh, I'm sorry.

21 MS. ANDERSON: Sorry; we're getting kind of weary here.

22 MR. BOGANY: Yes, we did.

23 MS. ANDERSON: Okay. So there's a motion. And one of
24 you all seconded it?

1 MR. BOGANY: Yes, we did. Vidal.

2 MS. ANDERSON: Okay. There's a motion on the floor
3 that's been seconded. Discussion, comments from the Board?

4 (No response.)

5 MS. ANDERSON: Hearing none, I assume we're ready to
6 vote. All in favor of the motion, please say, Aye.

7 (A chorus of ayes.)

8 MS. ANDERSON: Opposed, No.

9 MR. CONINE: Nay.

10 MS. ANDERSON: Motion carries.

11 The next item is 8(c), Waiver of Ineligibility for Four-
12 Bedroom Units for 2003 Forward Commitments.

13 Let's see. There is a person that is available to
14 speak, should be Board have questions. But if we grant the waiver,
15 they won't speak. Pretty good deal.

16 MR. SALINAS: My only question, is have they already
17 built the four-bedroom? They aren't built yet. I think we had a
18 discussion at the last meeting.

19 MR. CONINE: Yes. We tabled this at the last meeting.

20 MR. SALINAS: So my question was, have they already
21 built the four-bedrooms, or they haven't built anything at all?

22 MS. CARRINGTON: I'll ask Ms. Boston to come up. She's
23 the appropriate person on this agenda item.

24 These were, as the Board remembers, developments that

1 applied in the 2002 round of tax credits. They were granted forward
2 commitments into 2003. Three of those did have four-bedroom units in
3 their design.

4 We have indicated what those three developments are. We
5 probably should have told you where they were located, but I see we
6 did not do that.

7 The reason this came to our attention a couple of months
8 ago, was because we had one that had to come back to the board and
9 request a material change.

10 It was at that point we discovered we certainly had this
11 difference in the QAPs and therefore difference in the developments,
12 in the requirements.

13 There are some deadlines that these 2003 tax credit
14 applications have to meet. I can tell you that they are not built.

15 I can answer questions -- is the design done; is the
16 engineering done; is the architectural done. Yes, indeed, that is
17 done. And if you all are interested, Ms. Boston can tell you where
18 they are in the process of closing a construction loan and moving
19 forward.

20 MS. ANDERSON: And we have a representative from one of
21 the developments here to answer questions directly, if that's the
22 Board's pleasure.

23 MS. BOSTON: Actually, all five of these are under --
24 excuse me, well, the three that are up for discussion, because

1 they're '03 forward commitments, they're under the time frames of the
2 2003 QAP, which means they only just had to carry over a couple
3 months ago.

4 So they have closed on their land, but that's the only
5 requirement so far. They do not have to close their construction
6 loan and move forward until June 2004.

7 Now, some of them have definitely accelerated their
8 timeline. I don't have a breakout of where the different forward
9 commitments are. They basically just have more time than the deals
10 that were approved in that batch.

11 MS. ANDERSON: Mr. Bogany.

12 MR. BOGANY: I have a quick question. And I guess I'm
13 getting lost. When a forward commitment comes forward, do they play
14 under the rules that were when they submitted, or do they play under
15 the new rules?

16 MS. BOSTON: Interestingly, a little bit of both. When
17 they first turned them in, they believe they're competing for that
18 year's fund.

19 So in this case, they applied in 2002. Their whole
20 application, their structure, all the rules they were satisfying were
21 in 2002 QAP, because they had obviously been hoping they were getting
22 a 2002 award.

23 However, when the Board makes the decision to give them
24 a forward commitment, that automatically places them under the QAP of

1 the 2003 year, even though as a technicality, that rule is not even
2 been approved yet.

3 So therefore in this case, we didn't have a rule in
4 place that they could quickly revise.

5 MR. BOGANY: I have another question. Where are these
6 complexes at?

7 MS. CARRINGTON: They're Bexar Creek, Mission del Valle
8 and Arbor Woods.

9 MR. SALINAS: San Antonio?

10 MS. CARRINGTON: I apologize. I do not have that
11 information.

12 MS. BOSTON: Bexar Creek is in San Antonio. Mission del
13 Valle is in Socorro, and Arbor Woods is in Dallas.

14 MR. CONINE: To refresh your memory, last month when we
15 tabled this item, I asked for the staff to go back and review the
16 transcripts of the '02 QAP meeting.

17 MS. CARRINGTON: Yes, sir.

18 MR. CONINE: And I don't see anything in our Board book
19 that would indicate what the tape said. What does it say? I don't
20 have to read it myself.

21 MS. CARRINGTON: The discussion -- and this is the
22 transcript from the August 8, 2002, meeting.

23 MR. CONINE: Before we did the forward.

24 MS. CARRINGTON: Yes, sir. The decision in the

1 transcript revolved around the \$1.6 million requirement or
2 restriction, and not concerning what qualified allocation plan the
3 developments came under.

4 MR. CONINE: So somebody like me didn't ask then if
5 we're going to do forward -- and we kind of felt like that at that
6 time we were going to look seriously at eliminating four-bedroom
7 units from the '03 QAP, which we subsequently did.

8 But you're saying I never did ask the question related
9 to these specific projects in that Board meeting.

10 MS. CARRINGTON: It is not reflected in the transcript,
11 Mr. Conine.

12 MR. CONINE: Move for approval.

13 MR. BOGANY: Second.

14 MS. ANDERSON: Any discussion?

15 (No response.)

16 MS. ANDERSON: Hearing none, I assume we're ready to
17 vote. All in favor of the motion, please say, Aye.

18 (A chorus of ayes.)

19 MS. ANDERSON: Opposed, No.

20 (No response.)

21 MS. ANDERSON: Motion carries.

22 Item 8(d) is Extensions for Commencement of Construction
23 Loan Closing and Substantial Construction for several developments.

24 We do have a representative from Michaels here, if you

1 want them to speak.

2 What do you think is best for this? Would you like Mr.
3 Greer to go ahead and speak?

4 Mr. Greer?

5 MR. GREER: Yes. Thank you, Madam Chairman, members of
6 the Board, Ms. Carrington. My name is Robert Greer. I'm the
7 president of Michaels Development Company. I'm
8 here today to respectfully request the date of closing for these four
9 programs: Yale Village, Kings Row, Continental Terrace and Castle
10 Gardens be extended from January 30 to March 31, and that the date of
11 commencement of substantial construction be extended from March 3 to
12 June 30.

13 Our justification for being here today to request your
14 acceptance of these extensions, as based upon the fact that while we
15 were led to believe by HUD in November, that they would indeed
16 process our firm commitments and enable us to close these loans
17 pursuant to our promise to you, but in fact they went out of business
18 in both December and January, and suspended processing and were not
19 given authorization to issue firm commitments.

20 They are now back in business. They are very active in
21 the applications. All of the budget-based rent calculations
22 supported by appraisal and HUD's consultant, the decoupling interest
23 reduction payment calculation's concluded.

24 And we are led to believe that they're issuing the firms

1 this month. I'm asking or March, because I'm led to believe many
2 things in the past.

3 I believe therefore with this additional month, we can
4 satisfy our obligation and preserve these nearly 800 units, with
5 adequate funds. I'm available any comments you may have, or
6 questions.

7 I thank you for your consideration.

8 MR. CONINE: Move for approval.

9 MR. BOGANY: Second.

10 MS. ANDERSON: Discussion?

11 (No response.)

12 MS. ANDERSON: Hearing none, I assume we're ready to
13 vote. All in favor of the motion, please say, Aye.

14 (A chorus of ayes.)

15 MS. ANDERSON: Opposed, No.

16 (No response.)

17 MS. ANDERSON: Motion carries.

18 Item 8(e), which is Extensions for Commencement of
19 Substantial Construction. Again I have a witness affirmation for Mr.
20 Gary.

21 MR. GARY: I will be very brief. The reason we're
22 requesting the extension, the reason we've been held up, is to
23 satisfy the many stakeholders in the San Antonio community, including
24 the neighborhood, the city, the Agency.

1 It is a project for the San Antonio Housing Authority.
2 We have accomplished that, and we will be substantially under
3 construction 30 days from the original deadline.

4 I request that you grant the extension.

5 MR. SALINAS: So moved.

6 MR. BOGANY: Second.

7 MS. ANDERSON: Hearing no request for discussion. All
8 in favor say, Aye.

9 (A chorus of ayes.)

10 MS. ANDERSON: Opposed, No.

11 (No response.)

12 MS. ANDERSON: Motion carries.

13 Thank you, sir.

14 MR. GARY: Thank you.

15 MS. ANDERSON: Report items. Ms. Carrington?

16 MS. CARRINGTON: Very briefly, we are continuing to work
17 with Ability Resources, Inc., at a request that they had at our
18 December Board meeting, related to HUD, 811 loans and how HUD treats
19 cash flow in that program.

20 We're continuing to have discussions with Jesse Sewell,
21 and probably will continue to have those discussions until we're able
22 to work out a resolution in how we handle those kinds of
23 transactions.

24 So that's ongoing. And if it's okay with the Board, we

1 will probably not come to you again on this, unless we have something
2 that we believe is noteworthy to tell you.

3 This second item under the Executive Director's
4 report -- by a letter dated January 9, 2004, Representative Robert
5 Talton of Pasadena, who is the Chair of the House Committee on Urban
6 Affairs, requested an Attorney General opinion on five items related
7 to our 2004 Qualified Allocation Plan, and that is the Qualified
8 Allocation Plan that has been approved by the Board and also signed
9 by the Governor on December 1.

10 There are five questions that the Chairman did ask. The
11 first two questions asked whether the Department has properly
12 prioritized the nine tax credit scoring criteria that are in our
13 legislation that were outlined in Senate Bill 364.

14 The third question in his letter asked whether the
15 Department's bond-scoring criteria complied with Senate Bill 264.

16 The fourth and fifth questions asked whether the signage
17 and zip code notification requirements in the QAP properly implement
18 the notice requirements to neighborhood organizations on record with
19 the state or county.

20 And the last question asked what steps must be taken if
21 the 2004 QAP does not comply with Senate Bill 264, to ensure that the
22 application cycle is conducted in accordance with law.

23 This request for an opinion is on the Attorney General's
24 website. It was published on their website, probably about a week,

1 week and a half ago.

2 The deadline for comments, opinions to the Attorney
3 General's office is February 23 of the month. The Department, led
4 by our general counsel, has been working on a response that will be
5 the Department's response to this request for an Attorney General
6 opinion.

7 And that request will be timely filed with the A.G.'s
8 office. I know that there are other groups in the state, that are
9 also working to provide opinions to the Attorney General's office.

10 MR. CONINE: Will you run that direct response by the
11 Board before you send it over there?

12 MS. CARRINGTON: Yes, indeed we will.

13 MS. ANDERSON: Anything else? Do we have any other
14 questions for Ms. Carrington? We asked enough questions today.

15 We do not need an executive session, unless there's
16 something I don't know about. And so --

17 MR. CONINE: Move to adjourn.

18 MR. BOGANY: Second.

19 MS. ANDERSON: All in favor?

20 (A chorus of ayes.)

21 MS. ANDERSON: Adjourned. Thank you all.

22 (Whereupon at 12:50 a.m., the meeting was concluded.)

C E R T I F I C A T E

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3 MEETING OF: TDHCA Board

4 LOCATION: Dallas, Texas

5 DATE: February 11, 2004

6 I do hereby certify that the foregoing pages, numbers 1
7 through 137, inclusive, are the true, accurate, and complete
8 transcript prepared from the verbal recording made by electronic
9 recording by Penny Bynum before the Texas Department of Housing and
10 Community Affairs.

(Transcriber) 02/25/2004
(Date)

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