

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Room 1-111
William B. Travis Building
1701 N. Congress Avenue
Austin, Texas

Thursday,
March 3, 2011
9:10 a.m.

MEMBERS:

C. KENT CONINE, Chair
GLORIA RAY, Vice Chair
LESLIE BINGHAM ESCAREÑO
TOM H. GANN
LOWELL KEIG
JUAN MUÑOZ

STAFF:

MICHAEL GERBER, Executive Director

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| c) Presentation, Discussion, and Possible Approval of contract award for Document Preparation Counsel Chief of Staff/General Counsel | |
| d) Presentation, Discussion, and Possible Approval of the Department's Investment Policy, Resolution No. 11-021 | |
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- l) Presentation, Discussion, and Possible Action regarding the 2010 Single Family Homeowner Rehabilitation Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance Programs Award Recommendations
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- n) Presentation, Discussion, and Possible Action to Approve an Amendment to the 2010-2011 Housing Trust Fund Plan
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- p) Presentation, Discussion, and Possible Action to Approve the Neighborhood Stabilization Program - NSP3 Notice of Funding Availability
- q) Presentation, Discussion, and Possible Action regarding Request for Amendments to CDBG Disaster Recovery housing contracts administered by TDHCA for CDBG Hurricane Ike/Dolly Round I Funding
 70090016 Houston-Galveston Area Council

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ON THE RECORD REPORTING
(512) 450-0342

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P R O C E E D I N G S

MR. CONINE: Good morning. Welcome to the March meeting of the Board of the Texas Department for Housing and Community Affairs. We want to start off by calling the roll today. Leslie Bingham?

MS. BINGHAM-ESCARREÑO: Here.

MR. CONINE: Kent Conine's here. Tom Gann. I've seen him earlier today visiting with his state rep. Lowell Keig?

MR. KEIG: Here.

MR. CONINE: Juan Munoz, on the way, and Gloria Ray.

MS. RAY: Here.

MR. CONINE: I think everybody's going to be here before it's all said and done. Okay. As customary, we are going to go to public comment and anyone who would wish to speak to the Board about whatever subject may be on their mind can fill out a witness affirmation form and address the Board.

I have a few people here that are lined up to speak. Starting out with Mitch Weynand.

Mitch?

MR. WEYNAND: Good morning, Board members. My name is Mitch Weynand with LifeWorks here in Austin, Texas. You may recall we were here last month addressing you about

a potential variance request we had for a project that we were proposing. In the Board meeting, we determined that we did not need the variance request or the waiver request because it was a supportive housing program, but you did direct us to get back with your staff and try to work out some confusion we had and they had about our proposal and the unit mix and the use of single-room occupancy units in a development.

We did that and I just wanted to come back and say thanks for that advice. The staff were very helpful. We ended up changing up the unit mix a little bit and the way we were describing the project and we were able to submit a proposal for housing tax credits the other day and we're very hopeful about it.

As you might recall it's a unique project we're trying to do here in Austin, a small project that will target -- that will serve the general public but target youth who are exiting foster care, formerly homeless youth and young parents -- homeless parents, mainly teenagers.

So it's a project we've been dreaming about doing for a long time and we've got the issues worked out with it, and your staff was just incredible. We're rookies to this project process and your staff was extremely helpful, responsive -- articulate answers to our questions, which were many and confused.

So just wanted to thank you very much for the opportunity and I appreciate that advice and your staff was just wonderful. Appreciate it.

MR. CONINE: Great. Any questions for the witness?

(No response.)

MR. CONINE: Thank you. Appreciate those kind words.

Craig Lintner? You've got some dedicated time, five minutes.

MR. LINTNER: Good morning, Chairman Conine and members of the Board. My name is Craig Lintner with Pedcor Investments and I'm here this morning to provide chapter two in our ongoing quest to provide affordable housing in Fort Bend County.

Just to refresh everybody's memories from the last meeting, the Katy Cinco Ranch, Fort Bend County area, has been one of the fastest growing areas in the United States over the last ten years but during this time there hasn't been a single new construction family tax-credit deal approved in this area.

We're on record with Application 11072, The Landings at Westheimer Lakes, which includes the development of 96 family units. Shortly after our last Board meeting,

we contacted the Epiphany of the Lord Catholic Community Church. After explaining our proposal, we asked if they would be supportive of our project and they indicated that their services are already quite full and they would have a hard time accommodating any additional parishioners and therefore would not support our project.

We also contacted the Greater Katy Exchange Club, whose mission is to work together to make our community a better place to live. When we started to explain that it was an affordable rental community, they hung up on us.

On January 27, our broker sent me an email relaying a call he had had with the representative of Perry Homes, who is a local builder. The representative from Perry Homes stated that, based on telephone calls from County Commissioner Andy Meyers of Fort Bend County and several realtors in the area, they were very concerned about proposed tax credit community since it's where the newest and nicest homes are being built in the county.

They believe that having such a project will negatively impact schools and devalue property values. They said the realtors are now telling prospective home buyers that maybe they shouldn't buy in Westheimer Lakes, since it's likely that a Section 8 housing project is going to locate there.

On February 7, I had follow-up meetings with Senator Hegar and Representative Zerwas. Senator Hegar cancelled at the last minute but we stopped by his office anyhow and met with a member of his staff. We related what we'd been experiencing and while she agreed that there was a need, she said that the Senator would not go against local officials or its constituents.

After having our previous meeting cancelled, we were finally able to meet with Representative Zerwas, which was fortunate because he had very little familiarity with the tax credit program. He said he didn't necessarily oppose the type of project we were looking to do there but he had a concern about increased traffic, which we thought was odd, how we pointed out that we're two miles west of the terminus of the Westpark Tollway and there's currently a design to have that tollway extended across the front of our property.

We also pointed out that the parcel we're on was slated to be commercial and we're going to generate far less traffic than was originally designed and, finally, that we were going to have exits onto two state highways. He acknowledged those facts but said he still had a concern about traffic.

On February 14, we received a letter from the Westheimer Lakes Property Ownership Association, which we'd

been working with since December. It reads, "Your proposal to build a low income apartment community within the Westheimer Lakes master plan community has generated a high level of anxiety within our neighborhood. There is a fear among homeowners, builders, realtors and politicians that this project will devalue area property values, increase crime, affect the local school system and generally have a negative impact on our area. While we were originally open to considering diversified housing types, the amount of negative feedback from the local citizens in the area has caused us to withdraw our support."

On March 1, I received a letter that is being distributed through the community. The headline is, "Your house is about to lose value" and goes on to describe our project. I continue to work with the property ownership association, providing a detailed summary sheet for distribution to all the homeowners and have been fielding multiple calls daily which, frankly, has been a positive because it allows me to explain our program, what we're wanting to do -- our company -- in a controlled manner.

The last item I have provided you excerpts from the Fort Bend County Consolidated Plan from 2010 to 2015 and the Community Plan for 2010, 2011. Excerpts include, there is a need for affordable rental housing, rental assistance

and down payment closing cost assistance in the county to provide assistance to renters. The lack of multifamily developments in this county can be attributed to the lack of large tracts of land with adequate infrastructure and community opposition.

Past problems with multifamily development, such as crime, drugs and inadequate maintenance have been cited as the reasons for community opposition. Affordable, habitable housing often proves to be inaccessible for many of our residents. Currently there is a two-year waiting list for families needing housing assistance in the county. Families are often forced to live in substandard housing with faulty wiring, plumbing, and other unsafe conditions.

So, to conclude, we continue to face firm opposition from the residents and the local political leaders, and even though there are two current Fort Bend planning documents citing the need for affordable housing in the county, and with the loss of the community support and the potential loss of the legislative support, this project will likely not be competitive in the 2011 round.

However, we're going to continue to move forward with the hopes that this Board may provide future consideration. Thank you.

MR. CONINE: Thank you. Any questions of the

witness?

(No response.)

MR. CONINE: Thank you. That concludes the public comment witness affirmation forms that I do have. I want to make a couple of announcements. One, we hope that all of you stick around till the end of the meeting. We think it'll be a short meeting today but we have a special presentation at the end of the meeting that I hope you'll stick around for.

And, secondly, since we last met, we've had the passing of a couple of champions of affordable housing. Gene McDonald of Kerrville, Texas, passed away last week and Mike Langford of Houston, Texas, passed away a week before that and I would just offer our sympathies to those families and thanks to those two for being what I call champions of affordable housing here in the state of Texas, and I'd ask for a moment of silence please in each of their honor.

(Pause.)

MR. CONINE: Thank you. They'll be missed by the affordable housing community. Thank you.

All right. Moving on to Agenda Item Number 1, the consent agenda. Mr. Gerber?

MR. GERBER: Mr. Chairman, I think all the items are on the consent agenda. I would like to ask that we poll

CityWalk at Akard. I think there'll be some comment on that.

Item 1, under Item 1(j), but the other items can remain on the consent agenda, although I do think there's some public comment about the goals at Lakewest I and II.

MR. IRVINE: If I might, Mr. Chairman. Tim Irvine, general counsel. We also request that the recommendation for penalties against Southmore be pulled, not onto regular agenda but it simply be not considered at this meeting.

MR. GERBER: Which item is that?

MR. CONINE: Which item is that? One more time.

MR. IRVINE: 1(d).

MR. CONINE: 1(b).

MR. GERBER: 1(b).

MR. IRVINE: B.

MR. CONINE: B, as in "boy"?

MR. GERBER: Yes. 1(b). So pull 1(b).

MR. CONINE: Let's go ahead and pull it off and we'll take that item separately and we'll pull off Item 1(j).

Do any other Board members have any other --

Lowell?

MR. KEIG: On the Low Income Housing Plan, the Annual Report --

MR. CONINE: Yes.

MR. KEIG: I had a question whether we could update the numbers for Disaster Recovery and I see that we do have something handed out to us.

Are we going to make that replacement?

MR. GERBER: Yes, we would like to and -- but there were limitations as to what we could update because we had to capture over a period of time but we said that we could update and we did.

MR. CONINE: Let's go ahead and pull Item (I) off then, 1(I), which will take care of that and we'll take care of that separately.

Any other questions from any other Board member on any other Agenda item on Item 1?

(No response.)

MR. CONINE: Seeing none, I'll entertain a motion.

MR. GERBER: Was there public comment on (j)?

MR. CONINE: No, we're pulling -- (j)'s coming off.

MR. GERBER: Oh, (j)'s -- okay.

MR. CONINE: We're passing the rest of the consent agenda. Don't mess with me, okay?

MR. KEIG: I move to accept the consent agenda.

MR. CONINE: Motion by Mr. Keig to accept the consent agenda --

MS. RAY: As amended.

MR. CONINE: -- as amended.

MR. GERBER: As amended.

MR. CONINE: Is there a second?

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: Second by Ms. Bingham.

Any further discussion?

(No response.)

MR. CONINE: Seeing none. All in favor signify
by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries. Now we go back to
Item 1(b), as in "boy". And that was the --

Mr. Irvine, do you want to go ahead and make your
announcement one more time again on that item?

MR. IRVINE: Tim Irvine. At this time, staff
would like to ask that that matter be pulled off the agenda
and not considered at this meeting.

MR. CONINE: At all?

MR. IRVINE: At all.

MR. CONINE: Oh, okay. I thought you were just
getting rid of the penalty or something. Okay. So we'll just

take no action on that.

MR. IRVINE: Take no action on it.

MR. CONINE: Okay. And we're going to go to Item 1(I), which was the item Mr. Keig had had a question about.

Now, Mr. Keig, go ahead and rephrase your question one more time.

MR. KEIG: Yes, the question would be is, what has been handed out to us in an update, can we make that replacement in Item 1(I)?

MR. GERBER: Elizabeth, you going to comport?

MR. KEIG: Elizabeth Yevich is the head of the Housing Resource Center and took the lead on the state low income housing plan.

MS. YEVICH: I'm Elizabeth Yevich, Housing Resource Center. Any questions, sir?

MR. KEIG: No questions about the update, just wanted to make sure we can make that substitution and vote on 1(I).

MS. YEVICH: We can because it's a multi-year program.

MR. KEIG: Okay.

MR. GERBER: So we'd ask for a motion to approve the state low income housing plan and give the staff the ability

to make any additional technical corrections that may be needed before formally submitting it.

MR. KEIG: Move to approve.

MR. CONINE: Motion by Mr. Keig to approve. do I hear a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries. Thank you very much.

Okay. Now, on to Item (j). Looks like -- do - you want to make the presentation first and then we'll have some --

MR. GERBER: Sure. We'll take the first two in block. It's the Villas at Lakewest I and the Villas at Lakewest II. For Villas at Lakewest I, the owner's requesting approval to reduce the development site from 8.546 acres, as originally proposed, to 7.159 acres and this land reduction

equates to about -- a little over 16 percent reduction in the property and, consequently, would increase the site density by that same percentage.

The general partner of the development partnership is an affiliate of the housing authority of the City of Dallas.

They ground-leased the site to the partnership and the loss of land will not affect the terms of the lease.

Staff researched the owner's request to move the southern boundary of the development site and discovered that there were plans to construct an assisted living facility adjacent to the tax credit property so the acreage in question was not committed for tenant use and the loss of land would not directly affect the tenants, so staff is recommending the approval of the Villas of Lakewest I.

For the Villas of Lakewest II, the request is very similar to the first one in which the owner's requesting to reduce the development site from 8.277 acres, as originally proposed, to 6.889 acres. We don't think that reduction significantly impacts the tenants who'd be living there. We're confident again in recommending to you all to approve both of those two requests.

MR. CONINE: Okay. I have three witness affirmation forms on I and three witness affirmation forms on II and they're all three the same people, in the same order,

so you guys can figure out how you want to go.

John Taylor?

MR. TAYLOR: We don't want to make any comments to that.

MR. CONINE: You're good?

MR. TAYLOR: We were just here if there were any questions about a site.

MR. CONINE: You are so good. Any questions of the Board?

(No response.)

MR. CONINE: And if not, I'll entertain a motion on Item 1(j).

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray?

MS. RAY: I move to approve the staff recommendation on item 1(j).

MR. CONINE: What did I do wrong now?

MR. GERBER: 1(j) has four items on it.

MR. CONINE: Okay. The Lakewest Seniors I and the Lakewest Seniors II are the only two --

MS. RAY: On the Lakewest Seniors I and the Lakewest Seniors II.

MR. CONINE: Ms. Ray moved for the staff recommendations be approved. Is there a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: The next item is City Walk at Akard and I'll ask Robbye Meyers to come forward and present that item.

MS. MEYER: The CityWalk at Akard was originally a 2007 application and it also received additional credits in 2008. It was originally a 2007 application. It came back in 2008 and received additional credits and then, in 2009, it received a 2009 tax credit assistance award.

In the tax credit assistance award, during that process, it changed the application around slightly and so this is where this amendment came in. The owner's requesting approval to waive the threshold requirements for ceiling fans and garbage disposal for the non-SRO units and the development owner has indicated that ceiling fans are not essential

amenities for tenants because the utilities are being paid by the landlord.

The owner also feels that tenants have no use for garbage disposals because a trash chute is provided on every floor. The request states that additional amenities have been provided which were not originally proposed, including a chapel and the children's room. The owner also states that the 145 SRO units were furnished at no cost to the residents.

Staff does not agree that furnishing the SRO units is an acceptable replacement for the amenities guaranteed for the SRJO units. Moreover, the development owner certified that he read and was familiar with the QAP. Ceiling fans and garbage disposals were a threshold requirement in the 2007 QAP. The ability to walk down the -- the staff doesn't believe that the ability to walk down to a central chute, in lieu of using your garbage disposal in your unit, is not an acceptable substitute, and staff doesn't believe that the ability to turn up your AC, even if someone is paying your utilities, is an acceptable substitute and staff recommends that the Board deny the amendment.

MR. GERBER: This is a difficult one for staff as it's a generally well regarded developer and we've been very invested in working to get a very difficult project across

the finish line. Again, these are really threshold items and so that's why we have to bring it before the Board today. I know Mr. Grenan's here to talk about it, as well.

MR. CONINE: Any questions of staff before we move on to the public comment. John Grenan.

MR. GRENAN: Thank you, Chairman Conine. I have some additional materials for the Board, if I could pass that out.

MR. CONINE: Sure.

(Pause.)

MR. GRENAN: Chairman Conine, members of the Board, Mr. Gerber. Thank you for the chance to talk about this development. This request for amendment really springs from a lack of clarity that was made when we requested a previous amendment in -- actually the request was December 2007 and the Board approved the amendment in December -- in March, 2008.

In that amendment, we largely restructured the project and changed the total number of units, the floors they were on and the unit designs. And the Board approved that, and in that we included drawings of the new unit designs which excluded these particular amenities. Now, I very much wish we had been much more specific at that time in order to explain why these particular issues -- the ceiling fan, the garbage

disposal and the dishwasher were excluded.

And, in fact, they were eliminated from the drawings but we didn't specifically address them as an issue and they really -- the changes were a result of the type of development we have and the kinds of amenities we needed to benefit the people that would be living there.

This is a project mostly designed to deal with people coming out of homelessness, and although it was not original in the application, we realized that it was going to be necessary to furnish the units because people who have been homeless don't have furniture and also to provide things like plates and linens and all the other kinds of things you need to get started in life.

And, we felt that the money we had really needed to be spent on the things that were going to benefit the people living here the most and we spent over \$300,000 to furnish these units. The amenities that were eliminated would have cost less than \$30,000 so this wasn't a question of providing less than what the people living there needed.

Anyway, we believed, in 2008, that we had approval from the Board not to put in these particular items, and these items were chosen carefully because they're not items that our tenants really benefit from. It's a high-rise building.

No unit is more than probably 60 feet from the trash chute

so there really was not a need for a garbage disposal -- which tend to cause maintenance problems anyway -- because entirely indoors on your floor, to discard any garbage in the trash chute that goes down the center of the building.

In the same way, ceiling fans really wouldn't benefit the tenants. We pay all the electricities in the building and they can control the temperature. There's some units that do not have operable outside windows.

In addition to furnishing all of the efficiency units, 145, we also provided other amenities. We've added low-flow toilets and faucets in the bathrooms, and showerheads, in order to conserve water, and we put in a whole set of additional community rooms.

There's not only a large community room with a kitchen in this building, that is over 1,000 square feet, there are eleven additional support rooms that are available, most of which were not point items or given in the QAP but which our tenants need to live well.

There are two TV lounges, there's a chapel, there's a library, there's a meeting room, there's a playroom for the children that are in the building, there's a business center, there is an office that is staffed for social workers in the building, there's a health clinic that is staffed weekly by a doctor, and we think that these amenities that additionally

that we provided more than make up for the ones that were eliminated and, in any event, this was not an intentional disregard of our commitment; we actually believed that we had approval in 2008 to make these changes. Thank you.

MR. CONINE: Any questions of the witness?

MS. BINGHAM-ESCARREÑO: Yes, sir. Do you -- I heard you say that you felt like you had approval. Were you surmising approval because you submitted plans that didn't include in the drawings these three items?

MR. GREANAN: Yes, and at that time we also informed the Board that the units were being redesigned and altered and the Board approved that, and we submitted drawings that showed these items were not there. We just failed to specifically address them and get specific approval of these items.

MS. BINGHAM-ESCARREÑO: Great.

MR. CONINE: John, could you give us a current status of the project?

MR. GREANAN: Certainly. It's 100 percent full and has been for several months now. We have a waiting list of about 250 people. Fifty of the units are people that were formerly homeless. An additional 50 units we have reserved and are occupied by people that were at significant risk of homelessness. It's a very difficult population to serve; it

has many needs. We have three full-time staff people that work with it and many outside groups that provide services regularly as well. We have something almost every day in the building for our tenants.

MR. CONINE: How do you go about picking who gets the next available unit? Is it a first-come, first-served issue or is it a need issue? How do you do that?

MR. GRENAN: If they can meet the requirements, it's first-come, first-served. There was, at one time, a waiting list of over a thousand people for a unit at CityWalk.

The need for homeless housing is just immense in the city of Dallas, and everywhere, I'm sure.

MR. CONINE: In terms of financial status, the property's operating as pro forma -- or pretty close?

MR. GRENAN: It's doing pretty close, yes. It's doing reasonably well.

MR. CONINE: And have you completed your cross-certification and 8609 yet or is that what this is all about?

MR. GRENAN: We have not. We would have to resolve this item before we can do that.

MR. CONINE: Okay. Any other questions of the witness?

MS. BINGHAM-ESCARREÑO: I have one more question,

Mr. Chair.

Robbye, Mr. Grenan mentioned that none of the rooms really would have generated points. Is there anything that the developer did that would have generated additional points?

MS. MEYER: For these amenities?

MS. BINGHAM-ESCARREÑO: Uh-huh.

MS. MEYER: The amenities that they did -- not really, for those specific amenities. I would like to remind the Board that the cost that he mentioned was \$30,000. They haven't really given a good cause as to why they didn't provide them, just that they didn't, and so I'd just like to remind the Board that they haven't given just causes or good cause why they don't have to provide --

MR. CONINE: What was \$30,000?

MS. MEYER: Mr. Grenan, you mentioned the \$30,000, the cost of ceiling fans and the disposals.

MR. CONINE: Ceiling fans, garbage disposals and -- what was the third item?

MR. GREANAN: Dishwashers. And I think we're talking only about the non-efficiency units - -

(Simultaneous discussion.)

MS. MEYER: Yes, just the non-SROs.

MR. GREANAN: And if I just might -- that would have been the cost. At this point, we would have to tear all the

ceilings up to install ceiling fans and the cost would be considerably higher.

MR. GOURIS: Tom Gouris, Deputy Executor for Housing Programs. I just want to point out that ceiling fans and garbage disposals were threshold items and so there isn't really a point offset for them. These were things that we've had many, many discussions over the years on that typically when you all have provided some latitude here it's because it can't be done and they've given us a plan to say, Here's why we can't do it. None of that happened in this case. They just didn't do it and, after the fact, we found out that they didn't do it and they said, well, we don't think they need them.

You know, I think, if we can get into it a little bit further with them maybe we can find to why they can't do it but that hasn't ever been part of the discussion and that's why we can't recommend it.

MR. CONINE: I think a harder judgment is staff making a judgment that the things that they did do over and above, different from whatever they submitted doesn't qualify or balance out to be a co-equal in y'all's minds. I know it's got to be hard to do because you can't abstractly measure what a garbage disposal might do. I mean, I know what a dishwasher does; it helps you wash dishes. But I think that puts staff

in a difficult position. Ms. Ray?

MS. RAY: My question. Just for my clarification, I'd like to ask --

MR. CONINE: Go ahead. Sure.

MS. RAY: What if we vote to support the staff's recommendation and not allow the changes, what does this do to this project, to help me understand how this affects this project.

MS. MEYER: They would be required to put the items in the units --

MR. CONINE: In order to meet --

MS. MEYER: -- to meet the threshold requirements.

MR. CONINE: -- to get 8609s delivered and to be in compliance, quote, unquote, they have to go back and do that.

MS. RAY: And if the Board chooses to agree with the developer that we would exclude these items, how would that affect the development? What does that do to the development? That means that he would not have to incur the cost to go back and put these items in. Is that correct?

MS. MEYER: That's true. If we can work out an acceptable arrangement of, you know, what would be acceptable for him not doing that, but it is a threshold requirement and, again, they haven't shown a good cause as to why they didn't

do it. I mean, he just mentioned that at this point now they would have to tear out ceilings and things like that. He said --

MS. RAY: Mr. Chairman?

MS. MEYER: -- that'd be prohibitive now.

MR. CONINE: Ms. Ray.

MS. RAY: Does an opportunity exist to table this item so that staff and the developer can come up with an acceptable alternative measuring the cost of what it would cost to make it in compliance with the threshold items and come back to the Board with a decision at a later meeting?

MR. CONINE: I know of no reason why it couldn't if the developer - -

MR. GREANAN: Yes, Chairman Conine, we'd certainly be agreeable to continuing to try to get an acceptable solution with staff.

MR. CONINE: Any other discussion?

Mr. Keig?

MR. KEIG: Just want to clarify, the units we're talking about, how many bedrooms are those? Are they efficiencies?

MS. MEYER: No, they're one and two-bedrooms. Correct?

MR. GREANAN: There are 33 one-bedrooms in and 22

two-bedrooms. They are very small units though. Some of the one-bedrooms are less than 500 square feet so when you talk about adding items to them it's difficult. They're already very compact.

MR. KEIG: And my question goes to -- not having a dishwasher is much less onerous for a one-person household versus, you know, four people anyway --

MS. MEYER: True.

MR. KEIG: -- and I do recognize that putting in a dishwasher is a much greater retrofit than a ceiling fan or a trash disposal.

MR. GREANAN: Yes. There are no units occupied by more than three people and there are only a couple with three people. Almost every unit in the building is either one person or two and, if two, it's typically a mother with a young child.

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray.

MS. RAY: I don't know whether to put this in the form of a motion or a recommendation.

MR. CONINE: It's probably got to be a motion, more than likely.

MS. RAY: I move, Mr. Chairman, that staff and the developer go back to the drawing board and reconsider the

options of compliance with the threshold items or to bring to the Board an exception, recommended exception to the threshold items.

MR. CONINE: You recommend to table to our next meeting, I would assume.

MS. RAY: I recommend that we table it to our next meeting.

MR. CONINE: There's a motion to table on the floor. Do I hear a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion -- there is no discussion on the motion to table. All those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, the last item is the Prince Hall Gardens and this is in Fort Worth. In this case, the owner's requesting approval to demolish eight residential buildings, which contain 32 units. The city of Fort Worth had reclassified a portion of the development site as lying within the 100-year flood plain. The owner is proposing to construct two new buildings in place of the eight buildings

being demolished and each building would include 16 units, thereby replacing the 32 demolished units.

Staff is comfortable with that and the deal underwrites and we're recommending approval of this request.

MR. CONINE: No public comment on this, I'd entertain a motion.

MS. BINGHAM-ESCARREÑO: Move staff's recommendation.

MR. CONINE: Ms. Bingham moves staff's recommendation. Do I hear a second?

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig. Any further discussion?

(No response.)

MR. CONINE: Hearing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

Welcome, Dr. Munoz. It's good to have you with us and Mr. Gann showed up as well. Good to see you.

Moving on, let's move on now to Item 3.

MR. GERBER: Item 3 is an update on the Internal Audit plan and Sandy Donoho is going to come forward and present that item.

MS. DONOHO: Good morning.

MR. CONINE: Good morning.

MS. DONOHO: I'm Sandy Donoho, Director of Internal Audit. There's a table in your Board book that lists the audits on our 2011 audit plan. It looks like this. And I want to talk to you today just as an update about where we're at with our plan.

In addition to the 2011 plan, we had a carryover audit from our 2010 audit plan, which was an audit of the Neighborhood Stabilization Program or NSP. The NSP audit is complete and management was provided with a draft report on February 3. However, we've received some additional information and some additional data that was not provided at the time of the audit that we're currently reviewing, as well as working through some other issues with management regarding this audit. We hope to have the final report to you on that one in the next few weeks.

We are currently also in field work on two other audits: an audit of the weatherization program and an audit of the tax credit assistance program. We anticipate completing our field work on these audits by mid-March, so

hopefully next week, or the week after, and having these reports to you in late April or early May.

The last two audits on our plan will be started in April, Disaster Recovery/Hurricane Ike and July, Tax Credit Exchange program. In addition, we'll be starting our annual risk assessment process to prepare for our 2010 audit plan in early July.

Are there any questions on the Internal Audit work plan?

MR. CONINE: Any questions of Ms. Donoho on the plan?

MR. GERBER: Mr. Chair, just note that staff has provided -- we've been going back and forth with a lot of new information. The NSP program has been a program that, as you know, with the first set of rules -- the first program iteration came out under the Bush administration. The second iteration came out in the early days of the Obama administration.

There's now a third iteration of the program so we're -- it's been a program truly built on the fly and so we appreciate, as we try to hold things constant and figure out exactly what's going on and we appreciate working with Internal Audit. A lot of tough questions and things going back and forth, so appreciate it.

MS. DONOHO: Okay, thanks. Any other questions?

MS. RAY: Yes. Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: The only other comment that I have is for the Internal Audit Department. I appreciate the efforts of the Internal Audit to work collaboratively with staff and also to work toward continuous process improvement to ensure that staff and Internal Audit would support continuous process improvement as we build programs kind of on the fly.

MR. CONINE: We'll let you make the motion to approve the plan. How about that?

MS. RAY: Mr. Chairman, I move that we approve the plan as submitted by Internal Audit.

MR. CONINE: Do I hear a second?

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: Second by Ms. Bingham. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

Thank you, Ms. Donoho.

MS. DONOHO: It's Sandy.

MR. CONINE: Okay. Item Number 4.

MR. GERBER: Mr. Chairman, Item 4 is a presentation, Discussion and Possible Action to adopt a policy regarding the consideration of requests for material amendments to developments involving amendments to land-use restriction agreements. At the January 2011 Board meeting, the possibility of adopting a policy to handle material amendments to land-use restriction agreements was discussed and this agenda item is that proposed policy.

The policy outlines nine areas that would be taken into consideration before recommendation for approval or denial would be presented to the Board by staff and an important part of that was obviously engaging the public in those changes.

The staff is recommending approval of the attached policy and certainly staff has worked on it. I would be glad to respond to your questions.

MR. CONINE: Okay, I do have one public comment on this particular agenda item. Barry Palmer.

MR. PALMER: Good morning.

MR. CONINE: Good morning.

MR. PALMER: My name is Barry Palmer with the Coats

Rose law firm. I'd like to speak in favor of staff's recommendation for this policy. This is something that staff has been working on for a number of months and has received considerable input from the development community.

I attended the roundtable that they held in January on this issue, which was very well attended, and there was a general consensus among all the stakeholders that this would be something that's very much needed and would be helpful.

It's particularly needed in connection with the redevelopment and substantial rehabilitation of aging tax credit properties that have gone through their initial 15-year compliance period and now have extended-use periods in place that may extend beyond the useful life of the property and, as it stands now, without this policy there's really no way to do a redevelopment or even a substantial rehab of an aging tax credit property because in order to do that, you have to take the units for some period of time out of use, which would put you in violation of your LURA.

So this policy would enable -- put a structure in place for the redevelopment of aging tax credit properties so I urge your support. Thank you.

MR. CONINE: Okay, thank you. Any questions of the witness?

(No response.)

MR. CONINE: Thank you. I'll entertain a motion, at the Board's pleasure.

MS. RAY: Mr. Chairman?

MR. CONINE: Ms. Ray.

MS. RAY: I move to accept the staff's recommendation on the land-use agreement.

MR. CONINE: Motion to approve staff recommendations. Do I hear a second?

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: Second by Ms. Bingham. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries. Item 5, Mike.

MR. GERBER: Mr. Chair, I'll let Tom Gouris present Item 5 to us.

MR. GOURIS: Mr. Chairman, Board, this is an amendment that wasn't included in that 1(j) package. This amendment is for 95081, Parks at Wynnewood and it wasn't included because it's a little bit different than the other

transactions that we had and it deals with the material amendments, the policy that you all just approved.

The owner's requesting a 24-month suspension of the existing LURA, which requires that 404 low income units be in service throughout the compliance period. The existing LURA also requires that affordable housing units be for family households, thereby making the proposed change which is a change that was approved as a forward commitment for elderly for a portion of those 404 units, making it a change in violation of that original LURA.

This is one of three projects that came up that kind of instigated the need for that material amendment policy.

Again, the Board approved the forward commitment for Wynnewood in 2010 as 140 elderly units. The applicant was clear in the 2010 tax credit application that the development would be carved out of the existing Parks at Wynnewood development; however, these changes weren't actually known or weren't part of the presentation to the Board because of the fact that it was a forward commitment, that that project hadn't fully gone through all the threshold and evaluations that would have gone in underwriting, that it would have gone through, and so when they made their presentations to try to get a forward commitment, you all didn't have all of that information in front of you.

We felt like it was important that this come back and be reconsidered. At time of the Board posting, there was no policy so we, in our recommendation, recommended not to deny it. They were working through the policy issues and I think they have some presentation today to make as to what they've accomplished to meet the policy, and if they've met all of those things, or if they can meet all of those things, I think we'd be in favor of supporting the transaction, but we want to make sure that they did meet all of the policy considerations that we just approved.

MR. CONINE: Okay, I've got a couple of witness affirmation forms.

Brian Roop and Darren Smith, you decide who wants to go and in what batting order.

MR. ROOP: I think I'm first up, Mr. Chairman.

MR. CONINE: All right. It is baseball season.

MR. ROOP: Indeed, it is. That's a good thing.

Mr. Chairman, Board members, Mr. Gerber, thank you for your time. My name is Brian Roop with Bank of America Community Development Corporation, and as was just mentioned by Tom, we do have a project with Parks at Wynnewood that is now 65 years of age. We did an extensive rehab to it 15 years ago and we have gone through our 15-year initial compliance period.

The project continues to do exactly what it set

up to do, which is provide good quality affordable housing to 404 families and it's doing that now just as it has been for some time. But the project is 65 years old. There's a significant amount of obsolescence that's associated with any kind of a development that is of that age, despite the fact that we did a very significant rehab 16 years ago or so -- or finished it back in the middle of '95 and it's time to recast it. And we've talked with the staff at some length about recasting it in a series of phases.

The first phase is a 140-unit seniors project. We were fortunate enough to receive a forward commitment from the Board back in September and have been working with the staff since to try to resolve the issues, primarily to resolve, or that will pertain, if you will, to the LURA issue that was discussed.

And the policy that was just enacted will allow us to begin to move this process forward in a series of steps, and we have followed the procedure that's set forth in the policy. We're ready to move forward; we want to take that forward commitment, put it in writing and now move forward with this development and begin the process of relocating families and beginning a development that, quite frankly, I think all of us will be proud of.

So, again, we are excited about the prospect of

redeveloping this site. It will happen over a number of years and certainly in a number of phases. We did have a public meeting, as per the policy, Wednesday of last week. It went very well and I'll turn the microphone over to Mr. Smith, my associate, if that is -- if there's any questions I can answer, I'll be happy to do that but Darren can speak to the actual meeting and the results from that meeting.

MR. SMITH: Mr. Chairman, members of the Board, thank you. My name is Darren Smith with Bank of America Community Development Corporation. And in January we attended the staff's roundtable meeting to discuss amendments to LURAs and I thought it was a great meeting and some of it was very timely, and a lot of general comments and a sort of a frame line of a policy was kind of discussed.

We took that and ran with it and posted a public notice and held a community meeting with the Parks at Wynnewood, well-attended, approximately 50 people in efforts to give those, the community at large an understanding of what we were trying to do.

And it was in lockstep with what we've said from day one to the community, which was, in order to provide this property -- or in order to provide this project, we would have to somehow figure a way to ask for an amendment to our LURA.

So we were excited in January to have that roundtable meeting

because we knew that there was a LURA already in place.

So, in that discussion, we explained to them that there was a current LURA in place, that we would be requesting an amendment from the Board in order to provide an additional 140 units of senior housing, and that LURA would run its own course, as well as the existing property.

We also discussed the fact that it was a 55-year-and-older property so there were a number of discussions, but we opened it up with questions and answers -- excuse me -- in having a question and answer session. There really wasn't much discussion with regards to understanding of the LURA. I had to continue to explain that, but there was more of a discussion of when are you going to get started.

So it was a long overdue conversation, you know, 60 years that that property's been in existence, so there was great support for us to continue to move. In doing that, we've also kept Senator West informed and Councilman Neumann informed and Commissioner Price, in the area, informed, so this is just one of many conversations that we've had with a number of people to let them know that, at the time that we submitted, or the time that we went forward with the property, that there wasn't a clear-cut answer as to how we were going to amend the LURA, so we're very grateful for the

policy that was presented today.

So, in summary, we'd like the Board's support of our request for an amendment to our LURA at the Parks at Wynnewood.

MR. CONINE: Any questions of the witness?

MR. GERBER: Mr. Chairman?

MR. CONINE: Mike.

MR. GERBER: Based on the testimony we've just heard and the adoption of the policy, I think, conditioned on the staff receiving the documentation about the notices, I think staff is in a position to recommend to the Board that they approve that request.

MR. CONINE: Okay. I would have to just grant consideration of an attaboy to Mia Dula [phonetic] on her letter. Her concept of unit years I'd never seen before.

MR. GERBER: It took us awhile.

MR. CONINE: A pretty interesting concept and a twist to what -- we have a net increase of unit years by the time it's all done. I thought that was pretty interesting. Any other questions? Otherwise, I'll entertain a motion. Mister - -

MR. IRVINE: Tim Irvine. Just wanted to request clarification. Is this conditioned upon compliance with all of the requirements then in the policy or is it specifically

limited to that one item?

MR. CONINE: Well, let's hear from the applicant.
Is there anything in the new policy we just passed you guys
can't do?

MR. SMITH: We believe we've done it.

MR. ROOP: We've already done it.

MR. CONINE: You believe you've done it?

MR. SMITH: Well, we've -- seen documentation.

MR. CONINE: Documentation. Okay.

MR. SMITH: Documentation. So we'll work on that.

MR. CONINE: So fine. I don't think we have a
conflict. Do I hear a motion?

DR. MUNOZ: So move.

MR. CONINE: Motion by Dr. Munoz to approve.

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further
discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of
the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries. Good luck, guys.

MR. SMITH: Thank you.

MR. GERBER: Mr. Chairman, Item 6 is a status update on the American Recovery and Reinvestment Act bonds that the Department's received and Brooke Boston's going to present that item.

MS. BOSTON: Hi, Brooke Boston.

MR. CONINE: Hello, Ms. Boston. How are you?

MS. BOSTON: I'm excellent. How are you?

MR. CONINE: Great.

MS. BOSTON: Good. I just wanted to fill you in on -- the report is in your Board book behind Tab 6. A couple of things to note from what's in there. On weatherization, we actually, as of yesterday, are at 20,869 units so we're just plugging away.

Also relating to weatherization, we recently had a monitoring visit from the Department of Energy and it was the most positive exit interview we've had. Everything was very complimentary. They closed out any prior findings or issues they've had; they didn't issue any new ones. We've talked with them about our ramp-down plans. We've talked with them about some of our plans for how we're going to move some funds around to make sure our expenditure gets hit by the federal deadline and they were very supportive of those plans.

So it was great news for us that just, you know, beyond the halfway point, that they believe we're on track to finish as do we, so that was very good news.

MR. CONINE: On track to finish when?

MS. BOSTON: March the 12th. So just about a year from right now.

MR. CONINE: That's correct.

MS. BOSTON: Yes. Then, homelessness prevention and rapid re-housing, inadequate housing, TCAP and exchange are all just plugging along. They are doing great. The one thing that I would note is that for HPRP and for weatherization, in both cases we have some subrecipients who are spending at a slow enough rate that they will not succeed when we look at forecasting models -- succeed in spending all of their money.

We also have subrecipients from the other end of that spectrum who are almost needing to start to ramp down now and could easily spend far more money for us. So in both of those programs, we are taking steps through collaborative conversation with these organizations instead of a punitive de-obligation process, we're trying, in all instances, to have a voluntary relinquishment process and a voluntary re-obligation process, where we're able to kind of shift the money so that the ones who are having to relinquish some, or

we're asking them to, are doing so where they will get to finish out their contract period at their current rate of production.

We've forecasted those numbers and so that way they'll keep plugging away, doing as much as they can in their communities, but on the other end, we're able to move the balance of the funds into communities that can it spent. So under that forecasting model -- and both of those programs we show being finished on time.

MR. CONINE: Great.

MS. BOSTON: That's it.

MR. CONINE: Are there any questions of Brooke?

MS. RAY: Mr. Chairman --

MR. CONINE: Ms. Ray.

MS. RAY: -- I have a comment.

MR. CONINE: Sure.

MS. RAY: This has been a very dynamic, to say the least, program across the state of Texas, with emotions high, with processes developed on the fly as we move forward, and I'd like to commend staff in their ability to collaborate with the subrecipients across the state of Texas to try to meet the letter of the law that comes down from the federal level across the state of Texas. You've done a great job. I see collaboration, collaboration, collaboration, every step of the way and Mr. Chairman, I believe the Executive Director

and Brooke Boston should be commended for their efforts to work with the citizens of the state of Texas.

(Applause.)

MS. BOSTON: And I would pass that kudo all back down to everyone in the building who's touching all the Recovery Act. Thank you.

MR. GERBER: Well, I would say this. I mean, there's a huge number of people who are out doing technical assistance and monitoring and making sure that we're running very compliant programs. One group of really unsung heros, Madam Vice Chair, has been the Housing Resource Center. We've got some folks there that have done yeoman's work in developing projection tools so that we have the models that we need to be able to say -- when we talk to subrecipients, We think you're going to over-achieve; you're going to be very successful in moving this money and, you know, you're going to come in six months early. Would you consider, you know, doing more to serve low income people in your area? And those folks are excited to know that we're really, you know, understanding their process and able to know their capabilities. And, they're, for the most part, very interested in receiving additional dollars because they know the huge needs and backlogs that they've had.

Likewise, it's also been helpful for those who,

you know, have struggled with receiving such a huge amount of money. They are all performing, doing more than they ever would have had these funds not come. It made a big difference in the lives of low income people.

But it's been overwhelming and there are some very arbitrary parts about how we divided up the pie so it's been nice that folks have been willing to voluntarily relinquish funds or voluntarily take funds and, I mean, it truly is the best spirit of Team Texas to move these dollars and help people.

So thanks to the Housing Resource Center especially, on that end of it.

MS. BOSTON: And the Office of Recovery Act Accountability, which --

MR. GERBER: And the Office of Recovery Act -- yes, Brenda Hull --

MS. BOSTON: Yes.

MR. GERBER: -- David Johnson have done just great work.

MS. BOSTON: David Johnson is the one person on staff who has built this entire massive forecasting model and I talk to him about it ad nauseam. He should be commended for his patience.

MR. CONINE: Thank you very much. I appreciate everybody's hard work in that effort. Item 7.

MR. GERBER: Mr. Chairman, Item 7 is a presentation of reports issued in connection with the Fiscal Year 2010 Audit. Under Texas Government Code, Chapter 2306.074, there is a required annual audit of the department's gross accounts and bond indentures and at the July 20 Board meeting, the results of the audits were presented or needed -- actually, I'm sorry, or needed to be presented by --should have been presented. We've delayed to this meeting. We're delighted that Julia Petty with Deloitte & Touche is here to present those findings and ask them to be accepted by the Board.

Julia, welcome.

MS. PETTY: Thank you. I am Julia Petty, with Deloitte & Touche. I am in charge of the audit that we did for the department. We did do audits of the department's overall financial statements as well as separate audits of the revenue bond program and the unencumbered fund balance, which is required by statute, and we had unqualified opinions on all three of those sets of financial statements.

The only document that is in your package today is our required communications to this Board, which basically outlines the fact that the financial statements are the responsibility of management, and I will commend management for taking that responsibility very seriously. They do prepare those financial statements. They work with us and

audit is not an easy process and we got outstanding cooperation from all sections of the organization.

There are a couple of things that I did want to point out to you. First of all, the organization did implement a new accounting standard this year related to derivatives.

The organization has had interest-rate-swap types of derivatives over a period of years but the accounting standards did not require those to be included on the balance sheets.

As of this year, those are required to be included on the balance sheet, and if they are effective at their intended purpose, hedging an interest rate or whatever it might be, then the fair value of those do not run through the income statement.

What the department discovered was that, as they had hoped, those were effective and so that \$37 million sits as an asset and a liability on the balance sheet and so that will continue on a go-forward basis. That fair value might change but, in general, as long as it stays effective at its purpose, it does not run through as an income statement item.

The other thing that I'd like to point out to you is that we did have a material adjustment to the financial statements related to loan programs, the long term loan program under HOME, CDBG and TCAP and there was a change in 2009,

through discussion with the state comptroller's office on how those were accounted for.

The department traditionally had been recording those as deferred revenue rather than recognizing that revenue through its financial statements. After much discussion, a change was made to what was considered a more acceptable method of accounting, so it wasn't an error but a more acceptable method of accounting, and those deferred revenues were then recognized and run through the income statement.

In the process of preparing the 2010 financial statements, I believe there was an inadvertent going back to the old way of doing the accounting and so, as a result of the audit, we discovered that process. It was a fairly large number, about \$100 million, that was an adjustment to the financial statement.

That has been booked, corrected, and included in these financial statements but we are required to discuss those material items with you. We have discussed that with management, how it happened, their plan to make sure that it doesn't happen again, and we believe management has a good process in place to work with other departments to make sure it's got all the information that it needs to record those things appropriately on a go-forward basis.

With that, I'd be happy to answer any questions

that the Board may have.

MR. CONINE: Any questions of Ms. Petty? I'll ask you the same question I've been asking Bill Dally for years, do we have any money in the bank?

MS. PETTY: The last time I looked there was money in the bank.

MR. CONINE: I'd like to ask Bill to come to the podium, if he would. Ms. Petty articulated the change in accounting procedures, the last ones that she talked about, not the swap but the unearned income, I think it was.

Could you kind of tell us your version of that and how management has made the changes in order -- on a go-forward basis?

MR. DALLY: Can I defer to David Cervantes?

MR. CONINE: You may, you may. I just want somebody to be on the hot seat. I don't care which of you it is.

MR. CERVANTES: Good morning.

MR. CONINE: Good morning, David.

MR. CERVANTES: David Cervantes, Director of Financial Administration. Yes, Mr. Conine. What took place in reference to the item that Ms. Petty mentioned has to do with, honestly, the recognition of loans, and as we worked through this process this past year, what took place, or the

inadvertent step, had to do with -- we're basically working on two concurrent closing processes that we're working. As it relates to some of the work that we're doing, in relation to single audit work, the state comptroller requirement, we were working on what they call a schedule of expenditures of federal awards.

And as you do that part of the process, pretty much the federal government does not distinguish, you know, between -- they pretty much treat everything as revenues and expenses. So as we were going through that process, pretty much what happened there, we had reclassified the loans to the balance sheet and that left some revenue there and usually, typically, any excess revenue typically gets reclassified into deferred revenue and at that step right there is when this issue surfaced as it relates to that pretty much million re-class of deferred revenue.

Typically, what should have happened is that that portion over there should just been allowed to run through the balance sheet and into the equity component of the balance sheet, and so that step right there, as we were trying to work both ends of the federal schedules, and, of course, under GAP, what we needed to include in the financial statements.

That was the one step that changed the flow of moving into the policy that we adopted in 2009, and so, in

terms of addressing that item, what we've done thus far is, obviously, we have improved our reconciliation process between the accounting component and our servicing components to make sure that there's clear identifications of the loans.

We also have worked with management staff to make sure that as we go through the closing procedures there are some additional protocol to ensure that if we're working to confirm process at year-end that we would be able to detect anything of this nature so that it would be prevented in the future.

MR. CONINE: Thank you for that explanation. I've got a feeling I'll be down in Austin quite a bit over the next couple of months. One of these times I'm down, would you take time to sit down with me and go through our financial statements, year-end financial statements and show me how that - -

MR. CERVANTES: How that works?

MR. CONINE: - - flows through the statement?

MR. CERVANTES: Sure. I'd be happy to.

MR. CONINE: I'd just like to see that and, of course, any other Board member is welcome to so as well.

MR. CERVANTES: I'd be happy to.

MR. CONINE: I'd like to see that.

MR. CERVANTES: Okay.

MR. CONINE: Any other questions of the witness or Ms. Petty?

(No response.)

MR. CONINE: Once again, thanks for all your good hard work and thank you.

MR. CERVANTES: Thank you very much.

MR. CONINE: Appreciate the good report and, hopefully, we can continue moving forward in the art of accounting these days. It's not a science; it's an art. Thank you.

MS. PETTY: Thank you.

MR. CONINE: As I said earlier, I'd like for everyone to stick around until the end of the Board meeting but we're going to take a ten-minute break or so right now just to take a break.

(Whereupon, a brief recess was taken.)

MR. CONINE: I call the Board meeting back into session. Is that everybody?

Okay, Item Number 8, Mr. Gerber.

MR. GERBER: Mr. Chairman, I'm going to let Tim Nelson present our bond finance items and the first one will be the Department's interest rate swap policy.

Tim?

MR. NELSON: Good morning. My name's Tim Nelson,

Director of Bond Finance, and if I could just spend a couple of seconds refreshing the Board's memory, the department has five swaps outstanding, initially totaled a little over \$367 million. Amortized down to today's values it's a little under \$300 million.

The swaps were entered into between 2004 and 2007 and, at least how we end up using swaps is, they were all used in order to reduce and synthetically fix our cost of financing.

In certain markets it's a lot cheaper to go out and sell variable rate debt, enter into a swap agreement with a third party, than it is to sell fixed rate debt right out of the box.

Our swap policy was implemented in September of 2004. The purpose was to guide staff in the analysis and implementation of swaps, as well as to give us guidance on what our ongoing monitoring requirements would be and, as the Board heard earlier, all of our swaps have been deemed effective, so I think that's a good endorsement of the policies that we've put in place and that the Board has approved.

The Board must approve our swap policy annually; staff must review it annually. The last time we took this to the Board was in March of last year. This year, the only substantive change that we made to the policy, and I believe you've got a black-lined policy in your packet, was to clarify

our counterparty at collateral posting requirements. We made some other clerical changes. I think Bill Dally's title wasn't properly laid out so we had a few changes like that.

So, with that, staff requests approval of Resolution 11-023 and I would be more than happy to address any questions.

MR. CONINE: Any questions of the witness?

Tim, do you have any idea of what kind of volume that some of that variable rate debt has been trading at during recent times? I know, you know, what we paid two years ago, but is there -- you said we're down from 367 down to 300 or so. How much of that's trading on a weekly or monthly basis?

MR. NELSON: I do not have that information. I'd be more than happy to gather some of that up and report it back to the Board though.

MR. CONINE: I'd love to at least get an idea of the volatility of that currently that's going on.

MR. NELSON: I know when we looked at it last spring, and I think we felt this was in large due to the high-quality liquidity support that we've got with the comptroller, but we found that there was very little changing hands at that point in time. So I would imagine that would continue to be the case today but, like I said, I've not looked at that more recently but would be more than happy to do so.

MR. CONINE: And on the subject of liquidity facilities, any banks, bigger banks, starting to show up to engage in that arena these days or they still hands off?

MR. NELSON: I think we're still seeing a real reticence to enter back into that arena. I think that there's also some of the new requirements that are coming about under the Basel III, which creates more hurdles, makes it more costly to enter into these types of liquidity arrangements and also letters of credit and other types of bank credit.

I think until that fully sort of plays out, I think we're going to continue to see people on a sort of wait-and-see basis but there still are parties out there providing arrangements that are being renewed but they are under much more costly terms than the terms we have with the comptroller.

MR. CONINE: You keeping your eye on other states that have finance agencies to see if someone new pops up on the screen?

MR. NELSON: We most certainly are.

MR. CONINE: And our relationship with the comptroller's office still fairly good over there?

MR. NELSON: Excellent. We talk with them frequently.

MR. CONINE: Okay.

MR. NELSON: They've been great partners.
They've really stepped up. Great partners.

MR. CONINE: Great. Any other questions for Tim?

(No response.)

MR. CONINE: If not, I'd entertain a motion on the
resolution.

MS. BINGHAM-ESCARREÑO: Move to resolve to approve
the interest rate swap policy.

MR. CONINE: Motion by Ms. Bingham. Do I hear a
second?

MS. RAY: Second.

MR. CONINE: Second by Ms. Ray. Any further
discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of
the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

Tim, go to the next item?

MR. NELSON: Item 8(b). The staff is looking for
approval of Resolution 11-024 authorizing the purchase of

warehoused-mortgage-backed securities with proceeds of the residential mortgage revenue bonds, Series 2011A. The Board might recall at the last meeting you authorized this transaction and since that point we actually were able to price our bonds out of the market February 6 and 7.

Our transaction was very well received and, in fact, I'd like to thank our underwriters and Morgan Keegan, in particular, who's here today. I thought that they did an excellent job. I'd also like to thank our financial advisor and the rest of the members of the working group. I think this has been a transaction that we've been working on for well over a year and, like I said, we are looking forward to closing it next Thursday.

This resolution though is really to supplement what was done at the last meeting and give staff the ability to include our latest commitment lot, the loans released in that commitment lot in with this transaction.

MR. CONINE: And what size it is, again?

MR. NELSON: \$150 million.

MR. CONINE: 150. And we're taking the 60 percent out of the --

MR. NELSON: We're taking a little over \$89 million --

MR. CONINE: -- Treasury pool?

MR. NELSON: -- out of our NIBP --

MR. CONINE: Right.

MR. NELSON: -- facility, the \$300 million and we sold \$60 million in market bonds, to sort of marry up with them.

MR. CONINE: Thank you. We appreciate that. Any other questions?

MR. GERBER: And Tim, we're continuing with mortgages at about a rate of \$1 million a day?

MR. NELSON: Actually, we released our latest commitment lot, number 10, \$30 million at a four-and-three-quarters no-assisted rate, 535 assisted rate. And in the first two days we had almost \$3 million in reservations so we are continuing to move money at a very good clip.

MR. CONINE: Assisted or unassisted?

MR. NELSON: We're still moving with about 97 percent assistance, so it's the age-old -- the biggest impediment to getting into a house is the up-front investment and, fortunately, we've got the dollars that we can use for that.

MR. GERBER: Tim, could you introduce -- I know there's a number of partners in the room. Could you just highlight their roles since they're here and have been -- and

so we thank them as well.

MR. NELSON: We've got - -

MR. CONINE: Since it's been so long - -

MR. NELSON: We've got Mark O'Brien --

MR. CONINE: -- a little more gray hair.

MR. NELSON: -- with Morgan Keegan, our senior manager on this latest transaction. And I'm not sure if they're still in here -- I know at one point we had - - I'll give you Bob Foggio and Jimmy McIntyre with Morgan Stanley. They were part of our senior management team.

And we've got Barton Woodthrow [phonetic] with Raymond James, our financial advisor. Oh, and we've got Peter Weiss with JP Morgan as well.

MR. CONINE: All right. Any further discussion?

(No response.)

MR. CONINE: Seeing none, I'd entertain a motion.

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: I move approval of Resolution -- what is the number -- 024. Let me see -- 11-024.

MR. CONINE: Is there a motion to approve on Ms. Ray? Is there a second?

MR. GANN: Second.

MR. CONINE: Second by Mr. Gann. Any further discussion.

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

MR. NELSON: Thank you.

MR. CONINE: I would mention to the Board that I'VE asked Eric Pike, who leads our Home Finance Group to take a look at trying to tweak or alter our mortgage program to see if we can figure out a way to get more self-employed people in Texas who want to buy their homes the first time, to be able to qualify. I know that's a problem in the market today, a need that goes with the pendulum swing, if you will, on the underwriting process of, you know, being way too liberal two years to now being way too strict.

The access to the mortgage market for self-employed has dropped off dramatically and Eric's going to take a strong look at that, hopefully come back to the Board some time shortly, in the next meeting or two, to try to figure out ways we can help those Texans buy their first home and I look forward

to his report back to us on that effort.

Okay, Mike, Number 9.

MR. GERBER: Number 9. 9(a) is the Discussion and Possible Action regarding a proposed repeal of a certain portion of the rules dealing with the administrative penalties and then -- the current rule was adopted by the Board in December of 2007 and in working through the properties that have been referred for administrative penalties, the staff has identified some areas where the rule and process can be streamlined and some areas where 10 TAC does not exactly track the requirements of 2306, our governing statute, and some penalty amounts that just don't seem appropriate, either being too high or too low.

So, in addition, this rule reflects staff's suggestions to incorporate the department process from the department's general rules to this rule to incorporate all possible consequences of noncompliance and staff is recommending approval of this.

Tim, anything you want to add to that mix?

MR. NELSON: No.

MR. CONINE: Okay. I have no public comments on this particular item so we're good to go.

MR. KEIG: I've got a question.

MR. CONINE: Mr. Keig. You want Patricia? Who

is it you want?

MR. KEIG: Whoever - - is it Patricia?

MR. CONINE: Or Tim?

MR. KEIG: Who handles debarment?

MR. GERBER: Tim does.

MR. KEIG: Okay. So Tim then. Under the section on debarment, was there any consideration given to some form of requirement to notify the U.S. Treasury OIG and/or HUD OIG if we decide to debar somebody.

MR. IRVINE: There was not specific consideration in the rules for that but that's an excellent suggestion.

MR. KEIG: Or, could we handle that as an internal protocol --

MR. IRVINE: We absolutely could - -

MR. KEIG: -- that's not a requirement.

MR. IRVINE: -- handle that pursuant to an SOP.

Sure.

MR. KEIG: What would be your preferences?

MR. IRVINE: I would prefer to handle it - -

MR. KEIG: As an SOP?

MR. IRVINE: -- through an SOP.

MR. KEIG: Okay. No further questions.

MR. CONINE: Thank you. Thank you for catching that. Any further discussion?

(No response.)

MR. CONINE: Seeing none, I'll entertain a motion.

MR. KEIG: Move to approve.

MR. CONINE: Motion by Mr. Keig to approve. Do I hear a second?

DR. MUNOZ: Second.

MR. CONINE: Second by Dr. Munoz. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, I have 9(b) as presentation, discussion and possible action regarding amendments to 10 TAC Chapter 60, Subchapter B, dealing with accessibility requirements for public comment and publication in the Texas Register. Staff is recommending one change to this rule. The change is being made to bring department policy and rules in line with HUD guidance issued during the tax credit assistance program ramp-up in the TCAP question and answer section on Section 504 of the Rehabilitation Act of 1973, which

notes that "five single family units covered by a single contract or a single building with five units each constitute a multifamily housing project." We just need to update that rule to reflect that.

So staff is recommending approval of that and asks for a motion from the Board.

MR. CONINE: Seeing no witness affirmation forms, I would entertain a motion.

MR. GANN: I so move.

MR. CONINE: Mr. Gann makes the motion to approve. Is there a second?

MS. BINGHAM-ESCARREÑO: Second.

MR. CONINE: Second by Ms. Bingham. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, Item 9(c) is a presentation, discussion and possible action regarding proposed amendments to 10 TAC Chapter 53, Subchapter C, dealing

with the HOME Program Rule, for publication and public comment in the Texas Register.

Mr. Chairman and Board members, in September of 2010, the Board approved the new HOME program rule for final publication in the Texas Register. Today staff is requesting approval for the publication of amendments to that rule. The amendments proposed are limited in scope and include the following: one, that the proposed amendments will clarify the program requirements for refinancing existing mortgages within the homeowner rehabilitation assistance activity -- the current language in the HOME program rule does not clearly establish a maximum refinancing amount -- and also that the proposed amendments will also include additional language to differentiate the terms of refinancing HOME funds, as compared to other project funds.

Staff is recommending approval authorizing the publication of these amendments in the Texas Register for public comment.

MR. CONINE: No witness affirmation forms.

MR. GERBER: We've come a long way from the days when these --

MR. CONINE: A long line of folks.

MS. BINGHAM-ESCARREÑO: Move to approve staff's recommendation, Mr. Chairman.

MR. CONINE: Motion to approve by Ms. Bingham.

Do I hear a second?

MS. RAY: Second.

MR. CONINE: Second by Ms. Ray. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, I do not believe we have any appeals under Item 10.

Is that correct, Tim and Tom?

MR. CONINE: I see some droopy eyes out there though. They might have been pretty well working on their tax credit applications. I'm not sure.

MR. GERBER: So the last item is Item 2, Mr. Chairman, the last action item. You don't have a report?

MR. CONINE: I do have a report. There's information at the back of your books on outreach activities that the department's been engaged in. We're obviously working very, very hard to continue to move first-time home

buyer money. We have, we think, the best program in the State, both in terms of rates, constant availability of funds, as well as down payment assistance so we welcome everyone's involvement in spreading that word that there are resources available for safe, affordable home ownership.

There's also information in the back of your book regarding the obligation of LIHEAP funds from the Department of Energy and how those funds -- we've continued to receive regular installments of LIHEAP funds and other funds and so we've provided an update for you. Most of those dollars continue to be just simply plugged into the existing network of LIHEAP providers and weatherization providers with no additional staff being hired by the department. We just monitor and do our due diligence but we're able to assume those additional resources with no additional implications for the state or for the agency, other than just an expanded workload.

There's also information in the back of your book on Disaster Recovery - - the latest numbers on Disaster Recovery. I'm pleased to tell you that we are down to, you know, our very last days of the state's homeowner assistance program. We're in the last \$7 -- 8 million of funds that we have for that program and we'll be closing that, we believe, in the next month or two.

We are collecting funds from other agencies that

have not fully expended their dollars so we continue to build houses. We'll build, we think, about another 49 homes with about \$4 million that's being turned over to us but the entire program will, come heck or high water, be shut down, we think, in June, at the latest.

And so we're delighted to have that program wrapped up and then all focus goes to Hurricane Ike. So when we're done, we'll have more than 3,000 houses built between the -- with all our programs. So a lot of accomplishment by this department.

At the next Board meeting we will hopefully have additional clarity on some items affecting Ike -- the Ike funding, and we will do a more full debriefing for you at that meeting about those issues, including the analysis to impediments for fair housing, its status, and the methods of distribution and the collective implications of those on the department. So plan for that in May.

MR. CONINE: Okay. Thank you for that report. We will, after we go through a special presentation here in a minute -- I'm just -- to let the crowd know, we will go into executive session as a Board. Where are we going to go? Do we know?

MR. GERBER: We're going to float up to the 12th floor where the Railroad Commission is.

MR. CONINE: Twelfth floor. Nosebleed district up there. So -- and then anticipate we'll come back in session, anticipate no action, close the meeting and --

Day before yesterday, we got one of those calls from the Governor's appointments office that we are going to get a new Board member appointed, has been appointed, and is subject to Senate confirmation. His name is J. Paul Ozer.

Is he in the room by chance?

No one that I know of has met him yet but I did have a chance to talk to him on the phone and he said he was going to be in Austin today and might slip by the meeting, but just given the fact that this meeting is going fairly rapidly, he may not have made it over yet but, anyway, we will welcome him, subject to Senate confirmation, to the Board at our next Board meeting.

The unfortunate part about that conversation was that he will be replacing Ms. Gloria Ray, who has served on this Board diligently for the last six years and so it's a sad day for me and I'm sure the rest of our Board members.

When we have a chance to work with someone as talented and as gifted as Ms. Ray is and has been, it's sad to see them leave the Board and go back to doing whatever she was doing before.

So we have a couple of things planned here for her,

but before we do that, I want to call on Jim Brown, who has signed a witness affirmation form and would like to make a statement. Jim.

MR. BROWN: Gloria, we're not happy about this but the Board of Directors at TAAHP and the membership of TAAHP would like to take just a moment to thank you, to recognize you for all that you've done for the fellow Texans who are in need of affordable housing because of limited income and special needs.

So I'd like to read a statement, in recognition and appreciation. Presented to Gloria L. Ray, Vice Chair, Texas Department of Housing and Community Affairs, in recognition and appreciation for her dedicated service and outstanding effort on behalf of her fellow Texans with limited incomes and special needs, through the development of quality affordable housing. On numerous occasions throughout her service on the Texas Department of Housing and Community Affairs Board, she has been a voice of integrity and wisdom, guided by many of her lifelong personal experiences. She will be missed but never forgotten. Presented on this 3rd day of March, 2011 in Austin, Texas.

(Applause.)

MR. CONINE: Gloria, in addition to that, I think the Board and the staff have got a little memento here for

you.

MR. GERBER: We're not rich like the TAAHP folks though. We couldn't afford to frame it but - -

MR. CONINE: Go ahead, Mike, describe what this is.

MR. GERBER: Sure, this is obviously a picture of the Capitol but signed by all the staff and the Board, and if there are staff here or Board members who haven't had a chance to sign it, please do so afterwards. We can't tell you enough, Gloria, how much you're going to be missed. You know, when the word came on Tuesday and started to get around, I can't tell you how many staff members came -- You have made just a tremendous impression on staff. You've been -- you've truly been a staffer's Board member, you know, urging us on to new heights, to greater excellence, and so many people are going to miss your guidance and your inspiring words and leadership.

Gloria's done an incredible job keeping all of us focused on really what's important, which is the people that we serve and, at the end of the day, that's what it's all about and, you know, we get lost in the QAP and we get lost in the underwriting rules and all the other myriad things that, you know, that make the process so much fun for all of us but, at the end of the day, you know, you walk Gloria to a property,

you know, in a community and you see the kids were walking in, and she tells you, you know, about the difference that we're making, in a way that, you know, even though we've been doing it for a long time, that I've never - - that I hadn't thought about.

And it just brings perspective about what we all do and that it truly is God's work, and so thank you for keeping us focused; thank you for being such a champion of affordable housing. It's been one of the great privileges of my life to be in service with you and for you and wish you all the best, you and Howard both.

MS. RAY: Thank you so much, Mike.

(Applause.)

MR. GERBER: Now, supposedly, there's some cake coming.

MR. CONINE: Before we do the cake, let me just echo Mike's comments and I'll give each of the Board members a chance to say something they'd like publicly, but on behalf of the Board and the Chairman, we certainly have appreciated Gloria's service. I, like Mike, I considered her the heart and soul of the Board and it's rarely do we get someone of her achievement and caliber to come through and present the angle of what we do in a little different light.

And she's been a dear friend and I'm certainly going

to miss her service to not only this agency but to the state of Texas, and for that we are eternally grateful, and I do hope you and Howard continue to -- rich blessings in whatever you choose to do. Thank you very much for being here.

Any other Board members like to say anything?

MS. BINGHAM-ESCARREÑO: I'd like to say a couple of things. I always do. But, you know, there's so many people that are role models and Gloria's absolutely a role model for me and she'll leave me as the only woman left on the Board so I'll work hard to class up this group a little.

(Laughter.)

MS. BINGHAM-ESCARREÑO: But you know what I really I really appreciate about you is that you're very acutely aware that you are a role model and that your passion isn't just your passion but your passion is a demonstration to everybody else about what we should do, and so I really appreciate that.

It's been an honor to be on the Board with you. I've learned a lot from you and I wish you very well.

(Applause.)

MR. GANN: Well, down at this end of the table, Gloria, you know, I'm one of the younger members on the Board, but I've got to serve with you a lot of different ways: on the Budget Committee; you were chair of that also, great leader in that situation, definitely a staff person -- supported all

of them all the time. But I also when I've stayed with you a lot of times, when we went to different conferences and stuff, and you were always a great example in those areas and always helped me along as I came along in this conference, so I appreciate you. Just wanted you to know that I hope you and Howard have the best of times.

MS. RAY: Thank you.

DR. MUNOZ: Ms. Ray, let me offer my thanks as well. Having sat so close to you, I often felt like I was a disproportionate recipient of your wisdom.

(Laughter.)

DR. MUNOZ: And in every instance, it was necessary. We often felt the same way about issues and it helped me believe that my barometer was pointed in the right direction. There's an Apache saying that a good leader is a good listener and you've led us by listening, and it taught us, and I appreciate that.

MR. KEIG: And, Gloria, I'm certainly going to miss you, especially on the Audit Committee where it's often a very dry subject and you manage to make it interesting.

MR. CONINE: Would you like to say something?

MS. RAY: I'd like to address all of you seated in the room and the development community across this nation. Indeed, the work that we do is serving others. I believe

and have always believed that housing, next to food -- next to the food we take into our bodies, housing is the most important thing we can do for the citizens of the state of Texas.

People cannot self-actualize and become the human beings that they were intended to be without food for the bodies and a roof over their heads for their families. And the work that we do is not about making money; it's not about setting the rules. It's about caring about the least of our people.

The beautiful thing about the affordable housing program is it is not a handout program. It is a hand-up program. Those of us who have benefitted from hand-up programs in our lives can see the need to help our fellow man.

And I thank you, the development community. This program is the best public/private partnership I have ever witnessed. If you look at all of the skills that it takes to make this program successful from the attorney community, the accounting community, the nonprofit community, all of the people that come together to work with the department, I say thank you for the work that you do.

It has been a wonderful experience for me, working with every one of you and certainly -- and I'm not going to call any names. I'm going to get in trouble if I -- I'm not

going to call many names. Let's put it like that. I'm not going to call many names.

It takes all of us to make this program successful.

I am so pleased with the support, the nurture, and the help, particularly of the staff members, Mr. Gerber, who come every Board meeting, sometimes in pain, sometimes with backaches.

They come every Board meeting to make sure that we, the members of this Board, are taken care of, and that is your executive staff. And I'm not talking about the department heads. I'm talking about Nidia, I'm talking about Michelle and Matt, and I missed my morning Jo today. She's working into the disaster recovery and I've got a new angel out there, Dee. I just met her today.

But you do very, very important work for this department and I thank you very much for the work that you do. Those are the only names that I'm going to call. I thank you for the staff members. When you really get to know who's really at the bottom, holding up this department, when you come to an Audit Committee meeting late in the evening and everybody else has gone home and you see the real champions working late -- everybody else has gone and they're still at their desks, still supporting this department, I thank each and every one of you. I know how much time it takes. I don't know how you do it, to pull these books together between one

meeting to the next meeting, and you do it so very professionally.

I thank you for your senior staff, Mr. Gerber, for the professionalism, the education, the experience that is demonstrated in each and every one of them. And, Mr. Gerber, I want to say to you, when I came on this Board, Mike was a newby. He was just getting started. He was out there in the wilderness. He didn't even know which way he was going.

(Laughter.)

MS. RAY: But I'm here to tell you that in the six years that I've been sitting on this Board, I have seen tremendous improvement in collaboration, collaboration, collaboration, every step of the way. From the development community, from the special needs community, these Board meetings are completely different than the way they were when I first came on this Board.

It was almost open-armed warfare when we walked into a Board meeting, and because of your spirit of collaboration, Mr. Gerber, I've seen vast improvement every step of the way. We're working together to make lives better for our citizens.

And last, but certainly not least, I want to thank our magnificent chair of this Board, Kent Conine. Nobody does it better. Nobody.

(Applause.)

MS. RAY: Nobody knows the business better than he does. I don't know how he's ever going to get out. He can't just walk out the way I did. So I thank you for your dedication --

MR. CONINE: You want to bet?

(Laughter.)

MS. RAY: -- to this Board and I thank all of you for being so very kind to me. You've changed my life in magnificent ways and I'm so very grateful. Thank you so much, Kevin, for your legal expertise in guiding us and keeping us from going off a cliff. We're very grateful for that. Thank you so much.

(Applause.)

MR. CONINE: All right. I would invite everyone to stick around and share a little cake with us. It'll ruin your lunch for sure, but stick around and have a little cake and you can get a chance to express your own thanks to Gloria for her service.

In addition, when someone of her stature leaves, we always need replacements, if you will, for her position, not only as Vice Chairman of this Board but also as chair of the Audit Committee. I've asked Mr. Tom Gann, if he would, to step into the role of Vice Chairman and he has agreed to

do so and also I've asked Leslie Bingham to step up and chair the Audit Committee moving forward and she has agreed to do so. Again, being the only female of the group, she will have a chance to walk that delicate line on the Audit Committee. Thank you both for agreeing to do that.

Is there anything else that needs to come before the Board before we break for executive session and cake? You have something --

VOICE: [indiscernible]

MR. IRVINE: I have too. So do you need to -- there needs to be a formal --

VOICE: I think we just did that. Oh, did we lose one? Do we make a motion?

MR. IRVINE: We actually need a resolution to designate the Vice Chair, the Secretary and any assistant secretaries and a treasurer.

MR. CONINE: Oh. Can I get a motion to that effect? Well, wait a minute. Who are the others? Who's the treasurer?

MR. GERBER: Brooke will serve in the joint role as Secretary and Treasurer for the Board. And then Michelle -- who has been the Vice Secretary/Treasurer?

VOICE: Michelle's the assistant Secretary and Brooke is the Secretary/Treasure.

MR. CONINE: Can I get that motion to include all those folks, please?

DR. MUNOZ: So move.

MR. CONINE: Dr. Munoz makes the motion. Do I hear a second?

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig. Any further discussion?

(No response.)

MR. CONINE: All in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed.

(No response.)

MR. CONINE: Motion carries. We're good to go? All right. We will -- again, thank everyone for sticking around and please come by and visit with Gloria before you leave. We will now be adjourned into executive session.

(Whereupon, at 12:10 p.m., the meeting was adjourned into executive session.)

MR. GERBER: On this day, March 3, 2011, at a regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed executive session as evidenced by the following:

A) Opening announcement by the presiding officer that the

Board would begin its executive session today, March 3, at 11:15 a.m;

B) That the subject matter of this executive session deliberation is as follows:

The Board may go into Executive Session and close its meeting to the public.

1. The Board may go into Executive Session for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee;
2. Pursuant to Texas Government Code to meet with the Internal Auditor to discuss issues related to fraud, waste or abuse;
3. Pursuant to the Texas Government Code to seek the advice of its attorney about pending or contemplated litigation or a settlement offer, including:
 - a) The Inclusive Community Project v. TDHCA, filed in federal district court;
 - b) The claim of Gladys House filed with the EEOC.
4. Pursuant to the Texas Government Code for the purpose of seeking the advice of its attorney about a matter on which the duty of the attorney of the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with this Texas Government Code Chapter 551; or
5. Pursuant to Texas Government Code to deliberate the possible purchase, sale, exchange or lease of real estate because it would

have a material detrimental effect on the Department's ability to negotiate with a third person.

(Whereupon, at 12:05 p.m., the meeting was recessed, to reconvene this same day, Thursday, March 3, 2011, following conclusion of the executive session.)

MR. GERBER: Mr. Chairman, the Board has completed its executive session of the Texas Department of Housing and Community Affairs on March 3, 2011, here in Austin, Texas, at 12:15 p.m.

MR. CONINE: Any other business to come before the Board meeting?

(No response.)

MR. CONINE: If not, we stand adjourned. Thanks.

(Whereupon, at 12:15 p.m., the meeting was concluded.)

CERTIFICATE

MEETING OF: TDHCA Board of Directors

LOCATION: Austin, Texas

DATE: March 3, 2011

I do hereby certify that the foregoing pages, numbers 1 through 90, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing & Community Affairs.

03/08/2011
(Transcriber) (Date)

On the Record Reporting
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