TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

PUBLIC HEARING OF THE BOARD

Room E1.016
State Capitol Extension
1400 Congress Avenue
Austin, Texas

8:30 a.m.
Friday,
September 15, 2000

PRESENT:

MICHAEL JONES, Chair
JAMES DAROSS, Vice Chair

STAFF:

DAISY STINER, Executive Director

I N D E X

P R O C E E D I N G S

MR. JONES: I'd like to call to order the public hearing of the Board of the Texas Department of Housing and Community Affairs, concerning Senate Bill 1112, Regional Allocation Formula for HOME, Housing Trust Fund, and Low Income Housing Tax Credit Programs. And this is a public hearing.

Attending the public hearing, at this point in time is the executive director, Daisy Stiner; the vice chairman, Mr. James Daross; and myself, Mike Jones.

And with that, I would like to turn over the agenda to our executive director, Ms. Daisy Stiner.

MS. STINER: Good morning, Mr. Jones.

Good morning. The purpose of this hearing is to provide the public with a formula that has been developed pursuant to Senate Bill 1112, from last session, that requires the department develop a budget -- pardon me -- a formula that will be utilized to allocate funds on the three of our housing programs.

Now, that formula has been developed over the course of the last year. It first had a public hearing when we went across the state to hold hearings on our state Low Income Housing Plan. The comments that were received from the public were taken into consideration in the final development of a budget -- I keep saying a budget; we're not on that agenda item yet -- of the formula.

So since the development of the formula, we have met with several groups that will be impacted by that formula, and have listened to their comments. And this is the first of a series of public hearings that we will hold around the state again, to share with the public what that formula is.

I'm going to ask that anyone wishing to make comments this morning sign a witness affirmation form. I have two here, but anyone wishing to speak this morning must sign a witness affirmation form, and those are available right here at that desk.

Before we get started with the presentation of the formula, we have to two witnesses, and I'll just ask if they wish to address the board before or after the presentation by staff.

Mr. Schmidt, George Schmidt? You're coming -- you would wish -- okay. You want to come forward before? Okay. Very good.

Then we'll ask Mr. Schmidt to come forward and make his comments.

MR. SCHMIDT: Good morning. I'm George Schmidt, Real Estate Acquisitions Director for the Texas Housing Finance Corporation. It's a Texas-based tax credit equity provider.

THFC has provided over 76 million in equity for more than 2,820 housing units in Texas. We target investment funds specifically toward difficult-to-develop rural areas and rural areas such as Uvalde, Eagle Pass, Laredo, Stephenville, Tyler, Odessa, Amarillo, San Antonio, and those areas as well.

We thank the department for requesting 50 million for the Housing Trust Fund's budget from the Legislature, especially given the Housing Trust Fund is the only truly flexible, nonfederal source of gap funds that can meet the needs of developments in difficult-to-develop and high-poverty areas of the state.

We generally agree with the formula -- the Regional Allocation Formula presented that would provide more 9 percent tax credits, HOME, and Housing Trust Funds to these difficult-to-develop areas of the state while relying on the 4 percent tax credits and tax-exempt bonds to provide housing in the major metro areas of the state.

However, there are several critical things that the Legislature and the department should understand if this formula is to be successful.

Number one, the formula targets funds towards very high poverty areas and rural areas. To serve these areas, the Legislature must expect to see at least 30,000 in subsidy per unit in rural areas -- that's including tax credits, HOME, and Trust Funds -- and 60,000 in subsidy per unit in high-poverty, border areas.

Housing developments in these areas cost more per unit, between 55,000 per unit in rural areas and 75,000 to 90,000 in high-poverty, border areas. Land costs in border areas are typically high. There are utilities that need to be brought to the site, and there are fewer units per development that can be built, typically about 50 units per development.

Because there is so little rent revenue that can be generated, these developments can only raise between 600,000 to 1,200,000 in private bank debt. Most banks and mortgage companies will not provide the financing necessary for these developments, because the mortgage is not over 3 million and not within a major metro or CRA areas. This is economies of scale for the banks. These means that government subsidy must often be the primary source of funds for these developments.

Developers go into these areas to provide housing, but because the developments are small, there are no economies of scale. Their incentives go into -- the incentive to go into these areas are reduced further because the developments are scattered across long distances and are in unfamiliar markets that have small populations. In addition, dealing with federal regulations on these HOME funds with tax credits increases the risk to developers that the deals will not get done, because the integration of HOME funds with tax credits can be rather complicated and risky for developers that are not as experienced with working with the two programs together, especially with compliance issues.

If the department performs its federally mandated charge to underwrite these developments with the maximum allowable tax credit rents, typically between 50 and 60 percent of the area median income, and minimize the use of the tax credits at every juncture, developers will typically defer or forgo most of their fee.

A small -- developers need to be paid and rewarded for serving these areas if they're to be enticed to go out and do development in these areas, especially since what little fee they earn on these small deals is already exposed to interest-rate risk and construction-cost risk.

If the Legislature and the department truly want to serve the areas targeted in the Regional Allocation Formula, like we truly believe that they have done in the past allocations and will want to continue to do in this current formula, Housing Trust Funds must be increased and freely allocated along with these tax-credit developments in these areas.

The current level of Trust Fund Financing is only sufficient to build less than 300 units a year -- approximately 3 million a year in annual funds, 10,000 per unit in subsidy, approximately 50 units per property -- that leads to approximately six properties throughout the state.

Otherwise the state will allocate a lot of federal tax credits to these areas without state subsidy support, and Texas will end up losing the federal subsidy for housing because the deals won't get done.

One final note about the 4 percent deals in major metro areas. Because the Legislature has it set up in priorities, the first priority area is 50 percent maximum rent restriction for 100 percent of the units. That is great for a preservation deal, because it's typically difficult to do new construction. However, what you'll end up with, while there is a good gap between the maximum income and the maximum rent level charged, and that helps to -- helps the affordability of the individual residents of the property, you will end up with 100 percent for typically large formerly projects known as project developments created by HUD that will be preserved, which is great. But then you will see larger low-income, 100 percent low-income properties.

And it would be our suggestion if the Legislature -- if the department can convince the Legislature to consider a priority system that mixes the incomes on stagger basis for those properties, it would allow for them to have lower rents for some of the units and do some deep income targeting, and yet also allow for it to not have the stigma any longer of a project.

Thank you.

MR. JONES: Thank you, sir.

MS. STINER: I failed to add that the formula has been published, and we do have a staff presentation.

But, Sarah, do you want to come forward and just point out the new figures that were arrived for the formula --

MS. DALE: Sure.

MS. STINER: -- before the public, so the public will know what they're talking about. And then we'll continue with the public speakers.

Sarah, will you identify yourself, please.

MS. DALE: Hello. My name is Sarah Dale. I'm the manager of the Housing Resource Center. Do you want me -- or the director of the Housing Resource Center. I don't have a piece of paper; that's why I'm still saying "manager" until I see it.

But do you want me to go specifically over the changes with regard to the numbers?

MS. STINER: Yes. Since those have been made public.

MS. DALE: Okay. We had done the numbers on the statewide formula, and discovered this morning that actually there was a small glitch in the computer program, and so we've done some minor adjustments on the statewide which would impact the tax credit and the Trust Fund, and we've put -- the new numbers are back in the back at the table in the information packet.

And they were really relatively minor percentage changes. As far as what happened was, in Region 1, rather than being -- I don't know. Do you want me to go through all of these?

MS. STINER: Just give us the new numbers and tell the public where they need to have the corrected sheets. Do we have enough to hand out?

MS. DALE: Okay. Yes. The corrected sheets are in the back, and we can certainly make more copies if they are necessary.

But the statewide: Region 1, instead of being 4.01 percent, it's 3.61 percent; for Region 2, it went from 2.41 percent to 2.33; Region 3 went from 20.07 percent to 17.45; Region 4 went from 4.71 to 5.42; Region 5 went from 3.83 to 4.11; Region 6 went from 22.54 to

21.3; Region 7 went from 11.32 to 10.26; Region 8A went from 9.62 to 9.83; Region 8B went from 14.08 to 17.95; Region 9 went from 2.58 and actually stayed at 2.58; and Region 10 went from 4.83 to 5.17.

We'll have these new numbers up on the website hopefully by the end of the day. I've pulled the old ones off until we can get these new ones on and the corrections made.

MS. STINER: Thank you, Sarah.

The next speaker we have is Bruce Spitzengel.

MR. SPITZENGEL: Daisy, is there going to be any more presentation? I'd be glad to wait until after the presentation.

MS. STINER: No. That was the extent of it; the formula has been made public.

MR. SPITZENGEL: Good morning. My name is Bruce Spitzengel, with Grant Works, and I just have a couple of comments. What I'd like to do is, one, get some clarification on the process of adopting these particular formulas. Has that been determined? Is that going to be coming before the board, like in October, as far as the adoption of this formula, or is the board going to be the one adopting this, or how will that be done, Daisy?

MS. STINER: Bruce, I don't have the legislation before me, but it said that the department shall develop the formula. That formula has been developed. We're presenting -- we're having a public hearing now.

MR. SPITZENGEL: I understand.

MS. STINER: When we finish those public hearings, that formula will be the one that we will utilize for application to the various loan programs.

MR. SPITZENGEL: Okay. So this is basically the final step. It doesn't go before the board for any formal approval?

MS. STINER: Of course, if you want us to take it before --

MR. SPITZENGEL: No. I'm not pursuing it. I'm just trying to get clarification on that, whether it's going to any further steps beyond this public hearing.

MS. STINER: Mr. Jones, would you like for that to come back before the board?

MR. JONES: Let me say this. We'll be visiting with counsel about that, our legal counsel --

MS. STINER: Okay.

MR. JONES: -- and do whatever the legislation instructs. Obviously, right now we're in a public hearing mode, and we are going to comply with the legislation and have those public hearings.

MR. SPITZENGEL: Absolutely.

MR. JONES: Thereafter, after we have the public hearings, this may well be something that the board wants to give input on to staff. And the legislation itself -- and we don't have counsel here, and are really not prepared to address it. The legislation itself may say this is something that staff can do without our input.

MR. SPITZENGEL: I understand.

MR. JONES: I do say we may hear things during the public hearing where we may want to have input, and I guess the answer to you is, whether it will be a discussion item or a formal resolution that needs to be passed, will depend upon our counsel's view of the legislation.

MR. SPITZENGEL: Understood.

MR. JONES: Thank you.

MR. SPITZENGEL: Appreciate the information.

MR. JONES: Sure.

MR. SPITZENGEL: In terms of looking at the HOME formula, there's one question that I have, and that's always been a particular sticking point for me, is looking at a percent of poverty in a particular region as opposed to also looking at the total numbers of poverty in that region also.

And right now, if I'm not mistaken -- and I would appreciate clarification on this -- that percent of poverty -- does that represent 50 percent of the formula, Sarah? It does represent 50 percent of the formula? What I'd like to see is how the formula would be adjusted if we were to break that down to 25 percent of poverty, 25 percent number of poverty. I think those are important numbers to look at.

It's just another way of looking at these things, and see how it adjusted across the region. I don't have a particular problem with formulations as it's being presented, other than I would like to look at some different scenarios on that.

MR. JONES: Somebody does have a problem with that.

(General laughter.)

MR. SPITZENGEL: Fortunately, I'm not trying to read from a script.

MR. JONES: You may not; somebody obviously did.

MR. SPITZENGEL: I didn't know if the play started soon or not.

In terms of some other issues that I think are related that will be coming up in the future, I think that what I would like staff and certainly the board to be looking at is the way, particularly in the HOME Program, how the funds are being broken out for different programs, which there are primarily five different programs here, being Owner-Occupied, Rental, Homebuyer, Tenant-Based Rental Assistance, and Demonstration Funds. I would like that formula to be looked at again before we go out for applications, if that's possible. I don't know. I don't think we've done a consolidated plan for 2001 yet.

MS. STINER: It's coming up in November. We start --

MR. SPITZENGEL: Oh, I'm sorry.

MS. STINER: -- Consolidated -- the hearings for the Consolidated Plan is coming up November.

MR. SPITZENGEL: When are we anticipating applications for HOME being due? Has anybody discussed that yet?

MS. STINER: We've discussed it, Bruce. If you'd like to visit with staff, you know, outside this public hearing, we can talk to you about that. But, of course, the schedule for the funding is going to depend on getting through this formula, because this formula will be applied to those programs.

MR. SPITZENGEL: Exactly.

MS. STINER: Yes.

MR. SPITZENGEL: And that's what's coming up, and I understand that. But what I'm concerned with is that the process has to move on.

MS. STINER: Sure.

MR. SPITZENGEL: We're all interested in getting these funds out there as quickly as possible, getting the dollars expended. It makes everybody look a lot better when you have a good expenditure rate.

And one of the things I want to happen is that before we go out and do the next application round that it has been looked at very carefully where the demand is for these various dollars, what the small, rural Texas is looking for and needs, and not -- and basically, maybe with everything with the exception of CHDOS, putting a ban on any fundings going to PJs. And that's something I would like to see, because these are rural Texas funds; they are provided to the state based on a HUD formula that looks at areas outside of PJs.

Now, there is some questions about what's rural, because you do have communities that are in metropolitan areas but they are not a PJ. They are essentially rural communities, but just -- you know, we have another agency over here, the Census Bureau, which defines what's a metropolitan area, and then you have over here another agency that says, you know, this is rural, what is not rural. And it gets a little bit confusing.

There are a substantial number of communities -- you take Houston/Galveston area, and you have seven counties out of the 13 are in a metropolitan area. And -- but there's a lot of rural communities out there with desperate, you know, poverty needs, housing needs. And it doesn't make them, per se, PJs or metropolitan by virtue of being in a metropolitan county. And I think if y'all looked at some of these maps, you would see that.

But anyway, getting back to the issue here, I think the formulations are a good beginning, in terms of what we're -- y'all need to accomplish to comply with the Legislature. I wasn't particularly dissatisfied with the way the formula was done before when it was divided equally among the eleven regions. That certainly worked well. Certainly some regions are going to be hurt, others are going to be benefitted, any time you do a formulation.

Like I said, I will conclude that I would like to see a formulation splitting out percent of poverty -- or poverty, both in number and percent, and just how that affects this particular formula.

And again, one last comment, I would like to seriously see a review of where the demand has been for HOME funds. And I can assure you and I can tell you, based on my review of the statistics, that owner-occupied has been the demand. And this is the need of rural Texas. They don't have -- when I say about rural Texas, I'm talking about small communities -- they don't have a great need for many of these other programs. They're not in a growth mode.

What they are trying to do is protect their existing housing stocks. As I've always said, Your community goes as your housing goes. If you're going to let your housing go, there goes the community. And the one thing that they can protect is single-family homes, and that they have the greatest impact has been with this program.

We have gone into communities where we have done four -- and we're getting ready to go into one community -- five of these grants. We are now having problems finding people that qualify. That was even under the old 80 percent area median income rule.

But what that tells me is, in a community of 1,000, we've had a substantial impact on that community's housing stock. And that housing is going to be good for another 15 -- ten to 15 years.

And that means the bulk of the people we're dealing with are elderly and disabled. I would venture in owner-occupied, it's over 95 percent elderly and disabled. So special needs is what owner-occupied has always been, because that's where you find the people that qualify.

Now, we have made efforts in my organization in talking with the communities that we work with to try to diminish or even eliminate this 30 percent rule, which is way of line with reality. It needs to be bumped up to a minimum of 50 percent, and I think the Legislature is looking at that very closely, because it provides a real burden to find people -- this is below poverty level, and practically -- well, it is every county of the state -- it's below poverty level, that 30 percent. And it just makes no sense to tell somebody that's making $750 a month, Gee, you make too much money. So that story has been told; it's been told to a number of people, particularly in the Legislature.

Again, thank you for the opportunity to speak on this. I would like to see some -- just where y'all have not just one formula to look at, but several formulas to look at and to, you know, finally make a decision on that. Thank you.

MR. JONES: Thank you.

MS. STINER: Thank you.

The next speaker, John Henneberger.

MR. HENNEBERGER: Mr. Chairman, Judge Daross, Ms. Stiner, thank you for the opportunity to testify here. I'm here to appear before you to support the department's recommendation regarding the Regional Allocation Formula. I believe it's been -- it is an appropriate formula. It meets the standard of being understandable and reasonable, and utilizes the best data which is available to us at this time in order to appropriate our housing dollars.

I want to thank the department and Ms. Stiner and Sarah Dale for making this process a very deliberate one, a very careful one, properly structured one, one that has fully involved the public and academic experts in the structure of this formula. I think it's been a very good process.

I would say that the formula isn't perfect. It is based on the best available data that we have at this time. And hopefully we'll get better data, come the 2000 Census release and come new initiatives that the department is undertaking, which I think are great, with Texas A&M regarding collecting better demographic data on housing demand.

The missing component in the formula is housing supply. And if we could plug that variable into this formula, then the dollars would be, unarguably, being allocated based on need. And that is the ultimate goal of the legislation.

I'd like to mention just a couple of things to consider for future amendments to this formula, and before I do that, I'd like to mention what I believe the proper process for the amendment of the formula should be.

In my sense, this formula is central to the allocation of all resources. It underlies all of the funding allocation decisions the department will make in the future, and thus is of concern to everyone who cares about housing, to local governments, to low-income people, to developers, to everyone.

I believe it's proper that the department should adopt on an annual basis any revisions to this formula by formal rule and hold a hearing, such as this one, before the board of directors, prior to the adoption of that rule. Publishing the proposed formula in the Texas Register and formal adoption by the rule is a process which is well known and accepted as a reasonable and prudent way to secure public input and to notify all the interested parties of changes which will affect them in a way that they care very deeply about.

And so that's my recommendation is that in the future on an annual basis, as the department adjusts this, it do it by formal rule. And Ms. Stiner has -- and we've talked about this in these discussions that we've had, and I think we're in agreement on that.

The second thing I'd like to mention is something a previous speaker spoke to, which is the targeting of HOME Funds. And I believe that is is -- I think the department has taken good strides toward the proper targeting of the HOME Funds to nonparticipating jurisdictions. I believe the department should, if not as part of this rule, then part of a related process, make a formal decision not to expend HOME Funds other than certain select special needs categories, such as statewide competition for the disabled and certain CHDO funds, exclusively in participating jurisdictions. It's money that we are allocated for the benefit of those communities, and it's proper that it go to those communities.

There's an issue which will appear before the board in the Regional Allocation Formula which is -- which may prove to be an issue in the future, and I'd like to bring that up.

The Regional Allocation Formula says the department will allocate the money within your eleven uniform state planning regions based on this formula of need. What it doesn't say is how it will -- the department will treat applications within each of those regional areas.

Increasingly, those of us who look at the housing problems of the state are concerned with the problems of small cities and rural communities in the state. And while I disagree with the previous speaker about the income-targeting issue that he brought up, and I believe that 30 percent is a good standard to apply, I do agree with him that rural communities and small towns need special attention.

If this formula has the effect of allocating the money within regions, but then only getting the money into the metropolitan areas within the regions, then we will have failed to address the concerns of the Legislature that the funds be allocated based on need.

And I suggested and would suggest to the board that the board set up a process so that when applications are brought before you, you are made aware of the fact of whether the applicant is within a participating jurisdiction or is outside of a participating jurisdiction.

Or perhaps we work in the future on refining that formula even further and talk about using the definitions of the Rural Development Agency in their small town and rural definition so you have a special flag to note whether or not that application is serving a small community or rural area.

I think the Housing Resource Center should generate a set of statistics within each region, breaking out the percentage of the eligible population within small cities and rural areas and within participating jurisdiction, and the board should monitor on a continuing basis that the funding is going roughly proportionately to the small cities in terms of their need, as well as proportionately within the regions.

And I'm sorry that's kind of confusing, but I'm just saying -- try to make that a little clearer -- don't just stop at the regional level; worry about whether the money is going into the rural and the small town areas. And your department -- your Housing Resource Center has excellent resources to provide you the figures to track that type of thing as you make your decisions.

It's not required in the legislation, but I think it is a concern, and I think proactively responding to it would ensure the department has more flexibility to address that in the future.

Finally, my last point has to do with the Single Family Mortgage Bond Program. And I believe the department should take a look at the allocation policy for the Single Family Mortgage Bond Program. I have been looking at that program for over two years now and looking at the geographic distribution of those loans, looking at the geographic availability of credit in the state, and there's some troubling trends that have emerged.

And I think I may have shared this with you all at a previous meeting, but rural and small town Texas has a home mortgage loan denial rate among borrowers that equals that of the most red-lined inner city neighborhoods in the state. The most disinvested communities, which are classically seen as areas which are starved for mortgage credit -- if you look at the counties which meet the definitions of "rural" in Texas, their credit denial rates for mortgage loans are equal to those in the inner city.

That's a problem which is not addressed within the scope of this bill but is certainly one the department should probably consider in thinking about the allocation of the Single Family Mortgage Bond Program. And I think that will be a challenge to look at in the long term for the department.

But this bill -- and this is very important legislation -- it is about spending the money where it's needed the most and making sure that the money is spent fairly. Certainly, we should not just stop with the HOME Program and the Tax Credit Program, but we ought to also look at the other resources that are available to the department.

Thank you very much, and thank your staff very much, for this very good process for adopting the formula.

MS. STINER: Thank you, John.

MR. JONES: Thank you, sir.

MS. STINER: The next speaker, Reymundo Ocañas.

MR. OCAÑAS: Good morning, Mr. Chairman, Judge

Daross, and Ms. Stiner. Thank you for having me this morning.

I want to also express our support of the formula on behalf of the Texas Association of CDCs. We were part of the process throughout the year with the Housing Resource Center as it developed the formula.

I do want to say, however, that on the actual memo that was published with the information that there's an error. I think this was intended to be the plan for how the formula was developed, but there was not a meeting in July of 2000 with the advocates you see here. The meeting we had was the last week of August of 2000. So I just wanted to make sure that you noted that. But I think that was intended to be a plan, but the meeting did not take place until August. So just didn't want the public to think that that happened, because it didn't.

But I do want to say that that formula itself is solid in terms of what we see as a good effort of the department, in terms of, you know, considering the different factors that are relative to determining need. We did get testimony during the Low Income Housing process to the Resource Center about, you know, maybe considering housing stock as an additional -- existing housing stock as an additional factor. But I think, considering the trouble we have with getting that kind of data updated in terms of what is really affordable housing stock in each area and region, that this is a great beginning. The 25-25-50 formula is a great beginning, so we're supportive of the department and hope that, at least this year, you'll be able to implement it. And we'll give you feedback at the end of the year and see how, particularly with the nonprofits, how that's affecting their production and their development.

I do want to ask the board and Ms. Stiner and staff about how deobligated funds will be handled, and if the formula will then reapply those funds as they are brought back into the funding process. I see that for the Trust Fund, already they are considering deobligated funds from '98 and '99 to be a part of the funding cycle for 2001. So -- but I don't see that for HOME. So I want to just ask if that's going to be officially a part of the process that the formula will then be reapplied to those funds that are brought back in.

MS. STINER: Once the board adopts, you know, the priority allocation of deobligated funds, whichever those funds are prioritized to the housing program will be brought back into the -- those various housing programs.

MR. OCAÑAS: Good.

MS. STINER: And I think there's going to be discussion later today on the deobligation policy.

MR. OCAÑAS: Great. Well, we appreciate your support, and I'd appreciate your patience as we ask for that every single meeting we're at.

MS. STINER: Right.

MR. OCAÑAS: But it's important to us and important to you groups.

MS. STINER: We've been working on it. Thank you.

MR. OCAÑAS: Good. I appreciate that. I appreciate your effort on it.

And also we do support -- although I have to admit that a majority of my nonprofits are in metropolitan areas, but we have a significant number of them that are in rural areas and very poor border areas that need our support as well. So we support -- and we've asked the groups, you know, if we're supporting this non-PJ effort on the HOME dollars, you know it's going to mean probably less dollars available to you as nonprofits in your metropolitan areas. And they said that they thought it was fair, that if they could apply to the local PJ for HOME funds, then the rest of the money that's available to TDHCA should go as much as possible to the rural areas that are not in the metropolitan areas. So they want to be fair as well, and we hope that the department takes that stance and continues with that effort.

Wanted to again also support the Rider 3 issue about the 30 percent targeting issue. I think the idea, particularly in rural and border areas is to also push mixed-income developments, and that just because the department has a goal of trying to reach a certain percentage of their funds to 30 percent or below, that it doesn't mean that a single application should be for all serving 30 percent families or below.

So -- and my groups -- I wanted to share with you that the nonprofits that we polled in our 2000 production survey, 18 percent of their production goes to families at 30 percent or below. So I think that it's doable, and we don't want you to stray from the goal established in Rider 3 of trying to meet the 30 million, I think, as opposed to 15 percent -- the 30 million and then the 20 percent up to 50 percent.

So it's -- we think it's possible, and what our groups do, for example, when they're developing single-family housing in rural areas, is they build one out of four owner-occupied housing developments for people at 30 percent or below, or they do the same with apartment developments. So it's a doable thing. It's about marketing, and it's about applying the best process you can to make sure that the families that are the poorest are getting served first. And I think that's what Rider 3 is about.

I also asked for a clarification from staff, and I think Ruth Cedillo answered me very accurately, that it's also, I believe, that the percentage goal is applied so that if the 30 percent of median income is lower in a local area than the statewide average, that you're allowed to use the higher. So that also certainly helps in applying the goals.

But do not stray from the goals. The poorest families in Texas need that, and it's doable. If our nonprofits can do it, then city governments can do it; private developers can do it.

And again, I just wanted to applaud the department for its effort in developing this formula. Like John Henneberger said, it's not a perfect one, but we don't expect anybody in this process to claim that it is perfect, but it's certainly a great start. And we hope to work with you as you implement it, and hope to hear soon about when the funding windows will be open for applications, and hope to hear about the process for the next round so that we can improve the formula once the 2000 Census figures are available.

Thank you.

MS. STINER: Thank you, Rey. And as we announced before, we will be soon entering into the hearings for the consolidated plan when a lot of the issues that we've talked about this morning would be -- will be addressed, and we'll get a chance to hear from the public in terms of what particular activities will be prioritized under the HOME, as well as the other housing programs. So that will be up on our website, and we'll get busy on that very soon.

Unless there are other speakers, those who haven't signed up, that concludes comments by the public.

Ms. Cedillo, Ms. Dale, would either of you like to wrap up or -- this public hearing before we adjourn?

MS. CEDILLO: My name is Ruth Cedillo, deputy executive director for the agency. I just wanted to point out that along with the formula, the department is required to do the needs assessment, and that will be part of the process also. Our agency has an exceptional item in our legislative appropriations request, and we are asking for seven positions, so we can have a regional development coordinator in each one of the eleven service regions and then one staff person who will be working with Sarah here in Austin. And those regional development coordinators will be working with the communities in developing the needs assessment for their local areas.

And the staff that will fill those positions will be from the localities, and we're not hiring here in

Austin. And the reason that we only requested six positions is that we already have offices in Lufkin, Mount Pleasant, Lubbock, El Paso, Laredo, and Edinburg. And we felt that we stood a better chance of getting additional FTEs if we narrowed it down to the six.

And we have -- I had spoken to some of our staff who's already in Lufkin and Mount Pleasant, and they understand that they would be taking additional responsibilities in the system with needs assessment.

MS. STINER: That concludes our -- thank you.

MR. JONES: I'd just like to thank everybody that's given us this input, particularly, you know, George and Bruce and John and Rey, we appreciate you coming and giving us this input. But I also want to thank, not only the staff for the work they've done on this formula, but also for all the groups that have given us input along the way and given of their time. We really appreciate that. Thank you so much. We really do.

And with that, I'll adjourn the hearing. Thank you very much.

(Whereupon, at 9:15 a.m., the public hearing was concluded.)

C E R T I F I C A T E

MEETING OF: Public Hearing of the TDHCA Board Regarding Senate Bill 1112

LOCATION: Austin, Texas

DATE: September 15, 2000

I do hereby certify that the foregoing pages, numbers 1 through 33, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

09/18/00
(Transcriber) (Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731