TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Auditorium
Capitol Extension
1400 Congress
Austin, Texas

November 14, 2002
10:30 a.m.

MEMBERS PRESENT:

Michael Jones, Chair
Norberto Salinas
Kent Conine
Shadrick Bogany
Elizabeth Anderson
Vidal Gonzalez
Edwin Carrington, Executive Director

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Public Comment:

P R O C E E D I N G S

MR. JONES: I will now call to order the meeting of the Board for the Texas Department of Housing and Community Affairs convening on November 14, 2002, to order.

First order of business is to certify a quorum.

Ms. Anderson?

MS. ANDERSON: Here.

MR. JONES: Mr. Bogany?

MR. BOGANY: Here.

MR. JONES: Mr. Conine?

MR. CONINE: Here.

MR. JONES: Mr. Gonzalez?

MR. GONZALEZ: Here.

MR. JONES: Mayor Salinas.

MAYOR SALINAS: Here.

MR. JONES: Michael Jones is here. We do have a quorum. I would also like to take this opportunity first to thank Senator Lucio for kindly sponsoring us to have this room. And we certainly appreciate his good offices in doing so.

I'd also like to recognize a few people we have here. We have Representative Bill Callegari here from -- thank you. We sure appreciate your attendance --

MR. CALLEGARI: Thank you.

MR. JONES: -- that you're here to guide us. We have Julie Street here from the House Urban Affairs Committee.

Thank you for being here. Stacy Guggle [phonetic] from Lieutenant Governor Ratliff's office.

Stacy, good to see you.

State Representative Art Reyna is here -- or he was here. Maybe he'll be here again some time. Mr. Tim Thedford from Representative Ehrhardt's office.

Tim, good to see you again.

And I also think you had somebody you wanted to introduce. Right?

MS. CARRINGTON: I do. Thank you, Mr. Chairman.

MR. JONES: Ms. Carrington?

MS. CARRINGTON: I'm pleased to introduce Gary Longaker as our deputy executive director of programs for the Texas Department of Housing and Community Affairs. Gary came to work for TDHCA on November 1 -- so almost two weeks now.

Gary is formerly the executive director of Southeast Texas Housing Finance Corporation, which was a regional HFC in the Houston area. I think it was 11 counties and 13 cities. And prior to that, back in the late '70s and '80s -- I guess up until '89 Gary was the executive director of the Oklahoma Housing Finance Agency.

So we are very pleased to have Gary with us. I'm delighted. Ruth is delighted. That means Ruth can finally begin her job as deputy executive director for operations.

And, Gary, we want to welcome you.

(Applause.)

MR. LONGAKER: Thank you very much. I just wanted to say how delighted I am to be here as part of this organization. I'm looking forward to working with the Board, but most excited about working with the great staff at TDHCA. Thank you.

MR. JONES: Thank you.

I'll next turn to the next item on our agenda, which is the presentation, discussion, and possible approval of the minutes of the Board meeting of October 10, 2002.

MR. CONINE: So moved.

MR. BOGANY: Second.

MR. JONES: A motion has been made and seconded to approve it. I would also like to thank Mr. Conine for ably chairing that meeting in my absence. Any discussion on the minutes?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. The next item of business is public comment with regard to the items on our agenda for this meeting. Let me do this. I'm going to run through the various people that requested to give public comment and ask if you would like to comment now or at the particular agenda item.

State Representative Reyna -- I presume he would like to comment at the agenda item.

Cynthia Bast.

MS. BAST: The agenda item please.

MR. JONES: And the particular development you'd like to talk about.

MS. BAST: 5(b).

MR. JONES: 5(b) and 6(b). Thank you.

Cloy Richards?

MR. RICHARDS: Now.

MR. JONES: Now? Please.

MR. RICHARDS: My name is Cloy Richards, and I am the city manager in Merkel, Texas. But today I'm here to represent the Association of Rural Communities in Texas. It's a relatively new organization that was formed to promulgate and to promote rural Texas interests.

What I wanted to discuss with you today is just a little bit about what we plan to do between now and the start of the 78th Legislative Session and go over our objectives. And since they include TDHCA and ORCA and things like that we thought it was appropriate today to take just a couple of minutes and do this.

Our objectives are that we plan to immediately notify our membership of needed action and input regarding pending legislation as it relates to ORCA to monitor legislative oversight committees of ORCA in the House and Senate.

We plan to build strong relationships with the rural caucus, to develop relationships with new members, especially those that represent rural areas, monitor County Affairs House/Senate committees, and to closely watch bills affecting the TDHCA, which will also be monitoring regarding the major rural issues.

We'll monitor those bills with these priorities in mind that we want to preserve local choice regarding rural policies and programs, and we do not want to support bills that will disenfranchise the poor.

We also plan to develop a witness list that will include city managers, mayors, county judges, EDC directors, utility districts who are willing to come to Austin to testify at their own expense during the 78th Session.

We plan to further those ideas by developing an e-mail list of the 78th House/Senate members and staff to be put on an e-mail red alert for rural Texas services to be provided by the Association of Rural Communities, especially toward the rural caucus members.

We plan to develop relationships and e-mail lists for fiscal note bill analysis staff in both the House and Senate. We plan to develop a relationship and e-mail list with the community chair and staff that will be referred to to discuss rural bills.

Develop a relationship and e-mail lists with the Lieutenant Governor, Governor, and the Speaker's office and their staff. Develop relationships with the rural caucus. And to develop relationships with as many new members as possible, especially those who represent a significant amount of population of rural Texas.

We also need to do some coalition building.

And that will include people with the Texas Low Income Housing Information Service, the Texas Association of Community Development Corporations, Texas Association of Local Housing and Finance Agencies, Texas Association of Economic Development Councils, the TML, TAC, Texas Association of Affordable Housing Providers. And we plan to do those things in order to testify in strength regarding bills that will affect rural Texas.

We also plan to develop a rural database in conjunction with the TDHCA, ORCA, TDA, Comptroller's Office, and other organizations in preparation for the 78th Session.

I just want you to know that your TDHCA programs are alive and well in Merkel, Texas. We are having a bid opening tomorrow on HOME Program. There's four or five people in Merkel, Texas, that are very excited about this prospect. And we've had good luck with your organization and with your staff, and we appreciate what you do. Thank you very much.

MR. JONES: Thank you. Mr. Melvin Warren?

MR. WARREN: I'll speak before the agenda item.

MR. JONES: Thank you. State Representative Callegari?

MR. CALLEGARI: Before the agenda item.

MR. JONES: Thank you, sir. Ms. Crow?

MS. CROW: The agenda item, please.

MR. JONES: Ms. Street?

MS. STREET: Agenda item.

MR. JONES: Ms. Flores?

MS. FLORES: The agenda item.

MR. JONES: Mr. Kilday?

MR. KILDAY: Agenda item.

MR. JONES: Thank you, sir. Les Kilday?

MR. KILDAY: Agenda item.

MR. JONES: Mr. Osborn?

MR. OSBORN: Agenda item.

MR. JONES: Ms. Perry?

MS. PERRY: Agenda item.

MR. JONES: Mr. Pond?

MR. POND: Agenda item, please.

MR. JONES: Mr. Stewart?

MR. STEWART: Good morning. For the record, my name is Brent Stewart, and I am a development associate with Trammell Crow Residential.

Before you this morning is a request to approve a bond issuance resolution and a tax credit determination notice for the Greenland Park Townhomes. These are Items 4(c) and 6(c) on the agenda.

No doubt you are aware of the opposition to this development because of the letters and phone calls you have received from concerned neighborhood groups, individuals, and their elected officials.

Due to the ex parte rules associated with the tax credit application we have been unable until now to convey to you our views on the issues raised by the opposition except through our written correspondence addressed to Robert Onion that has been provided to you in your Board package.

Over the last couple of years both the Legislature and this Board have dealt with global housing policy issues, such as needs assessments, geographic dispersion, regional allocation methodologies, and concentration policies. Senate Bill 322 provided a new regional allocation for the Multifamily Bond Program as allocated by the Texas Bond Review Board's lottery.

You have had to address the absorption and concentration issues in your consideration of the tax credit determination notices on all the Priority I and Priority II bond deals.

As you have experienced with other applications, legislators and neighborhood groups in areas that have multiple tax credit developments have expressed their concerns to you regarding the overbuilding of tax credit properties in their districts.

The development community, including Trammell Crow Residential, has responded to these policy directives by trying to develop affordable properties in areas where they have historically not been developed. We have looked away from low income areas that have multiple existing tax credit developments and are targeting areas that are experiencing high population growth, high occupancies, market rate apartment development, and single family development.

But in this effort and in these areas we are finding increasing levels of opposition to affordable developments from neighborhood groups, elected officials, and school districts. We only need to look back over the last year to see this happening.

The Legislature approved the Sunset Commission's recommendation reaffirming that this Board is a policy-making Board. Unlike other states such as California and Florida that have laws specifically dealing with opposition issues, Texas looks to this Board to evaluate the appropriateness and public purpose of any transaction put before you. And when you boil down all of this discussion that you'll hear today the decision before you is a policy decision on opposition-related issues.

Regardless of the amount of politically supported opposition the question is, what issues raised by an opposing group and their elected representatives are relevant in the provision of affordable housing. Or asked another way, what issues warrant denial of a proposed development that fulfills the goals and objectives of the Legislature and this agency and specifically provides significant public purpose for the intended resident.

In our two letters in your Board package we provide our views on each of the issues that, up to that point, had been raised by the neighborhood groups. We believe that opposition to this development is based on misconceptions about the property, the bond program, the perceived characteristics of the residents that would be living in the property.

We conclusively show that affordable housing developments do not create a decline of neighboring property values. Crime levels are related to existing neighborhood characteristics and good property management practices rather than a tenant's income level. We believe that the impact to the school district is overstated because many of the future residents are already living in the area.

One of the predominant arguments stated by the opposition is that the area surrounding this location lacks basic infrastructure, such as public transportation, social services, medical facilities, and jobs all within walking distance.

Because of this they argue that approval of this development represents a misuse of public funds. We offer that the future residents of this property own cars and are just as capable as anyone else in making housing decisions for their families that meet their needs and desires. Furthermore, because most of the future residents are already living in the area they will be very familiar with the ease of access to goods, services, and their employment.

You may hear a review this morning -- an unqualified review this morning of our market study. Their review of the market study does not conform to TDHCA guidelines nor generally accepted market or appraisal convention. The premise that they would have you believe is that the determination of what the market rents would be for this property, if it were not restricted, should be based on comparison to 20-year-old property.

Our market study was performed by an experienced independent appraisal firm conforming to TDHCA market study guidelines and was reviewed and accepted by the chief credit officer. Furthermore, the bond purchaser, as well as the equity investor, who are both at risk for over $21 million in this transaction, have also reviewed and accepted the market study and appraisal.

The market study shows significant demand for affordable units in this area, even using a small delineated market area with a radius of 3.3 miles and a population of just over 58,000. You've seen and approved transactions with market studies using a much larger delineated market area to show this level of demand.

Additionally, the area has very high occupancies and does not contain any rent or occupancy restricted tax credit units. This development provides substantial rent savings over other comparable new product in the area and will provide the average resident a monthly savings of almost $150 a month. This development also shows rent savings over noncomparable 20-year-old product.

I should point out that on Tuesday at the staff planning session of the Bond Review Board meeting the opposition did point out to us a mixed income property in the area that is restricted under the Affordable Housing Disposition Program, which is the old RTC sales program.

It was built in 1982, consists of one– and two-bedroom units. The TDHCA website shows that there are 32 units in this property restricted at 80 percent AMI and there are 43 units restricted at 50 percent AMI. The rest are unrestricted.

While the property was included in the market analyst's review as one of the 34 properties in the submarket, the 75 restricted units were not identified. This omission has no material impact on the conclusions to their report.

David Pallante with REVAC, Inc., who performed the appraisal and the market analysis, is here this morning and available to answer any questions that you may have on the market study, the methodology, his independence, and its conclusion.

The issues voiced by the opposition and their elected officials do not warrant a denial of this transaction. We believe the development fulfills the goals and objectives of the bond and tax credit program as stated by the Legislature and this agency.

The development demonstrates significant rent savings over other comparable multifamily product in the area. The local market shows high occupancies for both old and new product.

Additionally, this development is consistent with the goal of dispersing affordable housing and ending the concentration of affordable housing in generally low income areas.

We are here to answer any of your questions, and I ask for your favorable consideration of this development. Thank you.

MR. JONES: Thank you, Mr. Stewart.

Mr. Sugrue?

MR. SUGRUE: The agenda item.

MR. JONES: The agenda item?

MR. SUGRUE: Please.

MR. JONES: Yes, sir. Ms. Weeks?

MS. WEEKS: Agenda item.

MR. JONES: Thank you. Ms. McGlaughlin?

MS. McGLAUGHLIN: Agenda item.

MR. JONES: Ms. Parker?

MS. PARKER: Agenda item.

MR. JONES: Mr. Johnson?

MR. JOHNSON: Agenda item.

MR. JONES: Mr. Laird?

MR. LAIRD: (No audible response.)

MR. JONES: Mr. Ware.

MR. WARE: (No audible response.)

MR. JONES: Mr. Bean?

MR. BEAN: Agenda item.

MR. JONES: Mr. O'Dell?

MR. O'DELL: The agenda item.

MR. JONES: Mr. Pendergraft?

MR. PENDERGRAFT: Agenda item.

MR. JONES: Mr. Diver?

MR. DIVER: Agenda.

MR. JONES: Ms. Maxwell?

MS. MAXWELL: I want to speak now.

MR. JONES: Please do.

MS. MAXWELL: Good morning. I'm Susan Maxwell. I'm from the Texas Council for Developmental Disabilities, and I have spoken to you at times before.

Just to remind you who we are, we are a federal program. We have -- but we're created in the state to serve the state to create change for people with disabilities so that they can be a part of their community so that they can have choice and control.

We have a 30-member Council. Sixty percent of our Council is represented by Governor appointees that are -- have disabilities or have family members with disabilities. And the remainder are representatives of state agencies who serve people with disabilities.

Today I'd like to offer some comments. Some of them relate to the draft plans that are coming about. But it's kind of general comments.

You all have heard of the 1999 U.S. Supreme Court decision, which is the decision that told states that they had to find places for people to go to live in the community that were institutionalized -- that these people have a right to move into the community just as we all have a right to live in the community, as long as they're well enough and their treatment staff says they can.

So we have talked to you over the years since 1999 about how this is going to be having an impact on people's need for housing, and these people will be at the lowest level of income.

And this year on April 18 Governor Perry's office issued an Executive Order 13 directly related to housing saying that it's important for the state to provide integrated housing opportunities for people with disabilities that will be coming from institutions.

So on -- with that as background information I'd just like to make some brief comments. First, we would like to thank the Department, and particularly Sarah Dale Anderson and her staff, for all of the help that they have given in forging out of the partnership that was required in using the 35 vouchers that HUD gave as kind of the starting point.

It was difficult. It's tedious to deal with all these bureaucracies and put the pieces together. But Sarah and her staff have been there every step of the way. And we appreciate that support.

Secondly, we would like to acknowledge the commitment the Department has made in the plans for the tenant-based rental assistance for the Olmstead population. It's an awesome thing to see the commitment at that level for people.

And, third, we'd like to support your definition that is under consideration and that you'll be looking at for your next meeting on integration of people with disabilities into the regular population that they would no longer have -- the Department would no longer fund housing that segregates people with disabilities with just themselves or with another special needs group. We really appreciate this commitment and think it's a good policy.

Fourth, we have worked with our -- Texas Council for Developmental Disabilities has supported the HOYO project, and we appreciate all the people that are affected by this program who have already become homeowners, even though they have disabilities and are at lower ends of the income.

And we appreciate that, not only have -- do these people have housing, but this program has forged in five communities those relationships between all the parts that allow people to move into their homes, even though they've got disabilities.

And, finally, we are overjoyed -- and I'd do cartwheels, but I never could -- about the Section 504 of the Rehab Act being included in the QAP and the Department's support of that and interpretation.

I thank you for this opportunity to tell you thank you.

MR. JONES: Thank you.

Mr. Pallante?

MR. PALLANTE: The agenda item.

MR. JONES: Mr. Bergmann?

MR. BERGMANN: Agenda item.

MR. JONES: Mr. Landrum:

MR. LANDRUM: Agenda item.

MR. JONES: Mr. Garvin?

MR. GARVIN: Agenda item.

MR. JONES: Mr. Sherman?

MR. SHERMAN: Agenda item.

MR. JONES: Those are all the public comment forms I have. Are there any others?

(Pause.)

MR. JONES: Yes, sir. If you could fill one out for us we'd appreciate it. Thank you.

Now, with the Board's approval, then I will close the time for public comment with the exception of those who want to speak with regard to an agenda item.

With the Board's approval I would like to take the Board's attention to Item 6 on the agenda. And we have so many individuals that want to provide public comment with regard to Item 6 that I've requested that staff go ahead and make a recommendation with regard to Item 6, and we'll take up that agenda item first.

MS. CARRINGTON: Mr. Chairman, I might ask a question for clarification.

MR. JONES: Sure.

MS. CARRINGTON: Is this for the Greenland Apartments transaction?

MR. JONES: And we can do it any way the Board wants to do. We can go through the entire Item 6 or we can just take up the Greenland Apartments transaction first. Does the Board have any preference?

(No response.)

MR. JONES: Why don't take up the Greenland Apartments transaction first, and then we'll do the remainder of the items on Agenda 6. Because I think the majority of public comment that we have this morning concerns the QAP and then also the Greenland Apartments item.

MS. CARRINGTON: Then, for the Board's attention -- or the Board's direction, actually you will find the Greenland Apartments in two locations in your Board materials.

The first is at Item 4(c), where the staff is recommending the proposed issuance of a Multifamily Mortgage Revenue Bonds in an amount not to exceed 15 million. TDHCA would be the issuer on this transaction.

And then the accompanying item to that is Item 6(c), the first item -- the first transaction listed, Greenland Park Apartments, 02443. And this would be for the allocation of the 4 percent credits.

Staff would like to make some introductory comments before I ask Robert Onion to come up. The Department wants to acknowledge the 600-plus citizens that showed up -- that did come to the public hearing that we had at the elementary school on October 3.

We also want to acknowledge, and as in the Board materials, that we have received letters of opposition from State Representative Bill Callegari, from State Senator John Lindsay, from Congressman Joe Culberson, as well as from Leonard Merrill, who is the superintendent of the Katy Independent School District. And all of that information is provided in the Board's materials and has been on our website, including the full transcript of the public hearing that was held on October 3.

The Department's legislation, which is Chapter 2306 of the Government Code, and our Qualified Allocation Plan, which is the plan that this Board adopts on an annual basis and the Governor signs, that we use in directing the allocation of tax credits, considers -- both of those documents state that the Department and the Board will consider public comment and that public comment will become a part of the record.

The Department has considered that public comment, and that public comment has become a part of the record up till today. And all of the comments that are made this morning will also become a part of the transcript of this Board meeting.

Staff has considered the public comment and the transcript from the October 3 hearing and the opposition letters that have been provided to the Board and are in their Board books.

It is the Board's responsibility -- it's staff's and Board's responsibility to carefully consider the proposal of the financing, public input, state policy, and Department's purpose to provide decent, safe, and affordable housing, and the fair housing principles of supporting dispersal and deconcentrated housing and working to educate the public to overcome stereotypical objections related to low income housing.

As an example, the target income that this family -- that this property will be targeting for a family of four in this part of Houston, the income would be $35,760. A nonaffordable development could be built on this same property. The Department does feel, and staff feels, recommending to the Board, that this is an acceptable site for this development.

With a tax credit development, as many of you all probably know, there is a monitoring part of this where the property will be monitored for 30 years.

The Board must make its decision based on the merits of the housing proposal, in addition to considering the state policy of assisting low and very low income people who are not assisted by other government programs and affirmatively furthering fair housing by supporting dispersal and deconcentration of affordable housing.

Staff believes the proposed development that has been in front of us for the past month-and-a-half, and is in front of the Board today, meets all of the aforementioned criteria. And staff is, therefore, recommending to the Board that they approve the issuance of tax-exempt bonds in an amount not to exceed 15 million and the issuance of the 4 percent low income housing tax credits. Thank you, Mr. Chairman.

Mr. Onion?

MR. ONION: I will be brief.

MR. JONES: Congratulations.

MR. ONION: I did want to tell the Board that we do have commitments -- both debt and equity commitments on this transaction. And should the Board favorably consider this transaction we will move forward to close it.

What staff wanted to do is give you some highlights of the market study, which we feel are important -- that were important in our decision and our recommendation for this particular project.

Number one, I wanted to state that the -- here is the map of the property. It is located in the unincorporated area of Harris county. It is just south of Clay Road on Barker-Cypress and Greenland Way.

Of particular importance -- and I have that in yellow -- no rent-restricted units have been built that currently exist within a three-mile radius of the subject property. You just heard from Brent Stewart, who indicated that there is one rent-restricted property that was not identified within the market study. Approximately 28 percent of those units are rent restricted out of 260 units. There is another Class A, 320-unit project going in that particular area, and it should break ground in 2003.

Another important issue is, of the 34 multifamily developments within the delineated market area, 66 percent of them were built between 1976 and 1986, with just the balance of 33 percent between 1991 and 2000.

Among all of the 34 multifamily developments surveyed 53 percent of them are either efficiencies or one-bedroom floorplans. This particular design of this development is geared towards families. Therefore, it offers a higher than typical percentage of two– and three-bedrooms currently existing in the market.

There is a relatively large contingent

population -- 19.8 percent make less than 25,000 a year. And 35 percent make less than 38,784 per year, which is what it would take in order to qualify for a home at a $100,000 range.

The Metro Park and Ride is approximately 2.21 mile radius from site. The elementary school is directly across from this subject property, and the staff feels like that is an amenity for the development.

What I wanted to show you is where the proposed Greenland Apartments is, the gas station, the grocery store, the playing fields, where the elementary, high school, and middle school are, and the Park and Ride.

There is a question of whether or not there was medical facilities. Both hospitals are within approximately 10-minute commute from the subject. Also, from a recreational standpoint, there is Addicks and Barker Reservoir, which has rifle ranges, playing fields, jogging trails, et cetera, together with restaurants and other amenities.

Also of important where the jobs could likely come from would be the 52-unit retail centers totaling 3.62 million square feet. Also to point out the Katy Mall is approximately five miles away. That is where the Bass Pro Shop, Outdoor World is, and that area is also slated to have hotels, restaurants, and a Destinations resort.

Also within the market study, because -- or the demand, they feel like the property will lease up in relatively record time within one year.

If you all have any questions I'd like to address them at this time.

MR. JONES: You may want to stick around a minute.

MR. ONION: Okay.

MR. JONES: What I'd like to do now -- and, obviously, it is -- goes without almost saying that the Board is very dedicated to fulfilling its responsibility to give the public a reasonable opportunity to appear before us to speak on this issue, as well as any other issue.

Obviously, we've already had one individual already speak on this issue. I would like to say this. We have so many though that do want to speak that I think there will have be some time limitations.

However, I do know that there are certain people here that speak -- for example, Representative Callegari will speak on behalf of others. When you speak on behalf of an entire group, if you would tell me that, I would like to give you much more deference with regard to time restrictions. If you just speak for yourself I would like to request that you try to limit it to three minutes. And that's not a strict rule. We'll see where we go from there.

State Representative Callegari?

MR. CALLEGARI: Thank you very much, Ms. Carrington and Board members. I appreciate the opportunity to speak to you all this morning.

MR. JONES: Thank you for being here.

MR. CALLEGARI: My name is State Representative Bill Callegari. I represent District 130 in Katy -- which is Katy in west Harris County. And I am speaking in opposition to this project.

My office has received an unprecedented number of phone calls and e-mails from constituents in opposition to and concerns about this project. As was mentioned earlier, over 600 residents attended the public hearing and 1,800 signed a petition opposing this project.

Now, I have several major concerns. First and foremost is the location of the facility. It is located basically in the front yard and adjacent to an existing elementary school, which I think raises some real concerns in terms of particularly traffic problems that it's going to create. There's not even a street -- a public street that separates the two properties, and I think that creates some major concerns.

This project will place an immediate burden on the Katy Independent School District by adding approximately 200 students at a cost of something in the area of $1.25 million. Due to Robin Hood, even though this project will pay taxes, for every tax that's paid -- every dollar of tax that's paid they lose a dollar from the state. So it's a net no gain for the district, so it is a cost to the district.

I will also acknowledge, of course, that any apartment complex creates that kind of problem with a school district. But, at any rate, it is a burden on the people in the community, the taxpayers in particular.

I am concerned that this project could be converted at some point in time to a tax-exempt project, tax-exempt meaning exempt from local property taxes. Even though this may not be contemplated by the developer it is possible to do sometime in the future and could create a serious problem. And I am concerned about that.

Again -- in addition to this, according to a study made by the residents -- and they have spent a lot of time and energy looking at various issues related to the market study. There are apartments in the immediate area with rates comparable or slightly less than these apartments.

This raises several questions. First, if there are apartments currently available at comparable rates is there a need for this project. And I do think that's a serious question that needs to be answered.

Second, because this project is isolated from some other services -- it is fairly remote -- if you were able to drive out there and see it you would understand that -- why would anyone choose this apartment over existing apartments that are more logically located.

When you look at the old adage of location is most important in real estate values -- real estate purchase -- you can see that -- you would readily see that residents are more likely to go into an area where there are existing services that are very amendable to them.

If we have a problem with this complex whereby it may not -- where there may be some problems with vacancy, then it creates a credible problem in terms of the ability to pay off its bonds. And I think that's a serious consideration.

In there -- in the TDHCA study it did exclude older apartments. As I mentioned earlier, I don't think this is a fair comparison because the older apartments in this area are well built and competitive and they are better located. And, again, the old adage of location holds true.

If these apartments are better located, people are more likely to go to the apartments that are less cost or comparable cost but more convenient to them from a location standpoint.

The other issue is that there have been some comments that the Greenland Apartments are Class D construction, whereas the other existing apartments in the area are Class A and B. And I think, even though they're older, certainly stand to be good competition to these. And I don't think it's right to only consider new apartments as a comparison in terms of rates.

But, basically, those are the comments I want to make. I want to encourage you to reject this project and not approve it. I will say further though that the residents in this area -- of this area who are present here today have researched this project carefully -- have taken a lot of valuable time away from their families and their businesses to be here today. And I ask you to be patient with them and give them an opportunity to express their comments. Thank you very much, and I appreciate the ability to speak to you.

MR. JONES: Thank you, sir.

MR. CONINE: Representative, can I ask a question?

MR. JONES: Certainly. Representative?

MR. CONINE: I couldn't -- thank you for being here today. And I couldn't allow this opportunity to go by without making at least a couple of comments related to the particular project and related to your particular elected position.

One, I think the issue about not being on the tax rolls -- this property not being on the tax rolls only came about through a legislative process, as I'm sure you're aware.

MR. CALLEGARI: Yes, I am aware of it.

MR. CONINE: And if that continues in future you obviously have some influence of that particular issue. And although I think it's meritorious to -- the intent that that particular piece of legislation passed -- that was passed quite a while ago is providing a valuable service to the affordable and low income housing needs of the citizens of Texas. It's really ultimately the Legislature's responsibility on whether that issue's out there in the future.

MR. CALLEGARI: Yes.

MR. CONINE: Secondly, the reason we're here talking about this particular project today is not because we went out and chose that location or -- and it is because the developer went out and chose that location. But the priority on the private activity bond process was a result of a ping-pong ball selection, which is of no -- this Board has absolutely no control over it.

MR. CALLEGARI: Right.

MR. CONINE: I would urge you to think about that. And, again, as your role as a legislator, for us to receive the, quote, criticism that we sometimes receive as a Board, and for that criticism to come about as -- because of a ping-pong ball selection process, to me just totally disregards the intellectual capacity of this particular Board in moving these projects around the state where the needs are. And I would hope that the Legislature would help us in that effort to rectify that situation.

MR. CALLEGARI: Well, I do agree with you. In fact, I've had a conversation with Ms. Carrington about the need to, I think, change that process. In particular, I think there needs to be a method to prescreen projects so that both the Board and the developer, if you will, will have an opportunity to know what kind of opposition they may have.

I haven't figured out the best way to do that, but I think it's something that we will discuss. And I certainly hope to be part of that discussion.

MR. CONINE: Thank you very much.

MR. CALLEGARI: Thank you. Any other questions?

(No response.)

MR. CALLEGARI: Thank you.

MR. JONES: Thank you, sir. And I would like to say this. I think the State Representative has done a great job of defining the issues and helping us get to the point in providing this input on the very issues that we as a Board need help with.

I would like to say this. I think his encouragement that we provide patience -- we certainly want to do that. And, more than patience, we want to really listen and to provide you our rapt attention, I hope, on these issues because we very much do want your input and need it. It's not something we're doing just because the law tells us we should it. We're doing it because we very much want your input.

As you address us -- those of you who do care to make public comment on this issue -- I would like to kind of echo something the state representative said. You need to keep in mind what we as a Board are looking at -- what we as a Board are trying to decide.

We have a duty -- the law tells us that we must provide for the housing needs of individuals and families of low, very low, extremely low income, and families of moderate income. State law says that what we should do. That's what we're supposed to be about. We shouldn't have taken this job if we didn't want to do that.

Secondly, federal law says that, as a recipient of federal funds, we have an obligation to affirmatively further fair housing. And that involves dispersing and decentralizing affordable housing and working to overcome NIMBY-ism or -- you know, that can be described a lot of different ways -- but just the concept that you don't want to have it in your neighborhood. So we -- by federal law we must look at and we must be doing that.

By the same token, with regard to every development, we have to look at all kinds of issues, such as location, schools, employment opportunities, crime, traffic, and shopping and other services. We need to look at those issues. We are going to look at those issues and try to balance out whether or not a development should be approved by this Board.

No development is going to be perfect in any regard, and we need input on those items. And we certainly look forward to receiving your input on items.

I say that only because I thought the state representative did such a good job of helping us define those issues and would like to encourage that those are the points we can look at, and are interested in looking at, because that's what the law provides us. And maybe that will give you some help as you frame what you want to say to us today.

With that as backdrop, the next speaker is Ms. Jan Crow.

MS. CROW: Good morning. My name is Jan Crow. I'm district director for U.S. Congressman John Culberson. He could not be here today and asked me to be here for him. Congressman Culberson is in opposition to this project. His reasons for opposition are in a letter that is part of the public record.

And he recently communicated with the Board his concerns that the individuals who are in opposition receive a fair hearing before the Board. Your staff has already pointed out that these individuals represent more than 600 people who attended the public hearing, more than 1,800 people who signed the petition.

The congressman just wanted me to point out that he has had the privilege of representing west Houston for 14 years as a state representative, and the last two years as their congressman. In that time there have been many, many affordable housing projects built in west Houston. He has opposed in those 16 years only a handful. And, actually, when I went back to check on it I think it was only three.

But he felt strongly enough that this is an inappropriate proposal for this location that he asked me to come and state that to you personally and to also thank you for affording the opposition a fair hearing. Thank you.

MR. JONES: Thank you, ma'am.

Mr. John Osborn.

MR. PENDERGRAFT: Mr. Jones, if I may, I'm Robert Pendergraft, the attorney representing the homeowner group. And we sort of have a batting order in our presentation which should facilitate this and move it along a little --

MR. JONES: Sure.

MR. PENDERGRAFT: -- quicker and more logically. The first speakers are going to be the people who have the most information, which is detailed in our opposition to the market survey, which we have provided here for all the Board members. I'd like to see that they be distributed.

I must say I was a child of the '60s here in Austin, and it's always wonderful to come back to Austin on a day with weather like this. I suppose I have to make one comment. Considering the generation I grew up in and my age now -- I'm 58 -- I'm glad to see that there's a lot of us what I'll call aging hippies out there who thoroughly support the policies and the goals of this Board and what you're trying to achieve.

In general, providing affordable housing for all income levels in our society is a very commendable goal. And, in principle, I think all of the homeowners who have come from a very diverse community support everything you're doing.

I want to emphasize that the opposition and the attack is on the specific market survey that was done in this particular case and also this particular location.

Also I am pleased to introduce -- our first speaker is Ms. Judith McGlaughlin. Ms. McGlaughlin is an industry and market analyst with M1, LLC, an oil service company owned jointly by Smith International and Schlumberger Limited.

Her responsibilities include strategic planning for the company, the analysis of forecasting responsibilities of trends in global oil and oil service markets, as well as the identification of specific segments within the oil service market, and an evaluation of their marketing and financial attractiveness to her company.

She earned her M.S. in sociology and urban planning at Texas A&M University, where she also worked as an associate for the Texas Transportation Institute. She subsequently earned a Master's of Business Administration at the University of Houston, specializing in information systems and decision support analysis.

Her professional experience includes a position as senior analyst with Shell Oil Company, marketing projects manager with Dresser Industries, and, more recently, the manager of market research and planning with her own company, M1.

Also, most importantly, she is a mother of two, Sam, who is 14, and Kate, who is 9, who attends the school in question.

Ms. McGlaughlin.

MS. McGLAUGHLIN: Let me tell you what an honor it is to address you today and hopefully provide you some insights into our perspectives with respect to the market study.

Before we get into some of the details of the analysis, what I'd like to do is just kind of give you an overview of what we're trying to accomplish. And we've got a fairly lengthy presentation, but we thought it would be good for us just to walk through some of the selected pages that might provide you the most information to help you make your decision. So, if you don't mind, I'll just refer you to page 2 right now for the summary and conclusions. And, as I said, just to try to give you an idea of where we want to go and how we're going to pull the data together to show -- to get there.

Fundamentally, Trammell Crow has told us in its market study -- and this was reiterated by Brent Stewart today and also in his letter to you last week -- that there is a significant unmet demand for low income housing in what is referred to as the subject market area.

I want to point out that the demand is not from new households moving into the area -- this is a high growth area -- but rather it currently exists with the demographics that exist within this community. And this is a very important distinction.

They also maintain that there will be quick absorption rates of the units for two reasons -- and we will challenge both. One you've already heard. That is there are no other rent-restricted properties in the area. And then, secondly, that the rental rates that are going to be offered by Greenland are substantially lower than market comparables. And, again, we will go over the whole issue of comparability because this is one of the critical arguments.

In fact, what they say is that compared to six projects that they identified -- six of the ten that fell in the new construction category -- Greenland's rates are some $150 a month lower.

We do not take issue with Trammell Crow's estimates of the numbers of low income households that live in our neighborhood. We'll kind of identify some of these demographics shortly. But we do take issue with the assertion that they are currently living in substandard housing, that they're paying more than 30 percent of their income to monthly housing payments, or that they're living in overcrowded conditions. This is what the National Affordable Housing Act calls the target population.

And, as you will see at all the projects that -- that if you take into account all the projects in the area -- not just the six that are identified by

Trammell Crow -- you'll see that the savings is much less than the $150 that they talk about. And the savings, we will further show, does not clearly reflect the physical disadvantages of a Class D apartment project nor the locational disadvantages that we've been -- that have been already alluded to.

So if you would like to turn to page 8 -- this will get easier because we won't be jumping around. I just wanted to point out that we are a very diverse neighborhood. We did our demographics and looked at the market study from the perspective of where the information was obtained and do believe that we have a population of approximately 20,000 households -- a median household income of $54,000. And what I wanted to note was the even distribution of the incomes around that median, which shows a remarkable balanced diversity of income groups within our community.

And just to bring this a little bit further home, in the very center of the debate, Schmalz Elementary, 40 percent of the students at that school are on a free and reduced lunch program, and 60 percent of the students at that school are considered to be categorized in a minority group -- 46 percent Hispanic and approximately -- the remainder being either Afro-American or Asian. So we are a very diverse community. So we take no issue with the demographics that are shown.

Please turn to page 10. This was a slide that I almost deleted from the presentation as I was going through what the relative importance was. But after going through -- to the BRB meeting on Tuesday I think it's really important that we understand this.

Twice in its report Trammell Crow suggested that the population and household statistics for the subject market were, in their words, reduced. And we take that to mean that they're somewhat lower than what you -- that you normally consider as being required for project approval, and also suggests that there is a possibility that demand assumptions -- that is, demand within the market area will be realized. In fact, what they say is that tenants from beyond the market area will likely reside at the subject property.

So what we're going to do is point out that there's two themes going on here. One is that there is an existing demand that exists in the market area -- and I spent most of the market study trying to document that demand. And we'll go through some of the statistics in just a moment.

The other is that, even if there isn't a demand now currently in this low income -- if there isn't a sufficient low income household population to support this project that occupancy rates will be realized because they'll come from outside the area.

And that's two different -- and that's relatively fundamental to understanding exactly whether we are serving the need of an existing population or serving the need of a future population that would be attracted to the area.

If that's the case then I think it's important to take into account the issues that the local opposition raises because location doesn't become as important if it's to be coming from future growth and there is no existing demand.

If you turn to the next page, page 11, this is a table I took out of the market study that deals with capture rate. Having gone through the -- I think Robert talked about the -- excuse me, I forget the number -- it was 18 percent, 19 percent of 4,000 households that fell below 25,000. When you do the age and income qualifications for these particular units the numbers come down to more like 1,637 households are age and income -- not age -- size- and income-qualified for these units.

If you distribute that across the various household type, which would fall in the one– and two– and three-bedroom units, you can see what their capture rate is by household unit. And this becomes another important point because we're talking only as apartments as a source of supply. Homes are also a source of supply. And you'll see -- and I'll bring that out in a minute.

But, in any case, if you'll look at that, of the 252 units, 152 of the Greenland project is to be built at the two-bedroom level. That represents a capture rate, based upon their own demographics, of 30 percent, which is twice what the 15 percent is.

Now, as Mr. Stewart pointed out -- I don't have as much experience in this area as does Trammel Crow. However, I look to you to see whether that capture rate makes sense. And, from a business standpoint, if I had done that market study prior to doing the design of the unit that may not -- this particular design may not support the business proposition that they have.

Okay. In making those points, do I need to answer any questions?

MR. JONES: Let me ask this.

Mr. Osborn, how many speakers do you have with you?

MR. OSBORN: Everyone that you said on 4(c).

MR. JONES: Okay. All of them are with you all? How long do you expect this presentation to take?

MR. OSBORN: After Judith I expect everyone will try to honor that three-minute --

MR. JONES: Okay. If we could do that --

MS. McGLAUGHLIN: Okay. I apologize.

(Pause.)

MR. JONES: -- we're getting into --

MS. McGLAUGHLIN: Okay. Okay.

MR. JONES: Obviously, we're at six minutes and going. And I wanted to make sure because we have people that do want to speak. Thank you.

MS. McGLAUGHLIN: Okay. Let's turn to page 15 and we'll walk through this quickly. But I wanted to address the issues of comparability just to give you a sense of how we went about what we did and -- as compared to the market study.

This is a database that shows you that there were 34 units that were addressed in the market study that Trammell Crow put together. Some of those fell out of the market area that we defined. In fact, the market area was variously -- defined at various ways. And I'll show you in just a moment what we defined it as.

They've talked about the 3.35 radius. They also talked about a 42-square-mile area with boundaries that we elected to take. We wanted a firm definition of what the market area is and one that represented really what the initial delineated area was in the market area.

In any case, we canvassed 18 projects that fell within this area, collected data on their monthly rental rates, as well as their square footage. And so, in summary, of the projects in the study's market list -- over on the right-hand side you'll see what units were in the comparables for the market study -- only six were used by Trammell Crow. Five of those fell within what we considered to be the market area and one fell on the other side -- or south of Interstate 10, which really did not make a difference in the numbers that you'll see on the comparables. It just represented a -- somewhat of a failure to have a familiarity of the area.

On the next page is the map of the subject market area, which was initially defined by the study as being bounded to the north by West Little York, to the east by State Highway 6, to the west by Peak [phonetic] Road or State Highway 99, and Interstate 10.

And then what we've done is just identified the various projects that fell within that market area and identified as well the units that fell outside the market area, as well as the ones to the south as well as to the east of Highway 6.

The other point I wanted to make is most -- as Mr. Callegari indicated -- that most of the apartment units today currently are either located along State Highway 6, which are where the older units are, or the new development, which is on Park Row. And there's obvious reasons with the amount of congestion that we're having on Interstate 10 and limited access roads to the freeway we're finding that the only access road is Barker-Cypress. And this area becomes highly congested. Thus, location becomes very important.

MR. CONINE: Is this where the age of the projects might come into play here. The ones on this map inside the box are probably older units and the yellow ones on the outside of the boundary is probably newer units?

MS. McGLAUGHLIN: No, no. There's no reference to age on that. In fact, the ones to the east of Highway 6 are all relatively older units.

MR. CONINE: Okay.

MS. McGLAUGHLIN: But there are -- the age is distributed throughout there. You will find newer units along Park Row, but we have pretty much an equal distribution of new and old units within that. We've eliminated the older units there that were outside the market area.

MR. CONINE: Okay.

MS. McGLAUGHLIN: So the question becomes, you know, why to include and why to exclude. Why did the market study want to exclude the units that -- both the new and old units that were not included in the six comparables -- or the five comparables.

On page 17 we talked about comparability, which is -- we've talked about already. It seems to be based entirely on age. And here's what they say. They say, The market study concludes that the exclusion of projects constructed in the 1980s is appropriate because the project is new and because the improvements are above standard in terms of age. And, as I point out, of the six -- of the ten on their 33 apartment projects that they listed in their initial study, ten were built after 1990, but only six were included in the comparables.

And in terms of class of construction the project is described in the market area as a Class D, or wood frame project, which obviously has some impact on the comparability of the project, as does location.

I'm going to skip page 18 and go to 19 to try to put the age of the units in perspective. We were troubled by the report's belief -- as being residents in the neighborhood we were trouble by the report's belief that only new units -- that is, units built in the last ten years -- should be considered in assessing comparability.

This chart comes from the market study. It shows the distribution of apartment projects, both within the subject area, as well as a comparison with the total of the Houston MSA. And it certainly shows that units in this neighborhood are relatively younger compared with other -- with the larger Houston MSA community. In fact, 64 percent of our units were built in the 1980 to 1989 period, 24 percent in the 1990s, and only 2 percent in the '70s, as compared with 40 percent in the '70s for Houston as a whole.

On the next page we'll begin to show our rental rate comparison. If we take the 18 units that we identified -- we collected rental rates on the one-, two-, and three-bedrooms, capturing square footage and monthly rates by plan. We looked then for the relationship between square footage, in terms of apartment size, which is on the horizontal axis, and monthly rates, which is on the vertical axis.

And, as expected, by each type of unit, there's a strong relationship between the two -- that is, the bigger the apartment that you rent the more you'll pay. But you'll note that this is not a 45-degree angle because there is a some evidence that the larger the unit the resident pays less in terms of square footage.

From an economist's point of view this trend line can be considered a typical market price and one which we would suggest would be the true market comparable. Floorplan and rental rates that fall above the line can be considered earning a price premium and those below the line a price discount.

This approach assumes that all units are basically the same -- that is, there is no locational advantages, age differences, or existence of amenities that would cause us to segment the data differently based on these characteristics.

And this is really relatively important because you can see there's a very close correlation and that there is some deviance. And if there is an age factor in there what you'd see is a different grouping of the points around age. And this does not occur.

Having said all this we then added the Greenland project to the analysis and made the surprising, but fundamental, finding that the projected rate for the Greenland Apartment for one-bedroom units falls almost exactly or somewhat below the trend line indicating these units are not being offered at a discount to the market, but rather the developer has priced them relatively close to market rates based upon square footage, assuming that you include all of the 18 projects.

On the next page is the two-bedroom units. We do find from this, again, a strong correlation of the points around the trend line and no apparent differentiation based upon age. Looking at these two-bedroom units we find the Greenland project does offer a modest discount to the market price.

Greenland has reduced its rates from the 750 that was proposed in the public hearing to 734 monthly, and that it appears that there's about a $75 per month discount to the market rate. This is assuming that the size of the units is all -- that was normalized based upon size -- that is, the comparables are normalized so that we're off -- the market rate that we're comparing to does reflect those that are being proposed for the Greenland project.

And then, finally, is the three-bedroom unit. Now, our database for three-bedroom units was not as rich as it was for the one-bedroom and two-bedroom units. There is a strong correlation, and there's a couple of points that I wanted to pull out from here.

The reason that there are no more three-bedroom apartments -- and I think Mr. Onion made this -- that there was a market for three– and two-bedroom apartments that wasn't being realized -- is that there are a large number of single family homes that are being rented by renters -- in fact, with the number that they quote us, that 32 percent of the single family homes in the neighborhood are being rented as opposed to being owned. So this is another source of supply that is being used for the larger families for reasons that reflect the desire to be in single family homes.

But this is why you see fewer points. And interestingly enough also that the Greenland Apartment is among the smallest of the floorplans available in the community. And when they did their comparables they actually had to use larger two-bedrooms rather than use three-bedrooms because three-bedrooms didn't exist. So we've talked about two-bedrooms and their capture rate, three-bedrooms, and the -- really, the lack of three-bedroom apartments because of the availability of single family dwellings to try to challenge some of the things that you've seen in Mr. Onion's presentation.

The next slide --

MR. CONINE: I think you may have hit on a subject I was thinking about. Because the rents here are derived by the incomes, not the square footage.

MS. McGLAUGHLIN: Well, we'll get --

MR. CONINE: So, I don't know -- you know, to compare the two I'm not sure what that gets you relative to analyzing, other than the fact it's obvious that the rents are below the trend line or below what's available in the marketplace. That's just a coincidence. But the rents that they're setting is based on the income for the area, not the square footage.

MS. McGLAUGHLIN: That's right. And I agree with you. In fact, normalizing to this line really isn't a really good reflection of really what we wanted to show you. And if you bear with me I'll go to the next page. Because there you're really looking at how much money these people have to spend each month. And that's the real criteria.

So we'll skip the next page because that just shows -- this is just a summary.

But you've exactly hit the point. If you're really talking about people and not a normalized data point on a regression curve, then what you're looking at is, are there apartment units in the area that offer rates on a dollars per month basis that are less? And --

MR. CONINE: They're also some that are more.

MS. McGLAUGHLIN: And there are some that are more. But that also shows you we had a very diverse community that included --

MR. CONINE: Which, to us, kind of proves that the way the system is set up is working if it comes in below where some of the others are in the market, which is what it's supposed to be doing.

MS. McGLAUGHLIN: But if the market need is based upon the current population that exists and that are living either in homes that they're renting or that they're living in these projects that cost less on a dollars-per-month basis, then you're asking, in order to achieve, you know, a lower dollars-per-square-foot basis or for you to -- then you'd have to actually spend more on rent than you're currently spending now. And the question is their incentive for them to do that. Uh --

MR. CONINE: Go ahead with your presentation.

MS. McGLAUGHLIN: Yes, okay. But I think you're hitting at the heart of the matter. And that is --

MR. CONINE: We could twist brain wrinkles all afternoon here. Go ahead.

MS. McGLAUGHLIN: But it's my -- I guess it was my job to show you that there are -- I mean, the question is, is there a market need. If the low income households are currently living in apartment units that are in the neighborhood and are paying less than the Greenland project then what market need is being served by the Greenland project? That's our issue. And it's my job to show you from based upon our facts that this exists.

MR. CONINE: Okay.

MS. McGLAUGHLIN: And then what we'll do then -- then you say, Okay, well, are they living in substandard dwellings that we need to move them from this because they're maybe paying less, but we need to take care of their quality-of-life needs, then we have to ask that question. And we can only provide you with the evidence of what those apartments are and what they offer and how old they are.

So this chart will show you that the Greenland Apartments falls -- for a one-bedroom it falls right in the middle in terms of the 18 projects that are out there that have -- that are priced out on a dollars per month rather than dollars-per-square-foot basis.

A two-bedroom on page 25 will show you that there are six projects that are offered. The Bent Tree, which is exactly -- almost identical in terms of this average rental rates for these two-bedroom units, falls almost exactly. And it was constructed in 2001. So the issue of age really is not the real driver.

In fact, not to get into the technical aspect, but if you look at it on a -- if you try to estimate this statistically and look at the variance of price relative to age and square footage, you'll see that square footage accounts for approximately 80 percent of the variance, age -- square footage accounts for 80 percent of the variance and age accounts for the other 20 percent. It is just not that significant to looking at why rates are the way they are. And I can provide you with those models if you'd like.

So you've asked the question -- or I'm asking the question: What are these units that we've got here on the bars that fall below the green line? Page 26 will show you the Pine Forest unit. What I've done is put when it was constructed, what the monthly rates are and square footage is, as well as the class of the unit.

And we can just leaf through each of these to show you that these are not substandard dwellings. These are places that -- you know, that house the various income levels that fall within the target population, at least as they relate to the one– and two-bedroom units.

The Villages of La Fortrine [phonetic] is the one that we talked about in terms of being restricted. Notwithstanding the numbers of units that fall within rent restrictions, you'll see the monthly rates are considerably lower than the -- than what the Greenland Apartment has, so I'm not sure what the numbers of rent-restricted units means. But from a market standpoint they're generating less. And so I'll just leave you to flip through these various pages.

Mentioning also though that Bent Tree is the one that was built in 2001. There the average rental rates are relatively -- or are comparable to Greenland. And, in terms of features and amenities, they also offer garages and a little area or yard for the residences.

So we'll conclude. And I know that we need to go to others. But, in conclusion, the market area for Greenland is demographically diverse. We have low and middle income households distributed. But that affordable quality housing exists for low income housings. They're there in the community today. And the existing rate is less than the rates projected for Greenland.

For them to come with $147 per month comparable really isn't a comparable as far as that we can see. They've chosen six units to make comparables on based upon features and amenities, but I don't think -- I think they've excluded a very important supply.

And then, finally, we've tried to make the case that apartment age should not be considered to exclude on the basis of comparables. And, even if there is, based upon the regression lines of $58 per month difference, this differential is not enough to stimulate a turnover of low income residents who have to deal with monthly payments on a monthly basis. They have to deal with that. It's not enough to stimulate them to move to another -- to the Greenland Apartments.

So, again, when you look at -- the issues I wanted to raise were market demand -- is there a sufficient market demand or is there a sufficient supply of affordable housing within this community in order to meet the needs of low income residents? I think the answer is yes. The 1980s apartments, when you look at it in the context of Houston, are not old and certainly represent good and affordable housing.

If the issue is that the market demand is coming from the future because we have tremendous growth within the Katy and west Houston area, then we must look at the issues associated with the location to the school and to the other things that the speakers today will talk about. Thank you.

MR. CONINE: Could you expound on it because I getting ready to ask a growth question. And you just wrapped up your last sentence there by growth.

MS. McGLAUGHLIN: Yes.

MR. CONINE: We're making, in essence, a 40-year decision here. And you said that you had to look at the future growth because growing and expanding and all that relative to it's next door to the elementary school. Is that -- explain that please.

MS. McGLAUGHLIN: What I said in terms of -- if the basis for this project is based on future demand the occupancy will be because we have growth into the area. And, mind you, the report said there's -- that the new demand's only 67 households annually. So that's not where the market study says.

But if you say that the demand in this project will be viable because of the growth of households into the community then you could put that -- you could put this low income housing not here where you think you have 1,637 households that are in need of that project and need to be in -- it needs to be located near them. But you could put it across the freeway for all that matters because the growth could still go to that apartment. It doesn't necessarily have to be at this area if the demand comes from future growth.

If the demand comes from the fact that these households do not have affordable housing today then it needs to be at that -- in this neighborhood. If it comes from outside -- if the residents are coming from outside the neighborhood then it doesn't have to be next to a school. That's my point.

MR. CONINE: And I think I alluded to the fact that we don't necessarily have a choice in placing these projects -- that Representative Callegari probably has more of an influence on that than any of us here.

But if -- does the neighborhood believe that the shopping center's coming and the office buildings are coming and the general characteristics that were laid out for the area in the earlier -- in the staff presentation or not?

MS. McGLAUGHLIN: There's -- the Barker-Cypress is an interesting area in terms of how businesses will develop. They haven't developed at that location currently because of the existence of the reservoir and the failure to have sufficient numbers to make these businesses viable. And I'm not really qualified to be able to answer exactly what's going to happen in the future along Barker-Cypress and what the growth rates will be. So far they have been to different areas within the -- either south --

MR. CONINE: Related to the conversation about being located next to the elementary school, that's ideal as far as I'm concerned because -- and the kids aren't having to cross a public street at that particular age bracket of kids going to that school. Get to junior high and high school, it's a little different scenario.

MS. McGLAUGHLIN: Well, my --

MR. CONINE: Comment on that.

MS. McGLAUGHLIN: Okay. Well, my child takes the bus right now. And I'm assuming that there's a bus service -- school bus service from Green Meadows to this -- I don't see that they're getting a net gain in terms of -- that there are going to be safer in being able to be right next it. My child doesn't have that -- is currently rides the bus.

MR. CONINE: No, no. But I'm saying if you just had to pick a location and you can go next to an elementary school I would think you would choose that over one that you'd have to take a bus from.

MS. McGLAUGHLIN: I think there's concerns that you have to look at a balance between the safety concerns of the kids that are already there and having a high density property where they get lost. Here's an anecdote to try to explain that. My husband went to take pictures of the school to be able to demonstrate to you exactly what the location is. And he's standing on the corner and a teacher sees him and calls the police and asks him to be removed from the property. My husband doesn't normally get arrested by the police.

MR. CONINE: Well --

MS. McGLAUGHLIN: If my husband was standing right at the fence that's going to abut this he would not be seen. There's other concerns that people have -- that exist in terms of kids walking home and then finding their way to the neighborhood pool. There's just -- I know that there's a legal terms perhaps for it, you know.

But it's when you put a high density project -- whether it's low income or high income it doesn't matter -- you'll lose the setting in which that school exists -- the green surrounding area, you begin -- you can put it right next to a school, which then jeopardizes to us the safety of those children.

We don't -- and so you balance that against the

97 kids that are going to be able to cross -- come and cross the very busy car pool lane in order to come through and be there. I don't know. It's -- that's our position.

MR. CONINE: Okay.

MS. McGLAUGHLIN: I mean, we're getting from data and, you know, proof of market demand, which is where my expertise lies, to one -- there's more subjective issues that you all will have to consider and others will hopefully provide better testimony. So can I answer any other questions?

MR. CONINE: No, not from me anyway.

MR. SALINAS: Did they --

MR. JONES: Mayor?

MR. SALINAS: Did they pick up a petition of 1,800 people -- do you have a petition of people that signed?

MS. McGLAUGHLIN: Yes. Who has that?

MR. SALINAS: Who has a copy of that?

MS. McGLAUGHLIN: You have a copy.

MR. SALINAS: Did we get a copy?

MS. McGLAUGHLIN: Yes.

MR. SALINAS: I have got no copy.

FEMALE VOICE: The Texas Department of Housing provided that.

MR. JONES: Thank you.

MR. SALINAS: But you know that you all don't have any zoning in Houston. See, that's a big problem we have here that your city does not have any zoning. And, actually, we're the ones that are having to do that zoning and having to talk to people that we don't even know --

MS. McGLAUGHLIN: I know.

MR. SALINAS: -- while the City of Houston and the county commissioner and state representative should take care of that and be able to address that problem before it comes here. And I think that's one of the major changes that we're going to have to do in the QAP next year.

That if they don't have zoning in their community they are not going to be -- I'm not going to consider their projects because it's really hard for us to do that. And I know where you're coming from, but 600 people showed up to your meeting.

MS. McGLAUGHLIN: Yes.

MR. SALINAS: And you had a 1,800 --

MS. McGLAUGHLIN: Yes.

MR. SALINAS: -- petition. I haven't seen that petition, but I would like to see it.

MS. McGLAUGHLIN: Let me agree with you totally about the zoning issues. I'm a longtime Houston resident and it's --

MR. SALINAS: It is hard for us to do that because we don't even know the area. I know I've got a bunch of letters -- faxes from Houston. But I would think that would be the responsibility of the elected official that is elected by you guys over there in Houston to take care of that problem for us.

MS. McGLAUGHLIN: Yes, I --

MR. SALINAS: We here have to follow the rules and --

MS. McGLAUGHLIN: And I will reiterate, we all know that we're products of the process. And we've got to provide the best --

MR. SALINAS: And I do feel strongly about petitions. And those are the things that really count -- and people that show up to a public hearing. So this is why we have public hearings to be able to hear the people's comments and see what they really want in their community.

MS. McGLAUGHLIN: I appreciate that.

MR. JONES: Thank you so much. I appreciate it.

MS. McGLAUGHLIN: Thank you for the very much -- for the time. I realize --

MR. JONES: Sure.

MS. McGLAUGHLIN: -- it was outside of the mark.

MR. JONES: I understand. It was very helpful. Let me say this. At this point we'll take a break for lunch. We'll try to start back as close to one o'clock as we can. I would say this. I apologize for the break, but we have Board members here who this is their fourth meetings. We've had various Board members doing various things. So it's a busy day and we have a lot of business to take up.

I would also say for your preparation purposes, they will probably hang the chairman if he doesn't start enforcing the time limitations. So probably when we come back, by just necessity for us to get our business done, I'm going to have to do that. So for whatever planning that helps I'll let you know that. Thank you.

(Whereupon, at 12:17 p.m., the meeting adjourned to reconvene this same day, Thursday, November 14, 2002, at 1:00 p.m.)

A F T E R N O O N   S E S S I O N

1:10 p.m.

MR. JONES: We'll call our meeting back to order.

MR. OSBORN: I want to thank the Board for letting us have an opportunity to speak. And my name is John Osborn, and I'm the vice president of Barkers Ridge Homeowners Association. I promise I'll keep this to as close to three minutes as I can.

MR. JONES: Thank you, Mr. Osborn.

MR. OSBORN: My part in the presentation is to reveal to you the portion of the available homes in the area that the market study ignored. There are approximately 264 homes -- I think you all have your sheet -- your copies there -- in the zip code of 77084 and 77449 that are for sale that are below $100,000. I use this number because this is the number that the market study used in their buy-versus-rent study. They never addressed the facts that I'm about to present to you today, probably because if they had none of would be here today.

For discussion purposes I took the area of I-10 to Barker-Cypress, Clay Road to Fry. This is the area -- this area is the target area the study used. Our study focused on the proposed site of Greenland and Barker-Cypress.

In this target area there were 51 homes as -- I apologize. Late last night I dotted one extra one, but there's 51 homes that you'll see in the dotted area that encompasses this area. In addition, there were four homes that were for rent. And, again, it's in your information.

The point being that the market study -- I think that what Judith, the rest of the homeowners, and I have shown will have shown this Board two things. One is there's plenty of affordable housing in either apartment life or home purchases. And, two, the market study that Trammell Crow has provided you is an attempt to mislead the TDHCA and this Board in order to win approval of the project.

After the homeowners finish their presentation the only question you'll need to decide is why didn't the TDHCA and REVAC, the company employed to conduct the market study, do any due diligence in regards to this project. You could not have done due diligence and exclude home purchases.

There should not be any questions as to the availability of affordable housing after reviewing these sheets. Trammell Crow will try to tell you in order to buy a home you need good credit. That is true. But according to Trammell Crow you must have good credit to rent from them.

Trammell Crow will tell you that low income applicants don't have money for a down payment. That's a giant assumption. And is not security deposits and/or first and last month's rent usually needed?

Everyone in this room also knows that there are first time homeowners programs -- zero percent down and other available options -- to get people in a home for little or nothing, along with the tax benefits provided by buying.

The main reason most people will rent instead of buy is due to lack of education. They do not know who to turn to in order to receive these benefits. Maybe in the future TDHCA may be able to help in this matter.

I thank you for your time and I hope you come to the same conclusions we have. This is a good cause but is at a bad location.

MR. JONES: Thank you, sir.

MS. WEEKS: Good afternoon. I'm LaDawn Weeks, and I'm representing the Wood Fern subdivision. And I'd like for you to refer to the tab called Infrastructure. A lot of the things that I will mention will be backed up in that selection.

I oppose this project for two reasons. Both reasons are based on the fact that this is a bad location. First, it's bad and possibly a dangerous location because it's next door to Schmalz Elementary School. And, secondly, this is a bad location for the individuals that will be living in the apartment.

Our children attend Schmalz Elementary. As mothers, our children's safety is a foremost concern. It is clear that absolutely no consideration was given to the proximity of Schmalz Elementary. The main entry of the proposed apartments is planned to be on Greenland Way, a short distance from the driveway used for pickup and drop off at the school.

The traffic on Greenland Way is already barely manageable before and after school. The added traffic associated with those apartments would really aggravate the problem. It would become a nightmare.

Mr. Stewart has suggested that the proximity to the school is a convenience to the residents of the property since the residents' children could walk to school. But those of us who live there know that this would not work. There are no sidewalks there. The children would be forced to walk in a very dangerous area.

And we're afraid that during the construction period this would really be dangerous.

I'm skipping the information about the few patrols so that we can skip on over. There -- our opposition to this project has been dismissed and discounted as a result of misconceptions about the property, the program being used to finance the development, and the characteristics of the residents that will be living there on the property.

I've lived in this area for 20 years, and we have seen these areas. And so please allow me to clarify a few of the misconceptions that are contained in the market study.

The first point we need to point out is the market study's treatment of the Addicks Reservoir, which includes a large undeveloped area. The study that used this to enlarge the area was changed. The reservoir is a very important part of our community. And it and all of the land owned by the Corps of Engineers will always remain undeveloped. And even when all of the other land is developed this area will always have a smaller population, fewer households than the similar areas of land surrounding us.

MR. JONES: Ms. Weeks --

MS. WEEKS: Therefore, we will -- yes, sir.

MR. JONES: If you could, wind up. Thank you, ma'am.

MS. WEEKS: Okay. We want to point out the REVAC cited numerous shopping centers. They said that the Katy Mills Mall was five to six miles from it. In fact, Katy Mills Mall is eleven miles away. They pointed out that there was a Stop and Ride at three to five. Actually, the area does not have any public transportation. And so that is an error.

When we first started looking at this program -- that they started offering opportunities to the people that would live there we knew that there would be few opportunities available in this area. That's why on the petition that you were asking us about this morning we created the petition that 1,800 people signed that said, We oppose due to the following reasons: lack of public transportation, lack of access to medical facilities, lack of job opportunities within walking distance, and lack of resources of daily living.

You know, we agree that we as a society have a duty to provide opportunity to those less fortunate. But we disagree that the opportunity exists at this particular location. Please consider whether the limited opportunities that would be afforded at this location justify the risk to the children at the school. Please vote no. Thank you.

MR. JONES: Thank you, ma'am.

MR. PENDERGRAFT: Mr. Chairman, we have just a few more speakers. And I wanted to list them out so they could move down and get close -- Mr. Jeff Bean, Mr. Phil Johnson, Mr. Patrick Diver, and Mr. Kevin O'Dell.

MR. BEAN: Good afternoon. My name is Jeff Bean. Appreciate this opportunity, and I'm going to keep it real brief.

My house backs right up to the wooded area just south of the proposed project area. So I'm really close to it. In fact, I'm four houses from that southwest corner from where the school is -- the southwest school corner.

I've lived there for almost two years, but I've lived in the immediate area for about nine. I'm a single father. Six years ago I went through a divorce. It's probably the worst thing that ever happened to me in my life. Three years ago, however, I changed jobs, and it was probably the best thing that ever happened to my son.

Changing jobs allowed me to be a better father. My son spends one week with me and one week with his mother. And I'm able to coach his basketball teams, his baseball teams. I'm a director on his Little League -- on the Little League. I've involved with his religious education at the church. And I do a lot of this because I got a job that I can work out of the house at.

Changing jobs though had a price. For the last three years my wages would have allowed me to qualify for an apartment in the Greenland Villages. My home is a four-bedroom, two-and-a-half bath, and is approximately 2,300 square feet. My total principal and interest, as compared to the 1,164-square-foot apartment, about half the size of my home -- my principal and interest is $230 less than those apartments.

Of course, I also pay taxes and insurance, but I feel that the equity built far outweighs the cost of spending money strictly for rent. I'm fortunate that my debts are minimal besides the house. It's not particularly easy to afford this home, but it's a choice that I've made.

I drive a modest car. I vacation maybe one week a year with my parents at their home in Iowa. I don't have a maid service, of course. I don't have a lot of the things that people think are necessary. I don't -- I mow my own lawn -- all these things. I iron my own shirts. Okay? I don't have those kind of expenses. But I work hard, but I made a choice to do that kind of thing.

It's important to me to be able to have a home where my son can feel safe and secure and have good opportunities with good friends and good neighbors that are going to be not transient and that are going to be there for long periods of time.

I'm fortunate that I have okay credit and glad that I was able to save enough money to put down and to qualify for this home. Trammell Crow would have you believe that those eligible for living in their apartments would be unable to qualify for or afford one of the 127 available homes in the area that were listed for under $100,000 in the 77084 zip code.

Let me tell you. It can be done. You've got to want to do it. Trammell Crow stated on Tuesday that people that live here might not have the credit or income to qualify for a home. However, at the TEFRA hearing in October Mr. Onion had said that the residents would first have to qualify with good credit and have a qualifying income. So what's the story?

Between these 127 homes and an 8 percent availability in our area apartments I had no problem finding an affordable home, well built, in a friendly, safe area.

Trammell Crow claimed at Tuesday's hearings that this is the best location we've ever seen for the development of an apartment complex. This was due mainly to the proximity of Schmalz Elementary School, and that was stated again this morning.

They claimed on Tuesday that single mothers would have the advantage here of walking their elementary school children to school. I've already told you about my close proximity to the school. But my neighbors, who are four houses to the north of me that actually butt up to the school --

MR. JONES: Mr. Bean, if you would, wrap up.

MR. BEAN: Yes, sir. I'm going to wrap up. I'm sorry. They have -- their kids have to take the bus to school. All kids will be able to get to school, whether they live wherever their mothers can walk them to the bus stop. And it's easy, it's safe. My child takes the bus to school. It's not a problem.

Trammell Crow has tried to persuade that there is insufficient available affordable housing in this area. Two years ago I looked at homes and realtors for six weeks and toured approximately 25 within a three-mile area of Schmalz Elementary in the 80- to $100,000 range before finally deciding on my home.

I didn't consider apartments, but since then a friend of mine wanted to find an apartment nearby. And she was able to find an apartment in one weekend that was priced comparably to the ones that are being proposed. Took her one weekend and she was able to move in immediately because there was availability. They wanted people to fill it up. She had her choice of numerous floorplans at several complexes that were available immediately.

Due to these personal experiences I strongly feel that there is no lack of available homes here and guarantee that I could find anyone with Greenland Apartments' necessary qualifications a clean, safe, and affordable place to live. I thank you for letting me go a little bit long. Thank you.

MR. JONES: Thank you. We have Mr. Johnson?

MR. JOHNSON: Good afternoon. My name is Phil Johnson. I had a prepared statement to make, and I think a lot of my points have been covered. But there are three that I feel are very key that need to be touched on.

One of them actually was not in my prepared statement, but I saw some heads shaking and people looking confused from Trammell Crow at an earlier statement. That was dealing with the Park and Ride. I believe their market survey said it was 2.2 miles to the Park and Ride.

What that area actually is is a van pool. It's basically a parking lot. There is no bus service from there. And I think that just goes on to further our argument that the market survey is flawed. It's full of information like that. The data point about the Katy Mills Mall -- they said it is much closer than it is.

I think taken one by one those are not that important. But when you look at the whole there are so many of the line items in there that can be refuted that the whole thing is invalid. And also what really bothers me is that the recommendation made by TDHCA seems to be very much based on that same market study.

So we've got a flawed market study that the developer paid $4,500 to have made, but then TDHCA takes and uses it to make their recommendation to you. Then that gets passed along.

So this is the way that -- you were talking about the ping-pong balls before. I think what we have here is that the developer went by the rules. They took their ping-pong ball, they spent their $4,500, painted it up real nice, and put it in the bucket. And then it comes out. TDHCA looks at that ping-pong ball and says, Yes, that one's pretty. Let's put it in the pile.

Well, if we don't do something about it as far as really looking hard at what's in there -- what's underlying that dressed-up pretty ping-pong ball -- it will just keep on going. And we're going to waste money on these types of projects.

What we as residents have done is we took that ping-pong ball that was all dressed up, we started scratching the paint off, looking at it, taking it apart, and said, Well, this isn't a ping-pong ball, this is a rotten egg. So that's the way that I feel about the way that the whole thing's been done. That's one of the points that I wanted to make.

Second, you stated earlier, Mr. Jones -- I believe it was you -- that we're looking at a 40-year-type project here. And I want to point out that when I was speaking to Mr. Chris Bergmann on October 17 by phone he told me that Trammell Crow's plans for this particular development was to condominiumize it after 15 years. I'm not sure what condominiumize means, but that's what he said.

I found that particularly interesting when I looked at the Texas Administrative Code which says the housing sponsor shall have no present plan to convert the housing development to any use other than as a residential rental property. I found that very surprising.

My third point -- and, Mr. Salinas, I think this goes to some of the questions you had. Yes, we did have a public hearing. There were at least 600 people there. 600 signed in. A lot of people spoke. Yes, we did have a petition -- over 1,800 signatures. I participated in both those things.

I saw almost 2,000 Texans come forward and say, We're opposed to this project -- various reasons -- 2,000 -- every one of them opposed. I didn't hear one voice -- not once voice at that public hearing, not one voice here today of a private citizen saying, We want it; we need it.

Trammell Crow -- they've said that there's a significant demand for this. Where is that demand? They've said there's 1,600 people in that area that need this. Where were they? They were not at the public hearing. I never heard anybody refuse to sign the petition. There may have been some, I don't know. But I haven't heard one -- not one.

2,000 Texas citizens said no. Zero said yes. You have one supporter. They're sitting there. They get $15 million. Thank you.

MR. JONES: Appreciate that. I would just like to say though, when you look at the criterion we can base our decision upon, I don't think it's who's got the most people that speak or who's got the most votes on the deal. I don't know that that's a proper criterion for us to look at. Yes, sir.

MR. DIVER: Yes. My name is Patrick Diver. I am opposed to the Greenland Way project. I'd like to just thank Phil for bringing out some good points about the ping-pong balls first of all. And there were earlier questions about the whole policy and the process of how this whole thing works and whether or not the Legislature should get more involved in fixing the problems with it. And maybe we would not even been here today if that was the case.

Now, I have something else to say, and it's different than what you've heard anything else. And that's about the tenant services. Because Mr. Stewart himself brought up at the very beginning that, unless there are issues speaking against policy, then why are we even here. Because they're -- according to their market study it was perfect, according to TDHCA it was perfect, so what -- you know, rubber stamp this project.

Well, you know, according to your own laws and regulations around the -- this whole project of low income housing tax credits is that tenant services provided is a very, very important part of this whole process. Am I not right?

Well, my question is, what exactly does Trammell Crow provide? You've had an opportunity to -- maybe had the opportunity to review all the records from our open hearing that we had in October at the elementary school.

At that time I raised a few questions about an organization called Apartment Life and the CARES teams that provide services to the tenants. And this is a nonprofit corporation that Trammell Crow contracts out to provide tenant services to the folks that live in the projects.

There are currently four projects in Harris County that are already using this project -- this program to provide services. Now, I'm going to try to speed up here so I don't use up all my time.

Through the open records request law I was unable to determine what exactly -- what type of services were provided other than Christian-based prayer. I am a Christian. I'm proud of that. But I do wonder what exactly types of programs are being provided for the citizens that live in these projects.

I believe that they're supposed to provide job training, job placement training, job skills -- things like that. There's no record in the open records request available that proves that any of these types of services were provided.

So I guess my point is is that the TDHCA needs to be more diligent to make sure that the compliance reports that are provided by the developers are accurate and complete and provide enough detail for you to make an informed decision. And I do not believe that's been the case.

And I would tell you that I, as a citizen, would like to see those. And I think you, as a Board, to approve bonds through this program need to have that kind of evidence.

Now, in be in fairness -- in all fairness to Trammell Crow, maybe they have that evidence. And I would ask that, you know, maybe you should ask for that before you approve a project. Thank you.

MR. JONES: Thank you, sir.

MR. O'DELL: My name is Kevin O'Dell. Ladies and gentlemen of the board, thank you for allowing me to come to address you today. I'm a resident of the

Westfield Estates. I -- and would like to briefly present my concerns regarding this project to you.

The proposed complex isolates low income residents instead of helping people make the transition from an apartment resident to a homeowner who is surrounded by people who take pride in the neighborhood and influences new homeowners to become independent of the government and break the cycle of public support dependency.

Affordable houses are available. Just the other night a search on Realtor.com showed 41 homes in the area -- surrounding zip codes -- that were priced below 75K. Apparently the magic number for everybody else has been a hundred. I tend to be a bit cheaper, so I went to 75K.

This means the target price for a three-bedroom apartment in this government-subsidized -- via tax credits -- project is more expensive than the cost of home ownership. For example, three bedroom, one bath in Silvermill, which is right next to where I live, is -- estimated payment is 307 a month. Hypothetically, double it for taxes and insurance, and it gives you 614. This is still less than a one bedroom, one bath at the proposed Greenland.

Same in Cypress Bay Court -- or Cypress Meadow subdivision -- in a three-bedroom, one-and-a-half bath at 576 a month for -- assuming doubling the payment to get you to there.

People move to suburbs to be able to afford a piece of the American dream -- to have a yard, neighbors with whom they live, and families that grow together. In short, people move to the suburbs to own their own home.

Let's face it. What the financially-challenged in this society lack is not affordable apartments in this area. We showed existing apartments here already. They lack the freedom that comes with home ownership. That is what makes suburbs appealing is the freedom and responsibilities that come with this home ownership.

We're a community and accept people of any race or socioeconomic status. I would only ask this Board that you allow them to integrate into our community and not be segregated into an apartment for the enrichment of the Trammell Crow Corporation.

I have one more thing. For the last ten years I've been going to college at night getting my engineering technology degree. And let me tell you. It is a tough drive to go from Katy to downtown Houston where I go to school. It would have been cheaper in hindsight if I had done some of my college work -- my first two years' work at the North Harris Montgomery County.

Since we're in Katy I.S.D. it is more expensive -- the tuition is actually double than if you're in Cy-Fair, which is about a mile-and-a-half down the road. The tuition rates are literally double. One hour at -- for a district resident tuition is $47. A nonresident in the district, but still a resident of Texas, is 87 bucks.

There was -- in that 685-page summation of this project that was on your website, it was talking about 3 or 4 percent making a huge different to somebody in this income bracket. And I would submit to you people with children and people themselves that are going to college at night like I've been doing for ten years -- and it's not an easy trip -- it makes a difference. Thank you very much for allowing me to address you.

MR. JONES: Thank you.

MR. CALLEGARI: Can I make a brief comment?

MR. JONES: Sure.

MR. CALLEGARI: I promise this will be brief.

MR. JONES: Thank you.

MR. CALLEGARI: Just want to acknowledge that I do understand the concern and the problem that you have with the fact that this is a lottery and you have no control over the location.

But I would like to point out that I think there have been numerous points brought out by the residents of this area, which I think do require some more careful study, such as questions regarding apparent inaccuracies in the market study, availability of comparably priced units, and the specific market area that's been chosen.

When you consider also the fact that the current economic situation in general, and particularly the Houston -- west Houston area, is somewhat uncertain with regards to job market and subsequent housing issues, I think some additional study is warranted.

Consider also that this -- the market study in this project was probably done in excess of 90 days ago -- and I'm not sure how much further than that. And there are some indications that the housing market -- there's maybe somewhat of a glut, if you will, in the apartment units just because of the housing -- excuse me -- job market.

I would suggest that the Board consider a postponement of a decision so that you could do additional study and reevaluate and restudy the validity of this market study. And I thank you very much.

MR. JONES: Thank you, sir.

MR. CONINE: Once again we run into a statutory problem there, Representative, relative to the time frame that the Bond Review Board gives us to issue these bonds. So there's a --

MR. CALLEGARI: I understand it's not an easy problem.

MR. CONINE: It's -- it merits your looking into considerably because we have to make a decision today.

MR. CALLEGARI: Okay. We are doing that, but -- and I do appreciate your comments because I think they're well taken. We will have some additional discussions about what we can do legislatively maybe to help this situation.

MR. CONINE: Thank you.

MR. CALLEGARI: Because I know it's difficult for everybody.

MR. JONES: It is.

MR. CALLEGARI: Thank you.

MR. JONES: Thank you, Representative. Is that everybody? (Pause.) I assume so. Great. Good deal. Well, then, I will call the other people that have indicated they'd like to speak on this issue.

Steve Landrum?

MR. LANDRUM: For the record, my name is Steve Landrum. I am with Center Point Energy, Houston gas operations. We are the gas utility that serves the greater Houston area. I want to thank the Board and staff very much for the opportunity to speak to you, and I promise you three minutes and no more for my comments. And they will be much more benign.

The reason I am here today is I wanted to add a clarifying points to the comments that have been provided to the draft QAP for 2003. Specifically, the comments that we made centered around a need to look at a balance between cost efficiency and energy efficiency when you are setting standards for the energy-saving devices through the threshold criteria.

And for illustrative purposes we -- or I picked a 90 AFUE furnace for running some comparisons. To staff's credit, this issue of balance was certainly reflected in those comments, evidenced by a review or revisiting the insulation requirements in which they were looking at derived benefits versus those particular costs and adjusting accordingly. So I think there's a recognition of the merits to a balance between.

However, to make my point and sum it up quite quickly, there was one last statement -- and, again, it references the 90 AFUE furnace -- and an indication that the efficiency and the benefits to the tenants derived from that equipment was so huge as to substantiate the increased efficiency and the cost that would go to the developer.

And, certainly, increased energy efficiency has a number of tangible benefits, not the least of which, of course, is the potential for lower operating cost. But I do submit to you, in looking at and determining the efficiency levels that you want to implement in the program, that it is possible that those -- that equipment that you wish to install at that rating can be precluded. And not so much by the language of the rule or by law, but simply by price point.

And I'll give you an example. And this, again, follows through with equipment cost on the furnace. I canvassed a number of manufacturers and suppliers in the Houston area. They gave me prices associated with resistance heating -- gas furnaces at 80 and 90 AFUE. Those costs respectively were around 250 for the strip and about 350 for the gas -- about 700 to $1,000 for an AFUE furnace rated at 90.

And you can well imagine that, given that separation and cost -- and the dramatic separation -- that a developer is probably going to be inclined to go to a lower cost option, particularly when it is a very viable and readily accessible option, as is electric strip heating.

My point in coming before you is just to ask your consideration and continued consideration in setting standards that you look to that balance so you can provide the maximum opportunity for energy-operating cost reductions.

I'll give you just one example, and it is only specific to the Houston area, which we have a very low heating load. But, again, dealing with that furnace, by going with strip heating in the 6 to 8 kw range for about a thousand-square-foot apartment -- two bedroom, two bath -- $52 annually. Not a huge sum, but when you take an aggregate to I think some 700 units that receive funding in Region 6, you get about $90,000.

A point, again, that I only want to make is that going forward please consider or continue to consider the impacts on affordability of those efficiency ratings. And I invite Board and staff to please call me at any time. If I can be of any assistance I'll be most happy to do it. And I'm not sure where, but I'll be glad to leave my business card. Or if somebody would like to approach me.

MR. JONES: Just let Delores. She'll take care of you. Thank you, sir.

MR. LANDRUM: She's still awake, huh?

MR. JONES: Yes. She's right there on the podium.

MR. LANDRUM: Oh, I'm sorry.

MS. ANDERSON: Mr. Chairman, can I ask a question for clarification?

MR. JONES: Sure.

MS. ANDERSON: I'm a little confused about what we're doing now.

MR. JONES: Apparently this said Item Agenda 6 and he got put in with the Greenland Apartments.

MR. LANDRUM: I'm sorry. I had the disadvantage of following a totally different --

MS. ANDERSON: And I couldn't hear right because --

MR. LANDRUM: Just to reiterate, I was just addressing just the QAP. I guess we're back on that topical area. So thank you.

MR. JONES: We'll figure it out. But I

apologize. It just -- the agenda item just got confused.

MR. LANDRUM: No problem. And thank you again for your time.

MR. JONES: Thank you. Ms. Perry?

MS. PERRY: (No audible response.)

MR. JONES: Okay. Thank you, ma'am. Ms. Parker.

(Pause.)

MR. JONES: Ms. Deborah Parker?

MS. PARKER: I'm available for questions to the Board as it relates to Trammell Crow Management questions.

MR. JONES: Okay. Mr. Pendergraft?

MR. PENDERGRAFT: I've already addressed the Board.

MR. JONES: Oh, thank you. I'm sorry.

Mr. Pallante.

MR. PALLANTE: I'm here, sir.

MR. JONES: Yes, sir.

MR. BERGMANN: Chairman and Board, David Pallante is our market study analyst.

MR. JONES: Okay.

MR. BERGMANN: My name is Chris Bergmann. I'm division partner for Trammell Crow Residential --

MR. JONES: Okay.

MR. BERGMANN: -- in charge of all the affordable housing assets. And I'm the developer. And I know it's your job to sit up here and have to deal with all this, and I really appreciate you guys doing that.

I mean, we believe that Trammell Crow Residential is, you know, one of the finer development firms in the country. And over the years we've developed over 160,000 apartment units, of which about 8,000 units are of the affordable nature in four different states.

And this is not an easy thing to kind of, you know, bring people that don't want your project up in front of the public. I'm not real comfortable with it, but I wouldn't have put you in this position unless I felt as strongly as I really do about this project.

What I'd like to do is see if there are some questions from you. I mean, we can go here and we can refute everything that these people have said. We've made an application to TDHCA. We've answered all their questions. And we believe our market study meets and/or exceeds the requirements of TDHCA, which, in my opinion, are quite thorough and detailed, almost as much as a typical appraisal would be.

MR. JONES: Why don't I do this? Why don't I do -- ask the Board members, do you all have any questions for either Mr. Bergmann or Mr. Pallante?

MR. SALINAS: Were you at the public hearing when they met?

MR. BERGMANN: No. Personally I wasn't. Brent Stewart ran that meeting for me.

MR. SALINAS: How many people were in favor of your project at that public hearing, which I thought there were about 600 people there.

MR. BERGMANN: At that point there --

MR. SALINAS: Mr. Onion --

MR. BERGMANN: My understanding is there was not except for the people that were involved in the project working for Trammell Crow.

MR. SALINAS: My question here is, the purpose of a public hearing is to find out how many people are in favor of the project and how the people feel in the area.

MR. BERGMANN: Uh-huh.

MR. SALINAS: Apparently nobody wanted the project there. Do you have any other property close by there or did you own that property before you applied to our agency?

MR. BERGMANN: I have no property that is close by that location, no.

MR. SALINAS: Have you already bought that property?

MR. BERGMANN: I have it under contract, and we've expended sums of money to get to this point in the game.

MR. SALINAS: Okay. Did you know about the 1,800 signatures that were picked up by --

MR. BERGMANN: Yes.

MR. SALINAS: -- by the community?

MR. BERGMANN: Yes, I did.

MR. SALINAS: And did you know that there was no zoning there and --

MR. BERGMANN: Well, that's -- there's not zoning as maybe in your city. What there is is a subdivision, and the developer that developed that subdivision set certain commercial tracts aside out in front of that subdivision for a school, commercial, apartment buildings, or whatever. So there was some thought to what --

MR. SALINAS: Where do you get your building permits from? City of Houston?

MR. BERGMANN: Harris County. Harris County.

MR. SALINAS: Harris County?

MR. BERGMANN: But the City of Houston -- it's in City of Houston's ETJ.

MR. SALINAS: Did you ever try to contact anybody there and ask the community how they felt about you building something like this there?

MR. BERGMANN: We met with one -- we made our public announcements in the newspapers. We were contacted by individuals, and so was the department that sent us all the information, e-mails, and so forth. We did have one meeting with one of the homeowners associations and tried to have meetings with all the other ones, but they wouldn't meet with us. And we've answered -- people have called me on the phone, and we've answered all the questions --

MR. SALINAS: You know, my position here is that I support staff on what they do, and I've always done that. We had a similar problem at McKinney.

MR. BERGMANN: Uh-huh.

MR. SALINAS: But McKinney had a planning and zoning. They approved the project so we went with the staff recommendation.

MR. BERGMANN: Uh-huh.

MR. SALINAS: Here my question is how -- or who represents -- who takes care of the people that signed that petition. Who is going to speak up for them right now? Are we supposed to -- am I supposed to just say, Well, there was a public hearing. 600 people were there, and apparently the 600 people were not in favor of the project.

I'm a developer myself, besides an elected officials. But I would think that if I go and do a project anywhere in South Texas I'm going to go talk to the mayor, I'm going to talk to the public and planning and zoning --

MR. BERGMANN: We have --

MR. SALINAS: -- and see how people would feel about me coming in there with a project.

MR. BERGMANN: We have letters from Harris County Commissioners Court that specifically state -- it's in the application -- that the project is needed based on the Consolidated Plan of Harris County.

MR. SALINAS: Where does the county commissioner live? Does he live around there?

MR. BERGMANN: He's responsible for the same -- probably even a smaller area than some of the state representatives.

MR. SALINAS: Did he give you a letter of support?

MR. BERGMANN: There is letters in the application related to county commissioners' approval of this product -- project and the need for housing. So, whether that's support or not, nobody came out and -- you know, he wasn't at the hearing if you're asking that.

MR. SALINAS: That's all my questions.

MR. JONES: Any further questions?

MR. CONINE: I'd like if --

MR. JONES: Certainly, Mr. Conine.

MR. CONINE: -- if we could get the market analyst just to generally rebut some of the issues we've heard here today --

MR. PALLANTE: Sure.

MR. CONINE: -- just for my own edification.

MR. PALLANTE: Okay. My name is David Pallante. I'm the market analyst. I work for REVAC. REVAC's an established real estate appraisal and consulting firm -- been in business since '76. I've been appraising -- doing market studies since 1985. We've prepared -- REVAC has prepared over 500 market studies and appraisals in their history. Since 1990 we've prepared roughly 50 market studies on LIHTC properties.

When we do these appraisals -- or, I'm sorry -- -- these market studies we follow accepted guidelines established by Texas Department of Housing and Community Affairs. The methodology we use -- one of the issues they mentioned was our use of newer properties in estimating market rent. That's an accepted methodology.

When you do an appraisal or when you do a rent study you compare apples to apples. You don't, for -- you know, I can relate it to other issues. I mean, if you want to find out the value of a new car you don't look at the price of used cars. Same concept. This is a brand new property proposed, low density, 15 units to the acre, excellent construction.

There was an issue here earlier -- I want to touch on that because it relates to the development. Representative Callegari indicated it was a Class D property. Then in the next breath he went on to explain we compared it to Class A properties. Let's clarify this. I thought we had clarified it the other day.

Class D, as it relates in this report, is a building classification -- basically means it's wood framed. All apartments, three stories and under, for the most part that I know of, are wood framed. So it can be the nicest apartment you've ever seen. It's going to be wood framed. Conversely, it can be a Class C property. It's still going to be wood framed. So let's just kind of clarify that.

Our property, in terms of its construction, quality, amenities is going to be a Class A property. Consequently, we chose other high-quality, brand new, recently constructed Class A properties in estimating a market rent. To have done otherwise would have been neglectful. It would have actually been against USPAP's standards -- Uniform Standards of Professional Appraisal Practice.

As a member of the Appraisal Institute and MAI, I've been doing this for a number of years. I'm beholden to a set of ethical and legal guidelines that I cannot get away from.

Put it another way -- and I don't want to belabor the point. But you can't win in a case like this. If they were to hire me and say, Dave, what is my brand new house worth, and I come back to them with an appraisal showing 20-year-old property that sold recently, they'd hang me. They wouldn't accept that for a minute.

Yet, that's exactly what they want us to do here -- kind of assume that this property's going to be less than what it's going to be. And, therefore, it surely couldn't rent for what we say it's going to rent for.

MR. CONINE: Have you seen their presentation?

MR. PALLANTE: I have, yes. I had a copy of --

MR. CONINE: You know, there was a bunch of dots inside the box that supposedly you didn't use in your market analysis. And the answer I got was it wasn't because of age. Can you answer that question?

MR. PALLANTE: Well, I'm not sure they said I didn't use them. I mean, I provided information on the market. I segregated it by year of construction, by one-bedroom, two-bedroom, three-bedroom. I think one of the issues they're making -- or had made was that, you know, age doesn't matter -- that somehow a 20-year-old property is going to rent for pretty much what your property would rent for.

Well, the reality is I've got information here -- now, I surveyed 23 properties built in the 1980s. They basically go for about 80 cents -- 79 cents a square foot is what they rent for.

MR. CONINE: Okay.

MR. PALLANTE: The 1990s era properties are in the 91-, 92-cent-a-square-foot range. There is a perceived difference in value, in quality, and in price -- not just perceived, but there is an obvious, you know, difference.

One of the problems when you do these kind of regression --

MR. CONINE: So are you answering my question to say that it is because of age that you didn't use these properties?

MR. PALLANTE: Oh, absolutely.

MR. CONINE: Okay.

MR. PALLANTE: Yes. I wanted to compare apples to apples.

MR. CONINE: All right.

MR. PALLANTE: I've got a brand new property. I'm not going to compare it to something 20 years old, something inferior, something that -- you know, carpet's dated, the appliances aren't as new, you know, it's not up to standard as it relates to our property. And that's just -- like I said, it would be unethical, it would be methodologically wrong to do that. And -- but, anyway, that's one of the issues I wanted to touch on.

They made mention of the fact that I did not include in my analysis of the area a rent-restricted property. That's correct. In the original report I did not include it.

The reason I didn't is it's -- a, I didn't know about it, to be sincere. It's a property that was bought under the affordable housing disposition program. It was an old RTC program. All those foreclosed properties in the '80s were sold off. The provision was that they would have to set aside roughly a third of the units at rent-restricted levels.

What I'd like to point out though is the rent restrictions they've placed on those properties are so high -- in other words, you can charge -- for example, you can charge for a one bedroom anywhere from 565 to 740 a month. Well, in reality, they're only getting 505 to [indiscernible] a month.

So the reality is this is -- bottom line is none of the units offered in that property are below market rent levels. It's only a restricted rent property in theory. The reality is they do not offer restricted rents. People living there are not given a deal -- are not provided with a lower rent than anyone else really.

Now, if you call up and ask them and say, Well, what are your rents, what do they range from, what do the poor people have to pay -- oh, they all pay the same. Well, the reason they pay the same is because the guidelines are so -- you know, so broad as to, you know, be worthless.

MR. CONINE: Could you speak to some of the inaccuracies -- or reported inaccuracies related to distance to hospitals and shopping and that kind of thing?

MR. PALLANTE: Yes. I don't understand what they're talking about. I've got a map --

(Laughter from audience.)

MR. PALLANTE: No, really.

MR. JONES: If you could. Please, please, please, please. If everybody could, we need to hear one person speak. And we need to have, really, silence other than for that one person. I would say this. I know that answers to some of Mayor Salinas' questions, as well as Mr. Conine's questions, it was obvious to me that not everybody was in agreement with the answers that were being given.

And is Mr. Pendergraft still here? I would like for you -- I'll give you an opportunity to speak to anything that your clients may feel differently about with regard to questions that have been asked. So that opportunity will, in fact, be given. But if you would we do need to maintain our decorum here today. So thank you. Please go ahead.

MR. PALLANTE: Yes. Well, as I was saying, when it comes to identifying a particular community amenity and determining how far it is from the subject, I've got a software program, Street Atlas, where you can basically determine -- point, click, and it will tell you exactly how many miles it is.

Of course, that's as the eagle flies. Now, admittedly, if you were to drive to it, it would take you a little longer -- it would be a little longer, you know. But perhaps that's where we're perhaps off on our distances. But -- and unless -- maybe there's a bug in the program. I mean, it's put out by Microsoft. You never know. But that's the program I use.

MR. CONINE: Okay.

MR. PALLANTE: One of the Park and Rides they were referring to -- there's one which I agree is a parking lot. And in the report I don't -- I looked at it when they made those comments. I basically mention that there's really no public transportation in the area other than some Park and Rides. Okay? Now, again, in the area.

They seem to have a hangup with the fact that if something's located right on the border then it's not in the area. See? You're not telling the truth. There are some flaws in your report. I mean, they're getting so caught up in the moment they're kind of confusing things.

The fact of the matter is there's a Park and Ride where you can actually park your car and take the bus. It's just on the outskirts -- just on the other side of Highway 6 off Park Row. It's roughly three miles --

four miles from the site. It's very convenient to people who live in the apartments who want to go to work using the Park and Ride facility.

MR. CONINE: Couple of other issues. Mr. Bergmann, comments attributed to you relative to condominiums. And could you comment on your supportive services?

MR. BERGMANN: Yes, I can. The condominium comment was, Mr. Johnson called me and we were just chatting about what we were going to do with the project on the long term. And, in fact, I probably made an error in making that statement.

The rules have changed from where we have to at least hold these properties for 30 years. And I believe that was last year's QAP. In years past it was only 15 years. And I guess I'm getting old and forgetful, and I apologize for that.

As far as social services, we use a program by the name of CARES. The company's name is Apartment Life. Each project is a little bit different than every other project. We don't really know what social services we need to provide our tenants till we get 50, 60, 70 percent complete.

At that point in time we bring in what we call a CARES team. And the CARES team is to provide a -- anywhere between 20 and 40 hours a week, depending on how many teams we have on the project -- depending on how large the project is -- of service for -- to live in an apartment project. And it's a Christian-based type of thing.

They can do everything from after school programs for the kids, which we do in some; adult education -- it just depends what the community needs. And we don't determine that until we lease -- or until we get to a certain point of occupancy.

MR. CONINE: Okay.

MR. JONES: Other questions? Thank you, sirs. Appreciate it.

MR. CONINE: I've got one more question.

MR. JONES: Okay. Certainly.

MR. CONINE: Excuse me. Chris, the physical characteristics of being next to the elementary school, are you providing for fencing and gating and so forth between --

MR. BERGMANN: Yes. All of our projects are fully fenced. And there's no reason we couldn't sit down and talk about what kind of fence. Typically, it's a wrought iron fence, six feet high. The community's going to be gated with, you know, access buttons or whatever. It's security -- it will meet all codes and standards of the City of Houston.

MR. CONINE: Okay. Thank you.

MR. BERGMANN: That will be eight feet -- I mean, nine-foot ceilings with fire -- all the fire equipment will be there also.

MR. JONES: Thank you, sirs. Appreciate it.

Mr. Pendergraft? Obviously, there are two sides to some of the answers to these questions. Could you give us the other side?

MR. PENDERGRAFT: Yes, sir. I think it's important to pay specific attention to the facts that are given. When you measure distances to these amenities as the eagle fly -- well, I grew up in West Texas and my dad used to fly me in a Cessna. It's a lot straighter than when you've got to drive it in Houston traffic.

Our point is the people who live in this community who know this area -- when they get in their car and they look at the odometer and they go to Katy Mills Mall it's eleven miles to get there. You can't fly like the eagle flies. That's point one.

Point two, I certainly respect Mr. Pallante. I'm not saying that he would be doing anything unethical following MAI appraisal standards. But appraisals are done for different reasons. We know that when you do an MAI appraisal and you're trying to establish a market value, for example, there is a methodology we use.

In this particular instance, what we're saying are comparables are dollars that people have to pay every month to rent to live in one of these apartments. What we did was, we said, Look at the market area that Trammell Crow has defined. In that area they say in their study they are going to pull people from existing units into the new project.

When you pull existing people from existing units into this new project then you've got to ask, how much money per month are they going to have to dig in their pocket to pay rent in the new project compared to where they're living now. And our whole point is that Trammell Crow is not showing that there is any demonstrable need at the rates they're going to be charging for these units.

They are charging more or right at market rate for these units. They may have a bigger refrigerator. They may rent for 72 cents a square foot instead of a different rate per square foot. And their square footage may be a thousand square feet. But 72 cents times a thousand square feet is $720 a month. For a family that only has $600 a month to pay we challenge them to show how that family is going to move into this new project.

Now, let's talk about appraisal methodology. If you use net operating income methodology -- if those kind of numbers matter here today, you take Trammell Crow's numbers -- if they have to drop their rates to meet the market competition where they're talking about -- if they have to drop their rental rates by as much as $100 a month, that's $25,000 total for the project per month. That's 300,000 a year, which is net operating income right to the bottom line.

Using their cap rate, which is 875 -- a 8.75 percent cap rate, which is what they're using in their appraisal, they are going to have a lower value on this project of 3,428,000.

Our whole point is look at what's there in the market -- where the people are already living. Because the way they're going to fill this project they say is to get people to move out of where they already are. Those are our points and those are our responses.

The last thing is why is Trammell Crow really wanting this dirt? Why do they really want to be there on Barker-Cypress? Yes, it is zoned -- not zoned -- but dedicated to be also as a commercial use.

Don't you know that in 15 years they will go to the highest and best use for this project? And the way get from here to there is with a tax credit that their appraisal, they say, has a present value of $5 million.

That's why they want to have this project where it is. And that's why these homeowners are so upset. It is right next to the school. There's not even a street in between. We think this is a bad location, and their own numbers don't work. Thank you.

MR. JONES: Thank you, sir.

MS. ANDERSON: May I ask him a question?

MR. JONES: Yes, you may.

MS. ANDERSON: Yes, sir. I have a question. I believe the clients you represent -- in the written record that I read before this meeting indicated that Trammell Crow met with one of the homeowners associations, but not the other five. And then I just heard Mr. Bergmann maybe indicate something different -- that Trammell Crow tried to meet with the other five homeowners associations. And I just wonder if you had a response on that issue.

MR. PENDERGRAFT: I don't have any information on that. Somebody else here from one of the associations --

MR. JONES: Why don't you confer with your clients for second?

MS. ANDERSON: Yes, why don't you get an answer for me?

MR. PENDERGRAFT: I will tell you this. That the notice that was given that they were going to build on this place was put in a very small sign that faced on Barker-Cypress, which has a 45-mile-an-hour speed limit. It wasn't easily readable. But, be that as it may, I'll try to answer your question.

MS. ANDERSON: That's real time. Right?

MR. JONES: Thank you.

(Pause.)

MR. PENDERGRAFT: My information is they did not contact any but perhaps the one that they mentioned.

MR. JONES: Thank you, sir. And, by point of information, Ms. Carrington -- the compliance period is 30 years -- so, for the benefit of everybody --

Mr. Conine, do you have a question?

MR. CONINE: Not really.

MR. JONES: Okay. All right. At this point then I have exhausted all the witness affirmation forms I have of people who would like to speak to this issue. Have I missed anyone?

(No response.)

MR. JONES: I see that I have not. I believe we are then on Items 4(c) and 6(c) with regard to the Greenland Park Apartments. What's the Board's pleasure. (Pause.) You have a recommendation from staff. We have heard public comment. Is there a motion?

MR. CONINE: I move for approval per staff recommendation.

MR. BOGANY: Second.

MR. JONES: The motion's been made and seconded. Discussions? Comments?

MR. ONION: Could I approach the Board -- just one point of clarification. Within the underwriting report under the conditions, condition number 1 says, Receipt, review and acceptance of evidence that the MUD will reimburse the developer for a portion of the estimated offsite cost approximately 187,405.

This condition -- it is not clear whether this is a condition of closing or a condition by 8609. To clarify that we would like to make that condition by 8609. It has been discussed with the underwriting department. And Tom Gouris is here if you have any questions.

MR. SALINAS: When you had the public hearing --

MR. ONION: Yes, sir.

MR. SALINAS: -- what was the -- why did you all have a public hearing in that community?

MR. ONION: Well, one reason, for federal purposes, we're required to have a TEFRA hearing. It's in the IRS Code. In addition to that, the Department combines the TEFRA hearing and has a public hearing as well and satisfies both requirements.

MR. SALINAS: So how many people were for this project at that public -- does it have any --

MR. ONION: There was approximately --

MS. SALINAS: Was there a factor of whether they're against or in favor? The public hearing says -- how I understand it is if you have a majority -- or what is your recommendation after you saw all those people not being in favor of the project? What would have been your recommendation going out of the public hearing?

MR. ONION: Could --

MR. SALINAS: I mean, why do you have a public hearing? Just to have a public hearing? It doesn't matter how they feel?

MR. ONION: It's to get the public comment --

MR. SALINAS: Does it really matter?

MR. ONION: -- on record, and we do have a court reporter that transcribes all the comments.

MR. SALINAS: So apparently you didn't have anybody in favor.

MR. ONION: There was one gentleman that was talking towards the end. I will not categorize him as being in favor. However, he was asking questions with regard to doing -- the neighborhood doing their homework with regard to what type of other properties Trammel Crow built. And I don't believe he was able to finish.

MR. SALINAS: I don't think they're saying -- question about Mr. Crow's production -- I mean, what they do is a good product. What the staff does here is a good recommendation. But who is going to represent the people that live in that area, and why was the purpose of the public hearing if their say-so was not -- is not being told here how they felt? Who is the person that is going to listen to these people, being that Harris County doesn't care, the county commissioner in that area doesn't care? Apparently the only one is the state representative, and he has no power.

But who's going to speak up for these people that are so much against this? There's no zoning. I mean, I would understand if the planning and zoning in that area would be in favor, I would be in favor also. So we just go ahead and do this. I just want to be on record as saying nobody's listening to those 600 people that went to that public hearing and said what they said. That had no factor at all on the staff's recommendation.

MR. JONES: Well, I would comment just --

MR. SALINAS: Okay. Go ahead.

MR. JONES: -- on what the mayor's saying. I do think that, as I read the law, that we're not -- we don't have public hearings to take polls or to see how many are for and how many people are against. But, clearly, we do take public hearings to get information on the appropriate factors for the approval or disapproval of any development.

And in this case we've heard a lot of comments about location, we've heard a lot of comments about schools, we've heard a lot of comments about a number of things that I do think are factors that we consider and base our decisions upon. And, certainly, to that extent, that's why we have public hearings.

MR. SALINAS: I understand that, but you also --

MR. JONES: And --

MR. SALINAS: -- understand --

MR. JONES: Just --

MR. SALINAS: Mr. Chairman, you have to understand that we do that. Even if we would accept this recommendation from the staff and they had planning and zoning in their area, if that community planning and zoning would not accept this project it will not happen because they had somebody speaking for the community in that area.

My problem here is that nobody is there to speak up for the people in the area. I know that the recommendation could happen. The same thing happened in McKinney. The recommendation from planning and zoning in McKinney accepted the -- I mean, wanted this project. It so happened that we took their recommendation because nobody could stop them except the Bond Review.

My problem here is what happens to all these people that have no planning and zoning in their area -- no way of managing their own area. And you have 600 people going to an audience -- I mean, to a public hearing. And it doesn't matter. They could have had 2,000 people. That's my question.

And I don't even know where this Katy area is at. I don't know anybody there. But I'm just seeing that when you have this public hearing of 600 people and nobody's in favor, somebody should raise a white flag.

And that's what I'm doing today. That's why I'm not voting -- that's why I'm going to vote against the project. And I'll be able to go ahead and sleep tonight.

MS. ANDERSON: Mr. Chairman?

MR. JONES: Yes.

MS. ANDERSON: I'd like to make a comment.

MR. JONES: Certainly. Please feel free.

MS. ANDERSON: I appreciate both sides being very well prepared in their presentations today. I also think that, in Harris County sort of unusually, that if this project is not built here, you know, you don't know what's going to be built there. So you -- at times -- you know, one caution is to be careful what you wish for.

But, with that said, I will say that since my time on the Board this project has between four and five times as much community opposition as any other that we have dealt with.

The commentary around the market study leads me to have significant questions about the credibility of the market study, notwithstanding the articulate rebuttal by the market analyst. And I -- you know, those of you who come to these meetings frequently know that I continue to have problems with market studies. And the only other project I've ever voted against in a 4 percent deal was a problem with the market study.

I really think that if our development community -- and Trammell Crow is a very fine developer -- our development community has an obligation to these communities to do your spade work very early in these communities, long before you contemplate dirt flying. And I -- because I believe if you do a good job with that we can avoid all of this in most communities that we are witnessing today.

So I am very disappointed when I read both in the written record and confirmed by the residents today that it appears that, for whatever reason, not enough effort was given to outreach to the homeowners associations in the community.

I think that when the mayor asked who's going to speak for these people, I think in the absence of zoning you speak -- you as residents speak for yourselves and have done a very fine job with that. And it's our responsibility on this Board to carefully consider your interests.

And, again, I urge our very fine development community to do your spade work early and show as much respect for local communities and the existing residents as you want all of us to show, and as we should show, for the residents of your successful developments that are being built. And it's my intent to vote against this development today.

MR. JONES: Further comments? Questions?

(No response.)

MR. JONES: I hear none from Board members so I assume we're ready to vote on the motion. Am I correct?

(No response.)

MR. JONES: I assume I am. All in favor of the motion which has been made and seconded say aye.

(A chorus of ayes.)

MR. JONES: All opposed say nay.

(A chorus of nays.)

MR. JONES: The motion is defeated I believe. (Pause.) We will then move from -- that was item 4(c) and 6(c).

MALE VOICE FROM AUDIENCE: Excuse me. Can I get a clarification as to --

MR. JONES: Excuse me. The time for public comment is closed. Excuse me. The vote -- the motion was defeated.

MALE VOICE FROM AUDIENCE: What was -- who voted against in closed -- I heard three for and two against.

MR. JONES: Okay. Well, then, in that case I will then make sure that I understood the voting board correctly. I understood there were two people voting for the motion, which would --

Is that correct, Mr. Conine and Mr. Gonzalez. I'm sorry. My mind's gone dead here. I apologize, Vidal.

MR. GONZALEZ: You heard me.

MR. JONES: And so -- okay, we had three to three. Okay. The vote then was three to three. And so the motion still would be defeated three to three. Excuse me. It would take four votes to approve the motion. There were three votes each way. Excuse me.

We will then move to Item 6 on the agenda. (Pause.) We will then move to Item 6(a) on the agenda, which is the approval of the QAP Plan and Rules. And the first public comment -- I would like to recognize State Representative Reyna. Thank you, sir. I'm sorry we've taken so long to get to you, sir.

MR. REYNA: No problem. Thank you, Mr. Chairman, members. I did plan to come today to talk about 6(a). I'm not here opposed to a project. I'm not here in favor of a particular project. And I commend the Department's staff -- Ms. Carrington and her very able staff, including Mr. Burrell, Mr. Nwaneri -- let's see, who -- Mr. Shepard and Ms. Boston -- for helping me to understand an issue and working with me to make my constituents have a better community.

On 6(a) there were two items -- the development ratio and the unequal treatment of QCTs. On one item the staff has recommended that they accept -- that the Board accept my suggestion. Thank you for that.

On the second item they would have recommended it, but there wasn't sufficient time to gather the information to be able to do it. And they'd like to do it in 2004 if I understand correctly.

So I'm here to say thank you and here to pledge my support to work with you to make sure that the Department has the resources necessary to get the information that it needs to do the part that is called in my letter of October 25 the development ratio. And, with that, I'll say thank you. I'll be happy to answer any questions about the letter. But, in lieu of a more smooth afternoon, I'll be happy to excuse myself.

MR. JONES: Thank you, sir.

MR. REYNA: Thank you.

MR. JONES: We certainly appreciate it. I will then, after that, in the way of public comment, I will go ahead to Item 6(a) and let the staff make their recommendation.

MS. CARRINGTON: Thank you, Mr. Chairman. What I'd like to do, with your concurrence, is go through about ten items in the proposed QAP that we either had the most comment on, that it differed perhaps from what you all have looked at in your draft QAP.

So if that's an acceptable approach with you then what I will do is go down through 6(a) that way. And I do have page numbers and references for you all. So if you want to follow along you can do so.

I do want to start out with one correction. And that is to Section 49.9(f). There is some language that is going to need to be added that is not in the QAP right now. And this is per the Internal Revenue Code. And we would propose an addition under selection criteria that would better satisfy requirement under the Code. And that requirement would state, The selection criteria set forth in a qualified allocation plan must include, Romanette VII, Tenant populations of individuals with children.

Because the Internal Revenue Service Code does say that we have to give consideration to tenant populations with children. And by eliminating our points for four bedrooms and large families we had inadvertently left that out. So that is going to need to be an addition to make it consistent with the Internal Revenue Code.

And Brooke does have some proposed language for us. Developments targeting tenant populations of individual children the rent schedule must show that 50 percent or more of the units in the development have two more bedrooms, and that we give them one point on that.

The other thing that I'm going to ask the Board is if you do have any language changes we need for you to give those to us today as we speak. The QAP must go to the Governor tomorrow. So that means the work that you all do this afternoon, as soon as this is over, Brooke will go back to the office, she will be working probably most of the evening, or maybe not most of the evening, kind of depending on what you all do.

But we'll go to the Governor tomorrow. We'll go in the Texas Register on Monday of next week. And then we do have a schedule for you that indicates workshops that are coming up, a preapplication that starts on December 4, and it's time for the round next year. Okay?

So, with that, I would first like to draw your attention to page 9 of your document. And this is Section 49.349. And this is definition -- under the definitions section.

Because of the public comment that we've heard we are putting back in -- we are, excuse me, recommending to the Board that we reinstate the four-bedroom units as an eligible building type. You all will also note or remember that in our QAP we do have single family duplex/triplex as eligible building types.

MR. CONINE: Where are you at?

MS. CARRINGTON: I'm on --

MR. SALINAS: Page 9 out of 53.

MS. CARRINGTON: -- Mr. Conine. I'm on page 9. Now, this is of the memo that's in your book. It's 6(a). What we have done on this memo is basically try to capture the comments from the public hearings and from the written comments that we received and the telephone calls that we received.

And then we are telling you whether we followed staff's -- or whether we followed the recommendations of the public, whether we didn't follow those recommendations, and what our rationale is.

MR. CONINE: Okay.

MS. CARRINGTON: Mr. Bogany?

MR. BOGANY: Yes, I have a question in regards to the four bedroom. Was the public telling you they wanted four bedrooms?

MS. CARRINGTON: We heard both. We heard support of elimination. Because the draft that went out eliminated four bedrooms.

MR. BOGANY: Okay.

MS. CARRINGTON: But then we also had a tremendous amount of public comment that came back and said we would like to have four bedrooms. And it was because of that tremendous amount of public support that we did put them back in.

MR. BOGANY: Okay. Would it be given extra credit in points because they have four bedrooms? Because in the past we've given extra points because it had four bedrooms.

MS. CARRINGTON: Right.

MR. BOGANY: So we put it back in. Let's not give them any points because of that.

MS. CARRINGTON: That is the way it's written. Now, because we are giving one point to families with children it could conceivably be a little bit of a point item, but only one point. And prior to this -- last year's QAP -- we had a substantial amount of points --

MR. BOGANY: Okay.

MS. CARRINGTON: -- for four bedrooms. We basically said we'd like to have it in if the market study supports it. If there's a need then you have the ability to do four-bedroom units.

MR. CONINE: Mr. Chairman, do you want to take amendments now or are you going to wait until Ms. Carrington's finished with her entire presentation?

MR. JONES: I'm inclined to -- Ms. Carrington, you jump in if you want me to. I'm inclined to jump straight to amendments for board members because everybody's familiar with what's before it. And we -- you know, obviously the Board's been very involved in this process.

So I'm inclined to jump in and let the Board go ahead and do that -- let them get their amendments on the table, and then to take public comment. And that will also give staff, you know, the ability to know where it's coming from with regard to these amendments immediately. If you think that's a bad idea, then I'll --

MS. CARRINGTON: If I promise to be just --

MR. CONINE: But you want to hear the public comment I guess first before we --

MS. CARRINGTON: Can I point out about three things that --

MR. JONES: I can do any way the Board wants to. I can let you all do it before public comment or after public comment. (Pause.) I'll tell you what. Let's go back to the way we were doing it.

MS. CARRINGTON: I'll be real brief.

MR. JONES: If you'll be real brief --

MS. CARRINGTON: I promise.

(Pause.)

MS. CARRINGTON: Don't ask many questions.

MR. JONES: Here we go.

MS. CARRINGTON: Okay. On page 14, Floodplain restrictions. We haven't had any in the past. We are proposing some restrictions on building in the floodplain. And that's specified at 49.6(a).

Limitation on size of developments. We have proposed to eliminate the cap at 76 units. That's back in for developments that are in the rural areas.

We talked at the last Board meeting -- this is on pages 16 and 17 -- about lowering the cap on both bond deals and credit deals. We are not changing that cap for -- we're not recommending a change for 2003 at all. But in 2004, on tax credits, we would have 250 units max, but you could only have 200 that would be low income. And then on the lottery for '04 it would be 250 units would be your max.

As mentioned earlier this morning, the threshold criteria for Section 504 is in the QAP for new construction and for rehabilitation. It's important to note I think that the standards for Section 504 are more lenient. They're different for rehab as opposed to new construction, and we do acknowledge that in the QAP.

The mixed income --

MR. CONINE: Give me a page number on that one, will you?

MS. CARRINGTON: Yes. Page 20.

MR. CONINE: Thank you.

MS. CARRINGTON: Section 49.9(e)(4)(E).

MR. CONINE: Thank you.

MS. CARRINGTON: Selection criteria on pages 27 and 28. This is -- we restored the mixed income points. However, we don't have that differential of 105 and 110 percent above certain rents. But mixed income points are back in.

The selection on page 33 -- we had had in the past a soft financing that had to come from a nonprofit, and that got you some points. We've basically taken out the points for this subsidy requirement, but we've met the intent of the legislation by naming some particular programs like Hope 6, 202, CDBG, HOME that would qualify as soft financing -- would also quality for the points.

And a pretty dense -- too dense -- very dense, in my opinion, at ten o'clock at night -- sections on pages 36 and 37 on selection criteria on low income targeting -- targeting to low income families and on some calculations. And if you all have any specific questions on those -- and those are pages 37 and 38 I'll turn that one absolutely over to the Brooke.

On page 37 also I need to make a correction for the record. You do see in your chart halfway a word, "excludes" units at 60 percent of AMGI. That word should be "includes" -- very important change here. So excludes will become includes, and then we will also make that appropriate reference in the QAP.

(All talking at once.)

MS. CARRINGTON: May I ask Brooke if I missed anything that I should have said?

MS. BOSTON: No. Perfect.

MS. CARRINGTON: Thank you.

MR. JONES: And we thank you for staff's recommendation. We will then turn to the public comment on this issue.

Mr. Monty?

MR. MONTY: No.

MR. JONES: Thank you.

Mr. Nolan [phonetic]?

VOICE: (No audible response.)

MR. JONES: Thank you, sir.

MR. NOLAN: Thank you, Mr. Chair. And I just first off want to commend, I think, the QAP. I've been doing this now -- this will be my fourth year, and the QAP's gotten better and better every year. And how I define better is less subjective and more objective. And, as you continue to go towards that it improves quality housing -- affordable housing for the entire state.

There's one item that I wanted to bring your attention, and it's basically a philosophical kind of debate about the preapplication points. Last year was the first year that preapplication came into effect. And you all made a decision to allow up to 15 points -- or for 15 points for any developer that reached preapplication. You're now recommending that it be lowered to 7.

And I just wanted to walk you through where I'm coming from and encourage you to raise the threshold again for that preapplication. First off, I think that the goal of the preapplication is to get staff more along in the process and enable staff to better utilize their time throughout the evaluation process. I think you do that --

the higher -- the more points you allow for that the more you encourage us, as developers, to get our act together and our packages together and as complete as possible.

I also think by the earlier threshold and points you encourage us with that higher bar to try to get our act together and our development less green and more ripe for review. So you don't have to -- you know, I see -- when you have these Board meetings you have always got extensions to review and appeals for extensions in time. I think the higher you make that threshold for preapplication the less likely you are to see that down the road -- further down the road.

The last thing -- and I want to be real brief, but it's kind of a complex issue. But when you all got the statutory requirements through Sunset it also forced or encouraged or enabled the process to be a lot more open.

At preapplication now there is a viewing process that we as competitors can have open access to our competing developers' project. And I think when you lower the bar for preapplication one of those -- an unintended consequence of that is that it allows developers competing against each other to see possibly ingenious ways that we as competitors got to achieve our points standard.

And I, for one, would not like to see one of the unintended consequences of this be a developer looks at another developer's project, sees him obtain points in a threshold criterion that he thought unattainable in his locale, and then found out how another developer was able to achieve those points, then decided to forgo the preapplication points and, because the threshold was so low -- 7 -- say if another developer had a criterion that allowed him 15 points, he was able to bypass those 7, use his own mixture, and then improve his project at the later application date.

So I'd just like you to -- to implore you to be sensitive to that and consider my request.

MR. JONES: Thank you, sir.

MR. NOLAN: Thank you.

MR. JONES: Ms. McIver?

MS. McIVER: Hi. I'm Diana McIver. I shouldn't have been hiding back in the corner. First of all we want to thank the Board for taking this opportunity to listen to our comments, and, particularly, express the support that the industry has, and our compliments this year, for the efforts of Edwina Carrington and Brooke Boston and Tom Gouris and the staff in really getting the development community's participation actively in this whole process. And we do appreciate that, and we all believe that we've been listened to.

I have two issues. One is an issue of clarification. And the second is probably a more serious issue.

The first one of clarification is I thought I believed that the Board last year took the definition of masonry and included stucco within that. And this year it has been specifically eliminated. And so I would like clarification on that point because stucco is, of course, used a lot in the southern part of the state.

The second one is that, in this year, in the points that you get for having submitted an application of HOME funds or 202 or CDBG or HOME -- all of that -- the developer is not required to show proof that they've gotten funding for that extra supplemental funding until the date of the carryover allocation document, which is November 1.

Now, I believe -- first of all, that's a five-point criteria, but it could actually create a 12-point swing. Because if you lose your five points plus your seven points for threshold then you're talking about a 12-point differential.

So I really believe that the Board should require developers to actually show proof that we've received that additional funding sometime prior to your July decision. So whether that is by the June recommendation meeting or the July meeting or someplace in between, I think that that is the reasonable approach.

Otherwise, I think what we're going to see is people not getting their funding by November 1 and then the waiting list to the runners up having to then turn around and hurry and meet carryovers. So I think it's a reasonable request, and I believe that you would actually get support from the development community in that. Thanks.

MR. CONINE: Could I ask you a question right quick?

MS. McIVER: Sure.

MR. CONINE: Isn't that the case of the chicken and the egg?

MS. McIVER: It is a case of the chicken and the egg. But which do you want the tax credits to be, the chicken or the egg?

MR. CONINE: Well, I figure the tail.

MS. McIVER: Yes, exactly.

MR. CONINE: The tail doesn't wag the dog; the dog wags the tail.

MS. McIVER: Right.

MR. CONINE: And we're the lion's share of whether a project --

MR. JONES: Please don't talk about ping-pong balls again.

MS. McIVER: Yes. We're not going there. No.

MR. CONINE: Done with that today.

MR. JONES: Thank goodness.

MR. CONINE: Seems to me like most other agencies that might do a supplemental funding to a particular project are going to be making those contingent upon the tax credits being made. And so if we required absolute before we made our decision I don't know how they could do their decision before we made ours. It gets kind of confusing.

MS. McIVER: And it is confusing. But I think that a lot of those can be done with conditions. So, for example, a city giving a HOME allocation could simply say that, yes, we have this allocation for you. If you don't get your tax credits then we're taking it back in house and reallocating it out.

But, really, I mean, the toughest piece of the financing -- the most restricted piece of the financing is the tax credits. And they really should -- I don't know another way to say this -- they should rule supreme. And other funding should go along with that.

So, you know, I can't -- I realize that conflict, and maybe I'm wrong in saying the entire development community supports that because possibly they don't. But I think that people on the waiting list, people who put together a good application but didn't have those five points, and then truly a 12-point swing -- I think it's very unfair for people not to get funded because someone says, I'm going to get this funding in line and isn't required to have it until November 1. I think that's the difficulty. Maybe the magic date is the Board meeting or a month after the Board meeting. But I don't think it's November 1.

MR. JONES: Thank you.

Brooke, could you give us this stucco answer real fast?

MS. BOSTON: Yes.

MR. JONES: I knew you'd know it because Ms. Carrington told me you'd know it.

MS. BOSTON: According to the costing methodologies that the Department uses stucco is a much cheaper material. So we don't feel like it gives that added benefit that we have. Most of the items on the unit amenity list are things that have a cost associated with them.

MR. JONES: Thank you.

MR. CONINE: You think it's cheaper to do stucco? Is that what you just said?

(All talking at once.)

MR. CONINE: It's not real stucco. And we should have stucco in their -- in my opinion, as a definition, if you will, of masonry. We need to exclude EFIS, which is something totally different I believe than stucco. But it's not any cheaper for the most part. Just so you'll know --

MR. JONES: It's going to be an amendment.

MR. CONINE: -- if it comes up later.

MR. JONES: We can tell. We understand where you're going. Mr. Carlos Javera [phonetic].

MR. JAVERA: Mr. Chairman, Board, and staff.

MR. JONES: Thank you, sir.

MS. JAVERA: I want to echo all of my previous speakers today in the fine work that you all are doing and the continuing improvement efforts you all make every year in this.

In reviewing the QAP I had only one concern I wanted to address today. That has to do with the credit amount. I believe -- I lost my sheet I had earlier, but I believe the number was 49.6(d).

The only concern I want to share with you is, taking myself as an example for hopefully others to follow, particularly members of the minority community who may wish to compete at this level and get involved in revitalizing their own communities and being part of and in joining joint ventures and other forms of business that allow us to compete for tax credits, bond deals, and other federal and state resources that are available for that purpose.

As I understood the credit amount wording, if the language that I saw there is kept in there it's going to constrict the ability for emerging developers to be able to compete in this field and partnering up with the people most likely to support and help other people strengthen the financial capacity to do that.

The impact is something that I would like to see minimized. I don't have a better answer for you today other than to tell you that I wish you would consider the impact that language would have in constricting the abilities for a lot of people.

To give you an example, in my case it was over 30 years of institutional knowledge and private knowledge.

I still had a difficult time -- and I'm having a difficult time still -- I'm not saying I'm out of the woods at all. But I, myself, would like to be in a position someday to help others get to this. And I can't if this credit amount is going to count against me or other people I may choose to do business with.

I don't have a problem if it's a matter of ownership. I have a problem only where you're paying a fee for people to help you with your financial strength. With that, I'll end my comments.

MR. JONES: Thank you, sir.

MR. JAVERA: Thank you.

MR. JONES: Appreciate it. Mr. Sugrue. (Pause.) Kenny Rogers.

MR. SUGRUE: I'm not going to sing.

MR. JONES: Good.

MR. SUGRUE: Those who have heard will pay me not to sing. My name is Mike Sugrue, Simpson Housing Solutions. And I -- the amendment that's being passed out to you -- it's representing Simpson Housing and TAAHP.

And we're coming back -- mainly the investment community -- that we believe -- and this was part of underwriting as well as we think it should be a threshold criterion in QAP -- that in the 9 percent awards that there should be some limitation on the amount of fee to be deferred, exempting rural and bond deals obviously. Rural deals need really soft debt. Otherwise, the developers have to defer a considerable amount more of their fee.

And there is no magic number. Last year we had a 50 percent deferral. I'm not advocating 50 percent, but maybe some number such as 40 percent max paid or 60 percent max deferred. And, as you see there, the way it's currently in underwriting, it does not meet the guidelines of the IRS. The guidelines of the IRS says it must be reasonably expected to be paid within a 13-year period, as long as you can find anyone to apply [phonetic] -- and at AFR. Fifteen years at zero interest does not work.

There's an example there on that sheet that shows if someone's in accrual accounting principles that they don't get enough developer fee actually to pay the taxes on the fee that they would get hit with. Most developers are in a cash basis, but it's not applicable to everyone. But it would be applicable to those.

Also, you know -- I'll jump to the end since I gave it to you. Our big concern is in the point-chasing situation because, obviously, we know you need to score points in order to get a reservation allocation. We're afraid that, especially the less experienced developers, or any developer who wants to compete, is going to have to chase as many points as they can. And they may elect to defer too much of their fee to get the points and maybe in deep skewing or some other way and make the deal economically unfeasible.

So it's strictly to a long-term feasibility that we're speaking. And I thank you for your attention and allowing us to come in today.

MR. JONES: Thank you, sir. Mr. Kahn?

MR. KAHN: Chairman Jones, members of the Board, Ms. Carrington.

MR. JONES: Excuse me just a second. For the Board's benefit, he's speaking as to both 5(b) and 6(a).

Thank you, sir.

MR. KAHN: Okay. My name is Barry Kahn. I'm a principal at the -- of [indiscernible] Kahn Holdings, Inc. We've been active developers in the 9 percent credit program and submit the following comments on the proposed 2003 QAP for your consideration. Two of these comments have been previously presented during the public comment period when the public comment period was still open on the 3rd.

Touching on what Mike Sugrue was just talking about, the limitation for an applicant is prohibited when deferring more than 50 percent of the developer fee needs to be put back in the QAP as a threshold test. If one defers more than 50 percent of the developer fee the transaction becomes riskier and may not be bought by the equity community.

In prior years carryover had to be completed in October. Thus, if someone didn't meet the test or an equity provider wouldn't commit to the transaction then it would go to the next deal on the waiting list. However, now, since final carryover won't be until the next year then the credits will go into the following year's pool and won't be allocated in the 2003 round.

Generally, 12 to 18 months passes before one who receives an allocation closes into the construction loan from the time the application is commenced. Changes can and do occur during this time, which, if inadequate cash is available to the transaction, could cause the deal to fail.

For instance, if interest rates significantly increase -- and let's face it, I think everybody's current debt rates are going to be higher 12 to 15 months from now than they are at the present level. Construction costs increase, the rental market softens -- you've already seen it here in Austin, and I think you're going to see it in other communities. Tax credit adjusters come into play. One understands 60 or 70 to 80 percent of the deals do have some form of negative tax adjuster when the 8609s are prepared for issuance with the investors.

The fee -- the to-be-paid developer fee acts as a cushion for all this. If the cushion doesn't exist and is needed the deal will be upside down with potential of the investors losing. Without investors strongly supporting the program everyone loses.

Point chasers and inexperienced developers often do not care and understand the implications of deferring 70 to 90 percent of the developer fee, as will happen as people are chasing points.

It's important to have experienced developers and successful ones. And, as Mike said, this recommendation should really only apply to the 9 percent program and for nonrural deals.

Secondly, the Housing Resource Center has proposed to revise affordable housing needs score. This is still open for public comment and potentially could be changed. Additionally, penalizes the major metropolitan areas like Houston and Dallas that have the highest affordable housing needs because they received other TDHCA rental developmental funding in the prior two cycles.

The need for affordable housing is in large metropolitan areas. And forcing transactions to smaller metropolitan areas may not be in the best long-term interest of the program. Are we really telling low income families and Section 8 recipients we think you have a lesser need for affordable housing in major metropolitan areas as compared to smaller communities.

Credits are allocated to each state based on population. The major metropolitan areas are the heavy -- have the heavy populations. On that basis --

MR. JONES: Excuse me, Mr. Kahn. Your time's up. If you could conclude, please, sir. Thank you.

MR. KAHN: Okay. The third thing I'd like to bring up is installing a 6,500 and 8,500 dollar limit per unit. It's been discussed about four bedrooms, and part of the suggestions with removing four bedrooms is really tied to having this credit limitation so people didn't build excessively large units, and there was some way to have some sort of control on the program.

And it's suggested that the $6,500 limitation for a noncensus tract deal be imposed, as well as $8,500 limitation for a census tract deal, which would allow for the 30 percent differential. Thank you.

MR. JONES: Thank you.

Mr. Kilday?

MR. KILDAY: Thank you, Mr. Jones. Some of the points I was going to cover have been covered. And, in the interest of time, I'd like to allocate any time that might be needed that I have to my brother, Les Kilday.

MR. JONES: I was about to say thank you. But, Mr. Les Kilday.

(Pause.)

MR. JONES: He tries to be a hero and then he gets you in Right?

MR. L. KILDAY: Chairman Jones, Board, I appreciate you giving me the opportunity to make some comments. I'll make it as brief as possible.

First I want to commend the staff on the work they did. I think they've done a fantastic job on the QAP. There are a few items that I would like to see addressed that have not been yet. I'll go over those briefly.

One is administrative deficiencies. Right now if -- there's a three-day window to make changes to correct administrative deficiencies. If it's not -- and if they're not corrected after five days the application is terminated.

I think that seems a little tough. There are reasons. I think the three-day time frame should be extended probably to five days to correct deficiencies. That would be a business week. You have illnesses, you have vacations. Certainly you're not going to try to take vacation during that time, but there are unexpected things that can happen.

Especially if you're a small shop you only have a few people that there could be some unattended -- problems with that that we -- you wouldn't be able to get the answers done in three days. I would ask that that was extended.

Also, on serving low income tenants, right now there's points for offering rents below the maximum rents for each of the low income levels. Right now I think that that will discriminate really for the -- just the metro areas and the areas that can afford -- that really have the higher rents -- the higher AMGIs. Those are -- and possibly a few others. But those are the -- only the areas that are really going to be able to go 10 percent, 15 percent below the maximum rents to get these points.

Also right now, for serving low income tenants, there's two different kind of prongs of getting points. There's the points for below maximum rents, which I've just mentioned, and there's also points for deep targeting -- you know, in just having 30, 40, 50 percent units.

I don't think there necessarily needs to be a two-pronged approach to that. I mean, you're already getting points for deep targeting. I don't think you need to also get them for -- you're already being asked to reduce to the 30, 40, 50 percent. I don't think you need to be asked further to reduce your rents below in those areas.

As far as the preapplication points, another point. Right now there's a 5 percent variance that if you go -- your preapplication points versus the final application points that are given to you, there can only be a 5 -- less -- a 5 percent or less variance in those points. If there's above 5 percent variance you lose your 7 preapplication points.

I think that that's too low -- that variance is. You know, last year some of the total points got up into the 140s, 150s, 160s. It looks like this year maybe they'll be down closer to the hundreds. I mean, 5 percent of that's only five points. So I think losing five points or gaining five points -- I think that's just a little too small a variance. I think it should more in the maybe 8 to 10 range.

Couple of other points. One is for point reductions for extensions. Right now there's a 2-point reduction for each extension that is submitted. I think that there are legitimate reasons for extensions sometimes in certain areas. A building permit process could take a very long time. You know, you could have environmental issues that are being considered -- those kind of things.

And I think that you already have a fee that you pay for your extension. And I don't think that you should be deducted two points for each of your applications for the next year. I just think that's kind of a double jeopardy thing to me.

Let's see -- commencement of substantial construction. Right now there is -- the definition for substantial construction that is in the QAP draft is -- for new construction is that 50 percent of all the foundations have been poured. I think for large developments -- it discriminates against the large developments.

If you have a 20-building project, having to pour 10 foundations to be defined as commencing your substantial construction -- commencing is sort of a beginning. That's what it means -- beginning of substantial construction. And a lot of GCs don't work that way. They don't pour all their foundations first and then go back and do the framing. They'll pour the foundations and do framing kind of as they go. So I think half -- 50 percent is way too much.

For the rehab it's asking for 10 percent of the construction budget. I think that that's -- that would be doable also and acceptable also for new construction.

The last item is -- and a few others mentioned also for affordable housing --

MR. JONES: Excuse me. Your time's up. You need to wrap up.

MR. KILDAY: All right. The last one is affordable housing needs scoring component. The 5 point reduction issue -- I think that that's something that, like a number of these items, should be addressed next year and there should be studies, you know, done on that. And that should be addressed next year. Thank you.

MR. JONES: Thank you, sir. Mr. Magill?

MR. MAGILL: Thank you. I'm Bert Magill, and I will be fairly brief.

MR. JONES: Thank you.

MR. MAGILL: Have some items that I will hand out. (Pause.) First of all I'd like to commend the staff on this year's QAP. It appears to be a lot of thought was given to it and a lot of input from developers and financing people, which was very helpful.

First couple of comments -- with regards to the threshold criteria, I have noticed that this year the energy conservation items are a threshold. I think that is fine, but I would like to say that the -- they did remove from the final draft the radiant barriers. And I think that should go as an amenity under the selection criteria maybe for a point. And also the ceiling fans is a threshold criteria. And I think that's kind of an amenity and should be moved to also a point item on the selection criteria.

Secondly, under 6(b) -- or excuse me -- 6(a), it talks about site control. One of the things I just noticed in there that all individual persons who are member of the ownership entity of the seller must be identified.

I think there are lot of landowners out there that have had properties in their families or in trust that have legitimate reasons why they don't necessarily want to be disclosed to everyone that they are the owner.

And I think that possibly an affidavit from the representative saying that they are not part of the applicant or any of the Board or staff or anything that we're trying to achieve here is just as adequate, but, yet, leaves the actual owners or trusts or however they hold it. Because we're already asking the landowners to tie up their land for a year. And this is one more cumbersome objection that we might have in getting a very good location. So I would like for you to consider that.

The next item is the zoning timetable. I've been in various areas before where the city councils have certain various readings before they can consider, whether it be a reading for the planning or zoning or going to a couple of readings before they go to city council.

And I'm concerned that if in that particular case that these time lines would not be able to be achieved with regards to the zoning. So I would -- I do believe that, as far as an application, and probably the first level of approval through the planning and zoning, is adequate. However, if we're asking a landowner to down-zone his property from commercial to multifamily they definitely do not want to go through the zoning process until we are sure that the credits are available and that the ultimate sale of the property is forthcoming.

And, therefore, if there are readings before it goes to the city council we want to make sure that we give enough time for all the city council to give proper consideration. And we're already accused a lot of times of not getting enough public comments, or jamming these things down the community's -- and so --

MR. JONES: Have you been excused of that today?

MR. MAGILL: Yes.

MR. JONES: You're kidding.

MR. MAGILL: No. Other people have. I never have. But I think additional time would allow us to get the public input and not be rushed in order to get the zoning. You know, as long as we get it by the carryover I think that's an adequate time point.

The other area in the selection criteria -- I will say that, as regard to 8(a) and 8(b), it appears that under the deep targeting these -- it appears to me that we're kind of double pointing on the same unit mix. And I would propose that we remove 8(a) and stick with 8(b) or somewhere -- somehow or another make this an appropriate point scale for a one-time deep targeting instead of giving two sets of points accordingly.

The other thing that Mr. Kilday just mentioned with regards to substantial construction, we need to be aware that there are different types of ways to --

MR. JONES: Excuse me, sir. Your time's up.

MR. MAGILL: Okay. That, you know, the old way seems to be working and the foundations -- half of the foundations is kind of a detriment to continue it. Thank you.

MR. JONES: Julie Street? She's from Representative Carter's office.

MS. STREET: Good afternoon. Hi. I'm Julie Street. I'm with the House Committee on Urban Affairs. And I'm here today on behalf of Chairman Bill Carter. He apologizes that he can't be here in person, but I would like to read this letter of his into the record. It is concerning the 2003 QAP.

"Chairman Jones and TDHCA Board members, I would like to begin by stating how impressed I've been with TDHCA's performance in the previous year. The improvements that this state agency has recently implemented are admirable, especially in programs such as the Low Income Housing Tax Credit Program.

"I would like to personally thank this Board for the work they have done in making TDHCA a strong force in the provision of affordable housing to Texans with low and moderate incomes.

"The Low Income Housing Tax Credit is a powerful tool for the creation of affordable housing in

Texas and across the nation. It is a primary means of directing private capital toward the creation of affordable rental housing. And I appreciate your allowing me to comment on the 2003 Qualified Allocation Plan and rules governing this program.

"It has been brought to my attention that the TDHCA staff recommendations to the Board on the 2003 draft QAP do not include the following recommendation made by the Texas Affiliation of Affordable Housing Providers, TAAHP, on October 23, 2002. For a quick reference, this recommendation is as follows" -- and I'm just going to paraphrase that down.

Recommend adding use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 for three points.

"I am particularly disappointed that the staff did not choose this -- to recommend awarding points for the use of energy efficient alternative construction materials in the QAP. Including a point reward would encourage developers to offer a considerable savings and long-term benefits to multifamily housing residents.

"TAAHP is an organization representing a broad array of industry members, including nonprofits, forprofits, investors, lenders, management companies, architects, market analysts, accountants, lawyers, financial advisors, and other housing associations.

"TAAHP had two QAP open panel discussion at its 2002 conference in Austin, and also held a QAP workshop in Houston to formulate recommendations. TAAHP incorporated their recommendations received in some of the draft recommendations to all members, as well as other interested housing proponents, including my office, for comment.

"This organization received no opposition to its recommendation for additional QAP points in order to encourage the use of energy efficient building materials nor any opposition to the unit amenities recommendation as a whole.

"Modern construction technology allows for better insulation and efficiency standards, making it easier for low income families to afford heating and cooling their homes. Furthermore, these materials offer long-term sustainability and reduced maintenance and upkeep costs.

"Energy efficient building techniques also offer safety benefits of storm, wind, and fire protection superior to that of traditional building techniques.

"Beginning in 2000 electric utilities in Texas began implementing energy efficiency programs under the Public Utility Commission, PUC, Substantive Rule 25.181, which implemented Senate Bill 7 of the 76th Legislative Session.

"In addition, Senate Bill 5 of the 77th Legislative Session sets out a number of energy efficiency mandates, including adoption of the Energy Building Code and the Energy Efficiency Grant Program under PUC's Substantive Rule 25.182.

"Beyond the above-mentioned benefits of long-term affordability and sustainability energy efficient alternative building materials will help the State of Texas reach its goal of increasing the level of energy efficiency and reducing the demand for energy as laid out in various legislative mandates.

"As you may know I have made affordable housing a priority during my term in office. I consider quality affordable housing which incorporates energy efficient construction methods a basic necessity for housing programs sponsored by TDHCA. There's no doubt in my mind that energy efficient building materials contributes to the long-term affordability of a residence.

"I urge the Board to consider awarding low income housing tax credit points to encourage smart forward-thinking energy efficient affordable housing, and respectfully request that the Board include additional points for energy efficient alternative construction materials into the 2003 QAP. Sincerely, Truman Carter."

MR. JONES: Thank you. Appreciate it.

MS. STREET: Thanks.

MR. JONES: Mr. John Garvin? I believe there's nobody else now that wants to speak with regard to QAPs. Right?

Mr. Manley?

MR. MANLEY: May I, if you don't mind?

MR. JONES: Well, I didn't have a witness affirmation form.

MR. MANLEY: (No audible response.)

MR. JONES: Excuse me?

MR. MANLEY: I'm asking permission to do so.

MR. JONES: Well, come and fill out a form, Mr. Manley. I was going to say I had saved you for last one more time.

MR. GARVIN: I remember when I used to get first place.

MR. JONES: Have you noticed that?

MR. CONINE: Do we have a translator?

MR. GARVIN: Good afternoon.

MR. JONES: Most speakers get three minutes. I'll give you one.

MR. GARVIN: I can probably do it in one-and-a-half.

MR. JONES: Great.

MR. GARVIN: Good afternoon. John Garvin with TAAHP. Nice seeing you all. I'm sure you don't sick of hearing what a great job Ms. Carrington and your staff did on the QAP. They really went beyond the call and came out in a very open and participatory. Really appreciated that.

There's a few things we just wanted to concur with. You've heard what some of our members -- the amenity package, 49.9(f)(4)(D) -- we would like to see put back in. Also we would support the inclusion of stucco as masonry.

We concur with the HOME, Hope 6 five points for funding proof, not just application.

Also 49.6(d), the cap on credits per applicant -- we had originally recommended it be prorated. We also would like to see that reconsidered.

We're very happy, as I mentioned, with all the public comment that you've taken. You've incorporated a lot of our comments -- I think about three-quarters -- into the draft.

One issue I just wanted to bring up that I would like to kind of head off before it gets to other programs is, throughout the response of the public comment there was a phrase that said, In the interest of ensuring adequate public input in the rule-making process, the Department does not recommend making any new additions to the selection criteria that were not either part of the 2002 QAP or part of the 2003 QAP as the public will not have had an adequate time to respond to the suggested selection criterion.

I'm not negating that the public comment was very good and everyone was heard. We're just afraid that this is putting parameters on public comment, and it might prohibit good ideas. I mean, I saw several ideas that I can say weren't from TAAHP, but were in QAP comment. And this kind of puts a parameter on it.

And maybe in the future we could come up with almost a tiered public comment process. A, you might reduce the number of comments at this last Board meeting and -- I don't know -- I'd like -- we would preferably to do away with two 30-day public comment periods. I physically don't think I can handle it. But if you did make it one 30-day, maybe a quick one after that.

And that was all our comments. And, again, thank you very much. If you have any questions. Thank you.

MR. JONES: Thank you, John. Appreciate it.

Mr. Manley?

MR. MANLEY: Thank you for allowing me to come before you. My name is Larry Paul Manley. And I apologize for not getting an affirmation form in sooner.

MR. JONES: You didn't know we did that, huh?

MR. MANLEY: I forgot. That's why I was -- I always ask for a -- excuse me. What I'd like to talk about is something that follows up on a comment made at a previous meeting discussing using mixed income and going into areas outside of concentrated development areas.

That has to do with a number of issues that have already been addressed by staff in the QAP this year. And I commend everyone's efforts in doing that.

And, notwithstanding the perhaps unintended consequences on the heavy concentration areas on the 5-point reduction, it's going to help disperse the credit, and I think it's worth giving it a try to see how it's going to work.

Secondly, the support letter scoring issue.

Given the fact that the legislation that you work under requires that you give points for legislative-based support, it doesn't tell you how you weight that support in terms of the scoring matrix. And if I'm wrong about that please correct me.

But in looking at the recommendation of staff the heaviest weight is given to the people farthest away from the property. If you think about it the U.S. Representative and the U.S. Senator have the highest point total to their letter. And the lowest point total goes to the local mayor, city council member, county judge, and county commissioner.

I submit to you that that ought to be flip-flopped -- that the local people ought to have more say than the guy who lives and works in Washington and who communicates via long distance communication with their constituency as opposed to those who live and work and shop with them.

And if you were to do that -- I would also say that 14 points in an application of this size going to support letters is an overweighting in support points. Even in the staff memo that does an assessment of what a typical -- and I think I have one here that shows 114.

Brooke, is that right? In your memo? 118.

118-and-a-half is sort of a targeting point score.

If you have 14 points for support letters in there I submit to you that's way too much weighting just for a support letter. And if you think that that is a consistent allocation and it should be kept there then I submit that you should give much more weighting to local people.

MR. CONINE: Where are you getting the 14? I'm getting 12.

MR. MANLEY: Well, I just counted them up. It was -- you have neighborhood groups to get two points. And then you have a maximum of two points for the mayor, city council, et cetera. And then you have the state rep and state senator, two points each. And then three points each for the U.S. Senator and U.S. Congressman.

MS. BOSTON: Actually, there should be a cumulative --

MR. MANLEY: Oh, I'm sorry. Then I am totally wrong about that because I was looking at the memo and didn't see the gross up.

MS. CARRINGTON: And what you also --

MR. MANLEY: So is a total support of six points all over?

MS. CARRINGTON: Yes. And what you can

actually do is reach your six without ever having to go to your congressional votes. You can actually have it from the grassroots --

MR. MANLEY: I apologize. I was reading Edwina's memorandum without checking the QAP language itself. And I apologize for that. Thanks for the clarification.

Nevertheless, the point stands. We should give more weight to local people because witness what took place for three hours here today.

MR. JONES: I would be remiss. Mr. Manley -- Mr. Conine and I had the privilege of serving with him when he was at the Department. I'm sure everybody knows this, but he's the former executive director of the Department. Good to see you back again.

That will then conclude the public comment period with regard go the QAP. I've had a request from a Board member we take a break. We'll take a break for five minutes. We'll be back in -- 3:17. Thank you.

(Whereupon, a short recess was taken.)

MR. JONES: Okay. We will -- I will now call the meeting back to order. I would like to suggest this to the Board as a way to proceed. First, now, Brooke, is your middle name stucco now? No, whatever it might be.

First, I would like to -- I know that some Board members have questions and would like to suggest that any Board member that has a question direct it to Brooke or Ms. Carrington.

And then, after we have an opportunity for questions, I would then turn it over to any Board member who would like to make perhaps a motion to approve with revisions. And my suggestion is that we take up a motion to approve with revisions. And if there are any revisions that Board members have rejected -- excuse me -- have objections to that we then take those that are objected to separately. And, with that, Brooke, could you answer some questions? Thank you.

MR. CONINE: Want me to start?

MR. JONES: Yes, please do.

MR. CONINE: Is there any other problems with stucco that I -- we may not see that you may be aware of?

MS. BOSTON: No.

MR. CONINE: Okay. The supplemental funding issue that was brought up here, and the date that we're requiring, any thoughts on moving that date back a little bit?

MS. BOSTON: Do you want to answer this?

MS. CARRINGTON: The reason we've done that --

that basically gives developers two more months. We'll allocate credits the end of July.

MR. CONINE: Right.

MS. CARRINGTON: This gives them until November 1. And it allows for some different timing on funding cycles that would not be under control of TDHCA. Because we say Hope 6, we say 811, we say CDBG. Now, to the extent that it's HOME or Housing Trust Funds, then we control that funding source and that funding cycle.

But as we looked at it we thought we need -- or we want to give the developers another couple of months to be able to put that funding together.

MR. CONINE: Okay. The 8(a) and 8(b), the targeting issue, where you can get points for being below voluntarily. All right. Which I guess the purpose of that is to hit between 40 and 50 and between 30 and 40 -- I guess somewhere in between all that. Can you help me with the logic there?

MS. BOSTON: Yes. We feel like each exhibit is serving a -- basically serving a different purpose. The one is actually trying to get down to lower income rents. And that actually has the income tied with it as well.

On the other exhibit, which is the 5, 10, and 15 percent below, and particularly in metropolitan areas where the median income is high, if we can get it where the tenants there are paying a little less than what the median income is for the program then we think that's a good thing. And we get some folks who go for those points because of that.

MR. CONINE: Can you get points for both?

MS. BOSTON: Yes.

MR. CONINE: You can.

MS. BOSTON: Yes.

MR. CONINE: Tell me how that works, just for a typical 100-year project. How do you get points for both?

MS. BOSTON: You -- for instance, you would set aside -- let's say you decide the whole place is low income. You have half of them are at 60 percent --

MR. CONINE: Right.

MS. BOSTON: -- and the other half are split out between 50, 40, and a few 30.

MR. CONINE: Right.

MS. BOSTON: In each of the cases of the 50, 40, and 30 --

MR. CONINE: Right.

MS. BOSTON: -- depending on what you checked on the other exhibit -- let's say you said 5 percent below --

MR. CONINE: Yes.

MS. BOSTON: -- you'd actually have your units at 60 and then 45, 35, and 25 by having checked the other exhibit in tandem.

MR. CONINE: Seems like that would be punitive toward the rural part of the state as opposed to the urban part of the state. And we -- you know, we've heard repeatedly that -- well, let me ask you this. Why wouldn't removing the first one -- the rents below the maximum tax credit rents and just leaving the 30, 40, and 50? Why wouldn't that be acceptable to us? What would be the issues that it would not be acceptable to us?

MS. BOSTON: I think it's acceptable. I think because the QAP's a policy document that we're trying to find innovative ways to deal with different issues we put out the paragraph A of trying to do 5, 10, and 15 percent below in an effort to see if we could try and serve a little bit different aspect of the low income population.

There was some public opposition to it, but not an immense amount. And in conversations that Ms. Carrington and I had we felt like the possibly of getting some of the -- getting rents for some tenants to a point that they were below median income was worth the potential trade-off.

MR. CONINE: How do you monitor that in future years? Just the rents below. Because 30, 40, and 50 is measurable. But the rents below -- from a monitoring standpoint, how do you do that?

MS. BOSTON: Basically they would just calculate what the rents should be at that middle percentage and monitor for it. Interestingly, it --

MR. CONINE: Yes, but if it goes up --

MS. BOSTON: Yes, it would be in the LURA.

MS. CARRINGTON: So when they go out to do a monitoring visit they will be looking at the LURA. And then they will be doing the calculations based on what the development agreed to do -- what the development owner agreed to do in the way of low income targeting and rents.

MS. BOSTON: Interesting that some of the public comment received was more from a departmental -- oh, my god, how are you going to do that?

MS. CARRINGTON: Yes.

MS. BOSTON: And our compliance division actually suggested the exhibit and supporting doing it.

MR. CONINE: Okay. Any problem with Representative Carter's structurally insulated panels getting a little scoring? Is there -- I don't see any danger there.

MS. BOSTON: No.

MR. CONINE: The -- I want to go to the overall scoring matrix now just to get an idea of the weighting and score.

MS. BOSTON: Uh-huh.

MR. CONINE: That was part of my question on the rents below tax credit rent, because we are now offering, I think, 12 points for that --

MS. BOSTON: Right

MR. CONINE: -- which represents 7 percent of the total number of points maximum. And we were going to combine that with the units at 30, 40, and 50, bringing a total of 17 points. You've got quite a bit of weight there I guess.

MS. BOSTON: Uh-huh. And I would love to say the mandate is to put the greatest weight towards trying to serve the people with the lowest incomes and do it for the longest period of time, which is why we've put an effort towards putting highest score points with both of those exhibits.

MR. CONINE: But we've assured ourselves in the mixed income situation to make sure we've got some market rate units in there as well. Is that correct?

MS. BOSTON: Yes, if someone wants to do that.

MR. CONINE: The affordability period and the right of first -- let me just add them separately. The affordability period -- are we getting 100 percent response on that pretty much?

MS. BOSTON: 99 --

MR. CONINE: 99?

MS. BOSTON: -- point 5. Yes, almost everybody.

MR. CONINE: To get points for that I guess gets us brownie points in other places, but -- necessarily doesn't create any differentiation on the score.

MS. BOSTON: Correct.

MR. CONINE: How about the right of first refusal? What kind of participation are we getting there?

MS. BOSTON: Everybody does that. And actually that's required under Section 42. In the revenue --

MR. CONINE: It is required.

MS. BOSTON: Yes.

MR. CONINE: Guess I can't pick on that one.

MS. CARRINGTON: You could, but wrong venue.

MR. CONINE: Right. Need to be in D.C. for that. The housing needs score -- this is the great unknown at this point.

MS. BOSTON: Right.

MR. CONINE: And you have allowed 20 points for that. And my understanding is we're going to go through a public comment period to figure out how all of that little criteria is done. Why was staff recommending 20 points for that? Just, again, as a weighting issue is the reason for my question.

MS. BOSTON: Right. Again, we felt like the best -- as a policy document to drive people to go where we would like to see the developments being built, the affordable housing needs score, by allocating up to 20 points in certain cities make it pretty clear where we'd like to see people going with the application and their development. So we feel like it's a successful tool in that way because it is high scoring.

MR. CONINE: Well, I guess I'll have a keen interest in how that is developed simply because, you know, the biggest need are where the most people are for the most part. And you can't disproportionately target against those just because they've had a deal in a particular geographic boundary called a city or a county.

MS. BOSTON: Right.

MR. CONINE: Has staff come up with a -- you working on that?

MS. BOSTON: Yes. And I don't know -- guess not.

MR. CONINE: Ms. Anderson has agreed to that?

MS. BOSTON: I mean, the score itself is being generated through the Housing Resource Center. And the -- interestingly, within a region, by doing a 5 point deduction for some of the metro areas or any area where there's been a credit award in the past two years actually tends to equalize and bring the metropolitan city into equal playing field with some of the outlying communities.

It's not making them 5 points less. It's actually just making them equal. If you gave them the 5 points then the metro areas are 5 points ahead of quite a few other areas in a region. And, obviously, that's not going to be the case in every situation. But definitely in some scenarios in different regions that's what we've seen.

MR. CONINE: Have we locked ourselves in to defining the geographic area as a city within the housing needs? In other words, could we fine-tune that a little bit into a smaller geographic region other than the boundaries of a city?

MS. BOSTON: Probably we could think about it for 2004. I don't think there's any way to get that level of data analysis done by the cycle opening on December 4.

Is that accurate?

MR. CONINE: What's the target -- what's the time line target on the current -- you know, putting the needs assessment together?

MS. BOSTON: It's been out for several months of public hearings already. And our goal is that it will be finalized before December 4.

MR. CONINE: That's what we had this morning was a public hearing? Is that correct?

MS. CARRINGTON: Yes.

MR. CONINE: I think I'm done with my questions.

MR. JONES: Other questions?

MR. BOGANY: I had a question.

MR. JONES: Yes, sir.

MR. BOGANY: Brooke, in regards to the credit amount on 49(6)(d), a gentleman was coming up -- who was up there talking earlier was saying he felt like it would sort of keep new developers from coming in. And also it would be concentrated among certain people and not being able to get out into the other parts of the community to be able to come in and do these projects. Could you kind of explain the credit amount of what he was talking about and why you disagree with what he said?

MS. BOSTON: Sure. We historically -- we added this year for the 1.6 million test two additional parties. And I think as you all recall during the awards cycle this year there were some controversy about the 1.6 million test and that there were people behind deals that were somehow violating.

So to try and better capture who's behind the deals to not have that happen we expanded it to developers and anyone guaranteeing the financing on the transaction for a fee.

We feel like that does better capture the 1.6 test. The opposing side to that, which the gentleman pointed out, is that, if you are the developer, because you're now involved, you're going to be more selective about which deals do you decide to be in on because you can only get 1.6 million, whereas now there -- you know, a developer could lend his experience to several deals and kind of help them up that way. So it's -- unfortunately it's, to some degree, two opposing interests.

MR. BOGANY: Okay. One last question. In regards to the 50 percent paid developer fee requirement, why are we requiring that? And we had a couple of people speak against that, and I would like to hear what the staff's reasoning behind that.

MS. BOSTON: Actually, if could clarify, we had renewed the requirement that you had -- that you could not have -- that out of your developer fee no more than 50 percent could be deferred. We had actually taken that requirement out. And if I could speak on the behalf of the people who commented, I think that they wanted it back in. Is that --

And the Department feels like -- we understand the merit of that argument. However, in each development's scenario it's a case-by-case basis. And to say for one development that the boundary is 50 percent, well, actually -- I mean, they might have been okay having a 55 percent deferred. And if you say 55, well, then, someone else who had 57 might have been okay. So we feel like it's more appropriate to be evaluated on a case-by-case basis.

MR. BOGANY: Okay. Thank you.

MS. ANDERSON: To follow up on that topic, have you all considered any alternative -- maybe Mr. Gouris would address this for me -- have you considered -- if there's a way to take -- to adopt that -- put that back in, as several people have asked, and still retain the flexibility maybe through doing -- I'm not trying to unduly create work for you, but to preserve the ability to do -- if they pass either/or test -- something like that?

MR. GOURIS: Currently the test that we had proposed and put in the draft rules is a test of 15-year repayment at zero percent. And it was noted earlier that that test is a little bit liberal compared to what most practitioners would use. But that was intentionally done that way so that we could provide opportunity for as many --

MS. ANDERSON: There are more deals.

MS. GOURIS: Yes. So if we were going to add back the 50 percent test I don't think it would be an either/or. I think it would be -- it would be an either/or. If they fail either of those two test then they would not pass. Or we could remove the more lenient test and just have the 50 percent test. Staff just doesn't believe that that 50 percent test is as strong a measure, and that a case-by-case basis is a little bit more appropriate.

MS. BOSTON: And if I could on that, if you all do opt to add it back -- you know, we've tried to make a pretty strong policy statement this year that we don't want the underwriting of a deal associated with scoring. So if it does get added back, if it could be added to threshold or to the underwriting rule that would be a strong preference.

MR. CONINE: And I would -- on that particular subject would differ with my friends in the development community I think, in that if a developer wants to bring in a project and defer all of his developer fee in order to get deep skewing done and get 30 percent rents for a project, for instance, for us to arbitrarily draw a line in the sand at 50 percent level or any other percent level and say that that's not good, or the merits just arbitrarily don't quality that particular project is not a good situation.

I think in certain cases our underwriting staff can make sure that the project is, quote, financially feasible. And I think it's incumbent upon the syndication community to look hard at a developer who wants to defer all the developer fees and make sure that before they sign the letter giving him the syndication rights and bringing it to us that they make sure it's financially feasible. And those two things I think will create a market balance that will not endanger the Department in any of the projects we do.

MR. JONES: Further questions?

(No response.)

MR. JONES: All right. Hearing none, I think maybe that -- you know, I've kind of changed my mind. Maybe the easiest way to handle this would be for anybody that has revisions to the draft to go ahead and make a motion that we revise the draft. Let's get all the revisions voted on one at a time. And then after we do that we can make -- the Board can entertain a motion to approve the draft as revised.

MR. CONINE: Okay.

MR. JONES: Does that sound like a pretty way to go at it? So why I don't I open the floor to anybody who has revisions they would like to make to the draft.

MR. CONINE: Mr. Bogany's got one.

MR. JONES: Yes, sir.

MR. BOGANY: I'd like for us to put back in there the unit amenities -- the lighting package and the energy-saving part back in. And would also like to include the stucco.

MS. BOSTON: The lighting package and the kitchen package?

MR. BOGANY: And the kitchen package and the stucco.

MS. ANDERSON: And I would add Chairman Carter's language around the energy efficient alternative construction materials.

MR. JONES: Would you accept that as a --

MR. BOGANY: Yes, I will.

MS. ANDERSON: Oh, and the -- yes, lighting, kitchen amenity -- his whole paragraph.

MR. BOGANY: Yes, I would.

MR. JONES: Okay. Thank you. Okay. We have a motion. Is there a second?

MR. CONINE: Let me ask a question. Are some of those --

MR. JONES: Sure.

MR. CONINE: Some of those amenities -- did we get rid of that just because everybody's doing it?

MS. BOSTON: Yes.

MR. CONINE: Yes. That's kind of what I thought. With the exception -- because everybody puts in a, you know, washer -- a dishwasher, a disposal, microwave, and range -- all that kind of stuff. So they get points -- you know, to get points for that was kind of silly.

And I do agree though with the -- adding the structural insulated panels. I think that's a valuable components. And three points for is -- for all the headache those things are is definitely worth three points. So I would move to amend the motion just to include the efficient -- energy efficient alternative construction materials, which is the structurally insulated panels.

MS. ANDERSON: And the stucco?

MR. CONINE: Well, I was going to do that separate, but --

MS. ANDERSON: Okay.

MR. JONES: Okay. We have then a motion to amend the motion that's on the floor. Is there a second to the motion to amend?

MS. ANDERSON: Second.

MR. JONES: Second to the motion to amend. Further discussion on the motion to amend the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed say nay.

(No response.)

MR. JONES: Okay. The motion carries. So we now have the motion to revise before us. And I think it needs a second.

MR. CONINE: Second.

MR. JONES: Motion's been made and seconded. Further discussion of that motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed say nay.

(No response.)

MR. JONES: Motion carries. Further --

MR. CONINE: Now do your stucco.

MR. JONES: -- motions to revise?

MR. CONINE: Now do your stucco.

MR. BOGANY: Okay. I'd like to move that we add stucco back into it -- into the QAP.

MR. CONINE: But eliminate EFIS.

MALE VOICE: Second.

MR. BOGANY: But eliminate EFIS.

MR. JONES: Okay. We have a motion that's been made --

MR. BOGANY: EFIS.

MR. CONINE: No EFIS.

MR. JONES: Do you understand the motion? Okay. The motion that has been made is that stucco be added and that EFIS be deleted. That's excluded.

MR. CONINE: Stucco is included as a masonry component.

FEMALE VOICE: Right.

MR. CONINE: But it can't be the EFIS product, which some people consider stucco.

FEMALE VOICE: Okay.

MR. CONINE: Okay? I'll tell you about it later.

FEMALE VOICE: Would you like to spell EFIS?

MR. CONINE: E--F--I-S.

FEMALE VOICE: Thank you.

MR. JONES: Okay. Does everybody understand the motion on the table?

(No response.)

MR. JONES: Okay. Do we have a second to the motion?

MR. CONINE: Second.

MR. JONES: The motion's been made and seconded. Further discussion to the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay?

(No response.)

MR. JONES: Motion carries. Further motions to revise?

MR. CONINE: Yes. On the four-bedroom issue, the Board will be glad to know that I've come around on this issue partially.

MR. JONES: You've been here partially for years.

MR. CONINE: From what I understand the public comments relating to the fact that we can now do single family units with the tax credit program -- and there was some indication there that four bedrooms would be appropriate for single family units, which I tend to agree with.

So I would move to -- again, I'm looking at the black line version, which is a different page. But where it says in 49(d), Any development having units with four or more bedrooms -- I would put any single family development having any units with four or more bedrooms. And that would do the -- that would have the effect of allowing four-bedroom units in single family units only, not in the multifamily products that some of the tax credits can go for.

MR. JONES: We have a motion on the floor. Is there a second?

MR. CONINE: Come on.

MR. JONES: Is there a second?

MR. SALINAS: Second.

MR. CONINE: Oh, there is a second.

MR. JONES: The motion's been made and seconded. Further discussion to the motion?

MS. ANDERSON: May I ask the maker of the motion a question?

MR. JONES: You sure can.

MS. ANDERSON: What -- Kent, just help me understand a little better. I mean, this sort of sounds like we're going -- you are coming around halfway.

MR. CONINE: Right.

MS. ANDERSON: Why not -- and I'm real dumb. Why not in multifamily developments?

MR. CONINE: Most people who build -- sink four bedrooms in multifamily projects have a very difficult time renting those out. And what has been happening, I believe, to some degree, is four bedrooms cost more to produce. So their eligible basis is more. So the credits --

MS. ANDERSON: So they get more credits than stucco.

MR. CONINE: -- we have to give them is more.

MS. ANDERSON: Okay.

MR. CONINE: I don't think there's a huge market demand for four-bedroom rental units -- or for four-bedroom rentals units within a multifamily complex, especially if it's in rural Texas. So in order to hold the credits down on a per project --

MS. ANDERSON: Right.

MR. CONINE: -- basis, in order to more directly satisfy the rental demand in each of these units it's my professional opinion that if we limited those to just single family units then we'd be meeting the market better and probably holding the credits down on a per project basis.

MS. ANDERSON: Thank you.

MR. JONES: A motion's been made and seconded. Further questions? Comments? Discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries.

MR. CONINE: Thank you.

MR. JONES: Further motions to revise?

MR. CONINE: On this rents-below-maximum-tax-credit rents, I just am a believer that we can accomplish that same thing -- there's such a little difference between 30, 40, and 50 in some of these counties that don't have very high incomes anyway -- that we can accomplish what we're trying to do with the 30, 40, and 50. So I would propose to eliminate the scoring potential -- the 12 points, if you will, for rents below maximum tax credit rents.

MR. JONES: We have a motion on the floor. Is there a second?

MR. BOGANY: Second.

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

(No response.)

MR. JONES: Hearing no discussion, I assume we're ready to vote. Am I right?

(No response.)

MR. JONES: All in favor of the motion please say aye.

(A chorus of ayes.)

MR. JONES: All opposed nay?

(No response.)

MR. JONES: Motion carries. Further motions to revise?

MR. CONINE: No. Well, wait a minute. Let me look a couple of other places.

MR. JONES: Other Board members can make motions to revise, too. I just want you to know the Chair's not --

MS. ANDERSON: Mr. Conine, you going to buying the coffee for Brooke tonight?

MR. CONINE: She's not -- it's not bad.

MS. CARRINGTON: It's not as bad as last year.

MR. CONINE: No, I promise you. On page --

MR. JONES: Just as long as we don't talk about stucco.

MR. CONINE: In 9(a) on page 23 -- and I can't remember what subsection I'm under. But it calls for the developers to produce a 30-year pro forma estimate of operating expenses. It's supporting documentation. Thirty years is ridiculous in my professional opinion. You know, ten is okay. Is there a statutory problem there, or what's the deal?

MS. CARRINGTON: I can tell you we do it now. And it would have to be a minimum of 15. Now, how we got from 15 -- well, probably because of the extended compliance area.

MR. GOURIS: It's just a sample long-term affordability pro forma. And that's -- it's just to comply with -- so that we can say that we've looked at it and, on the long-term 30-year pro forma based on what we know today, it seems okay. I mean, I understand what you're saying, but we've been doing it for years. And --

MR. CONINE: That's no reason to keep it though.

MR. GOURIS: I understand that.

MS. CARRINGTON: But I think the reason is you've got a 15-year compliance period and a 15-year extended compliance period, both of them IRS mandated.

MR. CONINE: Yes.

MS. CARRINGTON: And, because of that, we have a responsibility to look out 30 years.

MR. GOURIS: Right. And to state 30-year long-term affordability period also.

MR. CONINE: Hang on.

MR. JONES: I'm hanging.

MS. ANDERSON: May I ask Mr. --

MR. JONES: Yes, you may.

MR. ANDERSON: -- Mr. Gouris a question -- or

Brooke, one or the other. Where did we -- I can't find it. We had discussion early on -- you know, back a couple of months -- about operating reserves and requiring -- you know, are they cash reserves, not just some amount that's an accounting entry? Where did we -- where is that? Where are we on -- what did we do on that?

MS. BOSTON: If you want to refer to page 32 of your memo, there was very strong opposition to us having added the points for that. And, while I think staff had -- I think it still has some merit as a concept. Some of the public comments pointed out some very cogent questions.

I mean, just a few were -- let's see. Is the reserve a one-time funded amount? How long will it be held? Who monitors this and what are the penalties of noncompliance? What are eligible uses for the funds? Is this in addition to the lender and/or syndicator reserves?

And we didn't have answers for all those right now. And we didn't feel like it was appropriate to keep it in as long as we couldn't answer those questions.

MR. CONINE: You know, I think -- thanks for bringing that up, Beth. I think what happened here is we got a word confused. And we used "operating reserves" instead of "capital reserves." "Replacement reserves" really is a better word.

MS. ANDERSON: Okay.

MR. CONINE: And I think the intent -- at least in my recollection of the discussion -- was replacement reserves. And to make sure that there was a cash account set aside for these projects in the next 30 years, or however long it is, and to get points for agreeing to do that and put it in the LURA and all that kind of good stuff. Now, is that -- was that the intent of the discussions you guys had or was it something different?

MR. GOURIS: I think generally that's the intent of the discussions we had. The problem with it -- one is we're already requiring that as part of the underwriting guidelines. We're underwriting for that standard.

The problem is we haven't figured out how to manage that at the back end to make sure that those cash reserves are actually there, who's responsible for them, how we're taking care of those. And I think we -- staff would like some -- you know, a year to figure that out and come back and try to create that next year so that we have the ability to answer the questions that were asked. Who's going to monitor that, how is it going to be managed, does -- you know.

MS. CARRINGTON: The key for us was, as we underwrite, if it does not have adequate reserves we are not going to deem it financially feasible.

MR. GOURIS: Correct.

MS. CARRINGTON: So it didn't make sense to turn around and start giving points to something that basically an application had to have in their pro forma anyway to be feasible.

MR. CONINE: The intent I think of where the conversation from the Board's perspective -- or at least from this Board member's perspective -- was heading was to make sure that the cash reserves were there for future inspection and compliance issues, and that a reduction of those -- or if they evaporated or weren't there for whatever reason or didn't provide for adequate replacement if they were used for something on the project, then that compliance issue could then be used against that particular individual later on if they came back in for more credits. That was where we were headed.

And I understand the mechanics are hard, especially when you use some of it to fix a roof or an air conditioner, and how do you replace it and how long do you give them to replace it -- and can understand that. But -- so I don't -- would hope not -- this ball wouldn't be dropped and fall between the cracks.

On -- excuse me, Beth. I didn't mean to take over your question.

MS. ANDERSON: No, that's okay.

MR. CONINE: It was a great one.

MS. ANDERSON: I mean, that's the way I remember the conversation, too. And I just -- it just sort of disappeared for me.

MR. CONINE: On our $60 a foot maximum that's in the QAP for, I guess, any project that comes in the door -- is that correct? -- under -- and I'm on page 27, the black line.

MR. GOURIS: And I think that was a statutory requirement that we needed to provide incentive to -- for lower costs.

MR. CONINE: You needed a number in there, right, not --

MR. GOURIS: Right.

MR. CONINE: The statutory requirement wasn't $60.

MR. GOURIS: Correct.

MR. CONINE: I guess I have a concern about the potential of some of the inner city high-rise stuff that's going on and the ability to do affordable units in some of the downtown areas.

MR. GOURIS: One point -- it's one point. And that's because of all those concerns and the issues of, you know, smaller units costing more per foot and things like that. We only left it at -- we only allowed it to accomplish one point.

MR. CONINE: So the project doesn't get kicked out if it comes in at 62 bucks?

MR. GOURIS: It does not get kicked out.

MR. CONINE: Does it meet threshold if it comes in at 62?

MR. GOURIS: Yes, it does.

MR. CONINE: Okay. On the evaluation factors that I guess staff and Board use on their -- in case of a tie. There's a list of six of those evaluation factors. And I'm on -- again on, geez, 49 probably 09(g) back in the back.

My understanding is that staff uses these in order of presentation here in their evaluation. But the Board can use them in any order that may deem fit. So, obviously, it comes through the staff filter a little differently than the Board criteria.

I would recommend that we switch number 1 and number 2 -- just flip-flop positions there -- which would make the first criteria that staff would look at would be to ensure geographic dispersion. And then second one would be the greater number of low income families for fewer credits. I put that in the form of a motion.

MR. JONES: Thank you. We have a motion.

MS. ANDERSON: Second.

MR. JONES: Motion's been made a seconded. Further discussion of the motion?

MS. CARRINGTON: Perhaps. We may need to look at legislation because that may actually put serving a better number of low income families first really.

MS. BOSTON: Yes.

MS. CARRINGTON: Chris, help me out here.

MS. BOSTON: I mean, our legislation does indicate that we need to make serving low income families as one of our highest purposes. And we had tried to tie it throughout the QAP as a high priority.

I guess my other comment would be that you're putting a pretty subjective factor as the first factor for staff to evaluate. And I think that, having gone through a cycle where we've gotten a lot of kudos for having moved away from that, I think there might be merit to not having that be first.

MR. JONES: Chris, are we violating laws if we vote in favor of this motion?

MR. WITTMAYER: I believe we are. I haven't found it, but it sure sounds right.

MR. CONINE: Withdraw the motion.

MR. BOGANY: I have a question.

MR. JONES: Yes, sir.

MR. BOGANY: To Brooke. So the needs test kind of takes care of what this geographic dispersion would be.

MS. BOSTON: It's intended to be the first step towards resolving it. You know, are there going to be cases where there's still -- it is our first effort. We hope that that will address it. I think it's still an excellent step to make sure that the evaluation factor includes geographic dispersion in the rare event, hopefully, that it isn't satisfied through the needs score.

MR. BOGANY: Okay.

MR. CONINE: Move we approve the amended QAP.

MR. BOGANY: Second.

MR. JONES: Motion's been made and seconded. Further questions, discussion, comments on the QAP? (Pause.) Further questions, comments, discussion on the QAP?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries.

MR. CONINE: Hope you're not up all night.

MS. BOSTON: I won't be.

MR. JONES: I will then turn the Board's attention if I could to Item 6(b) on the agenda. In order to get us off into our -- okay. Staff's recommendation.

Ms. Carrington?

MS. CARRINGTON: Right behind -- well, first of all, I'd like to thank the tax credits staff for the work that they've done on the QAP this year.

(Applause.)

MS. CARRINGTON: I'd also like to thank the public that came to workshops all summer long, focus groups, provided us input in writing, on the phone, by fax, by e-mail because that group is really very, very responsible for the quality of the document that we have here.

Now, as a part of the Qualified Allocation Plan the Board also has to approve an Application Submission Procedures Manual. And if you will go to tab 6(b) -- but go back to the left. So go to 6(b), pull out that tab, and then you'll notice there's a green page. And there's an Application Submission Procedures Manual.

This manual accompanies the QAP. It basically is the document that outlines how an applicant submits an application to TDHCA for an allocation of low income housing tax credits. It flows with the QAP. If there's changes in the QAP then those changes get made in the Application Submission Manual. So that needs to be approved by the Board today also.

MR. SALINAS: So moved.

MR. BOGANY: Second.

MR. CONINE: My book doesn't have that page.

MR. JONES: Okay. Motion's been made to approve. It has been seconded.

MS. CARRINGTON: It was something Delores sent out separately.

MR. CONINE: I got -- yes, I got it separate. But it just wasn't in the book.

(All talking at once.)

MR. JONES: Okay. Go ahead.

MS. ANDERSON: You have a second? I have a second -- then I will second it.

MR. JONES: I've got a motion to approve it. I have a second. Further discussion of the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed to the motion please say nay.

(No response.)

MR. JONES: Motion carries. We'll move to item 6(b).

Ms. Carrington, staff's recommendation?

MS. CARRINGTON: Thank you, Mr. Chairman. Staff's recommendation is that for any credits that come back to the Department between now and the end of the year, instead of coming back to the Board to get approval to take applications from the waiting list, what we are asking for the Board -- asking the Board to approve is administratively any return in credits we could reallocate to those that are on the waiting list that you have already approved.

MR. BOGANY: So moved.

MR. JONES: We do have one person who would like to comment on this. Ms. Cynthia Bast.

(Pause.)

MR. SALINAS: I'll second it for the sake of discussion.

MR. JONES: Okay. For the sake of discussion --

MS. BAST: I'll be --

MR. JONES: Excuse me. Just for a second, just to clean up. We have a motion on the floor, too, that that recommendation be approved. It has also been seconded. As soon as public comment is concluded we will move straight into discussion of that motion. Please, ma'am.

MS. BAST: Good afternoon. I'm Cynthia Bast of Locke, Liddell and Sapp. And I'll be as quick as I can since we do have a motion to approve this. And I am in support of this measure.

This is a very important use for the efficient use of the tax credits returned before the end of the year. We represent Investment Builders, which is a sponsor of three projects on the waiting list in Region X. They have outstanding community support. They have small projects that do not require a large credit allocation. They have three projects working with nonprofits that they received for 2002 and a forward commitment for 2003. They have already closed their construction loan and their equity. And those deals are underway.

So they're ready to go again. And they hope that there will be the opportunity for them to have some credits if they are turned back before the end of the year.

And we just want you to know that Investment Builders and its lawyers are willing to do whatever is necessary, despite the holidays, to work to meet carryover. Thank you.

MR. JONES: Thank you, Ms. Bast.

All right. We have motion on the floor to approve this. It's been seconded. Discussion?

MR. CONINE: Can I --

MR. JONES: Mr. Conine?

MR. CONINE: I'd like to add an amendment, if I might, to ask the staff to notify the Board when projects fall off and fall back on so that we at least know who --

MS. ANDERSON: I'd like to amend that amendment, sir, by e-mail that -- you know, so we get it --

MR. CONINE: Fine.

MS. ANDERSON: -- timely.

MR. JONES: Is there --

MR. BOGANY: I'll accept --

MR. JONES: Would you accept that as an amendment?

MR. BOGANY: Yes, I will.

MR. JONES: Okay. That amendment's been accepted to the motion. Okay. We now go back to where we have a motion that's been made and it has been seconded. Further discussion on the motion?

(No response.)

MR. JONES: Hearing none, we'll vote on the motion. All in favor of the motion please say aye.

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We will then move to item 6(c) on the agenda, and particularly to project 02-444. And I would note that we do have staff's written recommendation. Right, Ms. Carrington?

MS. CARRINGTON: Correct.

MR. JONES: Is there a motion with regard to item 6(c), project 02-444 --

MR. BOGANY: So moved.

MR. JONES: -- for approval.

MR. BOGANY: Yes.

MR. SALINAS: Second.

MR. JONES: Motion has been made to approve. And it has been seconded. I'm on item 6(c), the Woodway Village Apartments in Austin, Texas. And we have a motion to approve that has been seconded. Any discussion of it?

(All talking at once.)

MS. CARRINGTON: Bond transaction, Austin. We're the issuer.

MR. JONES: Right.

MS. CARRINGTON: This would be the allocation of the tax credits. We are going to have to go back and approve the issuance for the tax-exempt bonds.

MR. JONES: I understand.

MS. CARRINGTON: Yes. Credit allocation of 627,152, already there from the lottery.

MR. CONINE: We are the issuer? Is that what she said?

MR. JONES: Yes.

MS. CARRINGTON: And it wouldn't be --

MR. JONES: Ms. Carrington, did you hear Mr. Conine's question?

MS. CARRINGTON: I'm sorry.

MR. JONES: Make sure I answered it right. We are the issuer?

MS. CARRINGTON: Yes, sir. We are the issuer on all these transactions.

MR. JONES: Any further discussion to the motion?

(No response.)

MR. JONES: Are we ready to vote or do we need any more time for any reason?

(No response.)

MR. JONES: I assume we're ready to vote. All in favor of the motion please say aye.

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We will then move to item 6(d) on the agenda, which is the approval of the issuance and determination notices to tax-exempt bond transactions from three different developments.

Ms. Carrington, you want to make staff's recommendation?

MS. CARRINGTON: And we can take these in group if you would like --

MR. JONES: Uh-huh.

MS. CARRINGTON: -- Mr. Jones?

MR. JONES: Why don't we try to do that?

MS. CARRINGTON: 02045 [sic], Saddlebrook Apartments in San Antonio. Bexar County Housing Finance Corporation is the issuer. We are recommending an allocation of tax credits of 577,674.

02051 [sic], Gates of Capernum Apartments, which staff thinks hands down this is the best thing we've heard in a long time. They like this. This one is located in San Antonio. Bexar County HFA is the issuer. Tax credits in the amount of $565,027.

And the last one is 02055 [sic], the Sanger Trails Apartments located in Sanger. And the Denton County HFA is the issuer. And the recommended 4 percent credit allocation amount is $444,126.

MR. SALINAS: So move.

MR. CONINE: Second.

MR. JONES: We have a motion for approval. It's been made and seconded. Further discussion?

MS. ANDERSON: I just have a question.

MR. JONES: Certainly.

MS. ANDERSON: Are there TEFRA-like public hearings on these when it's a local housing finance agency?

MS. CARRINGTON: Yes.

MS. ANDERSON: Okay. Thanks.

MS. CARRINGTON: Thank you.

MS. ANDERSON: We just don't hold them.

MS. CARRINGTON: Right.

MR. JONES: All right. We have a motion on the floor. It's been seconded. Any further discussion of the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We'll turn to item 6(d) on the agenda. And unless there's an objection from a Board member you can make your recommendation here collectively, too, Ms. Carrington, if you'd like to.

MS. CARRINGTON: The first item has been pulled, 01025, Residences of Diamond Hill. They have pulled that request for an extension.

So the ones that we would be considering would be 01069, the Northstar Apartments. Staff is recommending the extension for the commencement of construction to February 28, '03.

The next one staff is recommending -- 01144, Autumn Oaks at Corinth Apartments. This is for the commencement of construction. Staff is recommending we grant this extension to March 11, 2003.

The next one is 01152, Parkway Senior Apartments. This grant -- this extension request is for the commencement of construction. Staff is recommending that the extension be granted to January 25, 2003.

And the last one in this group is 01162, Town Park Townhomes. This is for the commencement of construction. Staff is recommending the extension be granted to January 7, 2003.

MR. JONES: What about Greens on Turtle Creek? Did I miss that?

MS. CARRINGTON: Greens on Turtle Creek has also been pulled.

MR. JONES: Okay. Thank you. We have staff's recommendation. Is there a motion to approve?

MS. ANDERSON: So move.

MR. CONINE: Second.

MR. JONES: A motion to approve has been made and seconded. Further discussion?

MS. ANDERSON: I just have another question.

MR. JONES: Certainly.

MS. ANDERSON: In the case of Northstar Apartments I note that the deadline for the request was the 25th of October. And it came in on the 31st of October. Is that something we -- is that a common practice that we're getting these requests after our deadline for them?

MS. CARRINGTON: Generally the developers do meet the deadlines. But we do grant a little bit of flexibility if we need it.

MS. ANDERSON: Okay. I would just suggest the development community be kind to our folks and submit those requests on time whenever possible.

MR. SHERMAN: That's understandable.

MR. JONES: I'm sorry. Have you signed a witness affirmation form?

MR. SHERMAN: Yes, I have, sir.

MR. JONES: Okay.

MR. SHERMAN: And I asked to speak on this particular --

MR. JONES: I'm sorry. I didn't see that.

MR. SHERMAN: -- on this particular subject.

MR. JONES: And your name, sir?

MR. SHERMAN: Good afternoon. My name is Bob Sherman. I'm here to represent the Northstar Apartments developer.

MR. JONES: Okay.

MR. SHERMAN: You may -- I'm sorry. Thank you for hearing me, members of the Board and Ms. Carrington. You may recall that we appeared in Corpus Christi asking for an extension to the loan closing date. We did get a very difficult closing done on a HUD 221(d)(4) loan. It was done near the end of October.

I feel that the 28th of February, given the fact that this property is in the Rio Grande -- in the Valley area in Willacy County where we're concurrently dewatering the site right now. It's been very wet down there and I doubt very much we can finish by February 28 and accomplish substantial construction start, which means virtually being able to put studs up.

That's basically -- that's four months from right now. That's pushing it. And we asked for a longer extension than that. Is there any way we can get at least another month in this motion?

MR. JONES: Is this the way it was posted, Ms. Carrington?

MS. CARRINGTON: Their request was to June 30, 2003.

MR. JONES: Right.

MS. CARRINGTON: Staff's recommendation is to February 28, 2003.

MR. CONINE: Can we get staff's comment on it, please?

MR. JONES: Yes, certainly.

MS. CARRINGTON: Our definition at this point in this QAP -- or the QAP that you all were under is really very vague as to the commencement of construction. And we felt like June was an excessive amount of time. And, understanding that you've had problems with it in the past -- but that's four months. And so we're just asking you to make some substantial progress in moving dirt and getting the project moving along. I think --

MR. SHERMAN: Very well.

MS. CARRINGTON: You know --

MR. SHERMAN: We'll have that. I rest my case.

MS. CARRINGTON: Just to put a fire under it.

MR. SHERMAN: As long as we're granted some leeway we can show substantial construction activities, which we will, I can assure you.

MS. CARRINGTON: I think if you'll look at the QAP, Bob, it's pretty vague.

MR. SHERMAN: Your word's fine by me.

MS. CARRINGTON: It's not going to be vague on this QAP you understand.

MR. JONES: I found another public comment form. I apologize. I found yours, Mr. Sherman. Thank you.

Mr. Wilcox? Mr. Warren -- excuse me -- Mr. Melvin Warren?

MR. WARREN: I'll just --

MR. JONES: Okay. Thank you.

MR. CONINE: I call the question.

MR. JONES: All right. We have motion on the floor been made and seconded. Further discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed to the motion please say nay.

(No response.)

MR. JONES: Motion carries. I've been asked to go back to the motion with regard to 6(d) and read the project numbers that were applicable. It's my understanding the project numbers that were applicable are the following: 02445, 02451, and 02455. Did I get it right that time?

MR. BOGANY: Yes.

MR. JONES: All right. Okay. Hope that clears up the record. We then will move to item 6(f) on the agenda. Ms. Carrington, staff's recommendation?

MS. CARRINGTON: 6(f) is a request for extensions also. However, what they've done is put both of the extension requests together. They figured out if they were asking for an extension on close of their construction loan that they would need to come back and request an extension on the commencement of construction. So they put them -- they simply put them both together.

And what the staff is doing is recommending the close of the construction loan would be January 31, 2003. And then commencement of the construction would be April 1, 2003.

MR. CONINE: So moved.

MR. SALINAS: Second.

MR. JONES: We have a motion made and seconded. Further discussion?

(No response.)

MR. JONES: Hearing none -- Mr. Sherman?

MR. SHERMAN: Just one very brief request as long as the same conditions apply. There again we're into the winter weather, and I think we can do it. We will show you substantial progress if the same applies to the Northstar start of construction. Thank you.

MR. JONES: We have a motion on the floor that's been made and seconded. Further discussion of the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. Item 6(g).

Ms. Carrington's, staff's recommendation?

MS. CARRINGTON: 6(g) is a request for an additional allocation of tax credits -- $19,576. This is a 2000 tax credit and bond -- tax-exempt bond transaction property that's located here in Austin.

On page 2 are all of the reasons that the request has been requested to staff, and that staff feels it's warranted. There was additional basis requirements from the City of Austin. We have re-underwritten the transaction and we are recommending the additional $19,576 in tax credits.

MR. SALINAS: So moved.

MS. ANDERSON: Second.

MR. JONES: We have a motion for approval of staff's recommendation with regard to this item. It's been seconded. Further discussion?

MR. CONINE: Do we know that all these costs went into the project? I guess the best way -- that there are no developer fee increases in here in addition to actual additional costs?

MS. CARRINGTON: The information they have provided to us was as a result of their cost certification.

MR. CONINE: Well, that was a politically good answer.

MS. CARRINGTON: I'm working on it.

MR. CONINE: I don't see anything in here that says developer fees.

MS. CARRINGTON: No, we didn't see anything, Mr. Conine --

MR. CONINE: I'm okay with it. Okay.

MS. CARRINGTON: -- that indicated to us that they addition was coming from a developer fee. Let me -- this is Southwest Trails here in Austin. I don't think I gave the name of the project.

MR. CONINE: Let's make sure we ask that

question from now on.

MS. CARRINGTON: We will. Yes, sir.

MR. JONES: Okay. Any further discussion on the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We will then turn our attention back to the way we should have done it in the first place. Item 2 on the agenda, the Audit Committee's Report by Mr. Gonzalez.

MR. GONZALEZ: Yes. And we'll call on --

MR. JONES: And I deeply apologize. I'll never do this again.

MR. GONZALEZ: And we'll call on David Gaines, who has been here since 8:00 this morning waiting for this report.

MR. JONES: David, we love you, man.

MR. GAINES: Good evening, Chairman.

MR. JONES: You know, short reports are good reports.

MR. GAINES: Well, I assure you I'll keep my comments to under three minutes. This morning -- yes, that was this morning -- the Audit Committee met. We discussed the Central Database -- the status of that project. Significant changes since the last status report to the Board. Current plans and a brief discussion of the detailed plans for the immediate future of the next several months. I'll be glad to go into greater detail if anyone would like me to at this time.

We also discussed the status of the Tax Credit Inspection Fee Project. There's a net potential receivable to the Department of right at $100,000. This has been associated by -- or associated with 172 projects by Department staff. There's a lot of overs and unders that make up that net 100,000.

Each of those projects -- the 172 that this balance has been associated with -- needs to be investigated -- the underlying documentation to ensure the accuracy and to determine the true balance either due from or due to the property owners on each of these. And I'll be glad to discuss that in greater detail if you'd like.

The last item on the agenda was the status of prior audit issues. And our discussion centered around primarily a recent initiative by the Department providing

HUD with a comprehensive status update on all the outstanding HUD issues.

Basically, the Department put together a notebook of documentation for HUD on each of the outstanding issues, and this status report to HUD reiterated all the formal communications up to this point relating to each of these issues, pointed out documentation previously provided to HUD, and requested a response as to the acceptability of that documentation. Pointed out planned strategies on resolving the remaining outstanding issues.

And so I'm sure the Department's anxiously awaiting to hear back on that to make sure -- to gain the comfort we need that we're on the right track -- that we're on acceptable grounds with HUD to give us the confidence to go forward.

And I'm sorry. I'm getting some coaching over here, but I'm not sure to what effect.

MR. JONES: I'll just tell you this. I'd do what Delores said if I were you. I didn't once, and, boy, it was bad.

MS. CARRINGTON: I asked Mr. Gaines to bring the book with him today, which he has done, to show you. And I want to thank staff for helping us compile the response. We basically went back to 2000 to audit issues that HUD had identified and tried to compile it all together so they could look at one document, the backup.

MR. GAINES: I was excited the Board book was so big today. I didn't realize -- but I'll be glad to go --

MR. GONZALEZ: Dave, for next month's meeting you can also report on the executive secretary's audit that you're performing.

MR. GAINES: Ever since you told me she is on my evaluation committee I've been nice to her, too.

MR. CONINE: Has HUD received that document yet?

MS. CARRINGTON: Oh, yes.

MR. CONINE: Okay.

MS. CARRINGTON: Two weeks ago.

MR. GAINES: Yes, sir.

MR. CONINE: All right.

MR. GAINES: Yes, sir.

MS. CARRINGTON: We obviously went through these in a lot more detail this morning in the Audit Committee meeting. And, at the risk of making him have a big head, the Committee praised David for the tremendous progress he's made on outstanding audit issues, as well as the progress he and the user team and the IS Department on the Central Database Project.

MR. GAINES: And Department staff.

MR. JONES: Yes. Thank you.

MS. CARRINGTON: I did call the regional director of HUD after I put one in the mail and let her know it was coming.

MR. CONINE: Not to have a heart attack when she got it.

MS. CARRINGTON: Have a heart attack -- just a forewarning.

MR. CONINE: Okay.

MR. JONES: Thank you, David.

MR. GAINES: Thank you.

MR. JONES: Appreciate it. All right.

Thank you, Mr. Gonzalez.

We then will move to item 3 on your agenda. And we have item 3(a) and item 3(b). And I believe we should take them up separately. Both of these are Board policies.

MS. CARRINGTON: You have two resolutions in front of you today. The Resolution 3(a) is Resolution Number 02-056. What Section 2306.051 of the Government Code addresses is separation of responsibilities. And it says, The Board shall develop and implement policies that clearly separate the policy-making responsibilities of the Board, the management responsibilities of the director and staff of the Department.

This was in our Sunset legislation. Of course, it's been incorporated into 2306. And we were sort of ducking it for a while saying we thought we were okay. And after Sunset mentioned to us three times we said, Okay, we'll do it. We'll develop a resolution.

We felt like it was pretty clear in the statute what was the Board's responsibility and what was staff's responsibility. But what we put together for you is a page and a half resolution that basically outlines what we believe those responsibilities are and where they're delineated in 2306. And will become part of our record for compliance in Senate Bill 322. And staff does recommend that you approve this resolution.

MS. ANDERSON: So moved.

MR. GONZALEZ: Second.

MR. CONINE: Shall we move the resolution number 02-056? Is that what you said?

MS. CARRINGTON: Yes, sir.

MR. CONINE: Okay.

MS. CARRINGTON: Thank you, sir.

MR. JONES: We have a motion made and seconded. Further questions, comments, discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. Item 3(b).

MS. CARRINGTON: The second resolution, 02-057, again, as a result of language in Senate Bill 322, addresses rule-making procedures for certain of our programs, including Low Income Housing Tax Credit Program, Multifamily Housing Revenue Bonds.

And what we have done is laid out for you how we would provide public comment. We've referenced the Administrative Code. And that we will follow the rule-making process as is outlined in the Administrative Procedures Act and in 2306. Staff is recommending the Board approve this resolution also.

MS. ANDERSON: So moved.

MR. GONZALEZ: Second.

MR. JONES: Motion has been made and seconded. Further discussion?

MR. CONINE: 02-057.

MR. JONES: Thank you, sir. Further discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We will then move to item 4(a). What's the Board recommendation of 4(a), Ms. Carrington?

MS. CARRINGTON: The staff's recommendation on 4(a) --

MR. CONINE: Public comment?

MR. JONES: Yes, but let's get the staff's recommendation first.

MR. CONINE: Oh, okay

MR. JONES: Then we'll have public comment.

MR. CONINE: Is Byron going to do that or Ms. Carrington?

MR. JONES: I don't know.

MS. CARRINGTON: I will start.

MR. JONES: Okay.

MS. CARRINGTON: And then if I get into trouble --

MR. CONINE: Byron's here.

MS. CARRINGTON: -- Mr. Jones in the audience --

MR. CONINE: All right.

MS. CARRINGTON: He can back me up here.

MR. CONINE: All right.

MS. CARRINGTON: This is a resolution that would approve documents relating to the issuance of our Residential Mortgage Revenue Bonds, Series 2002A, 2002B, 2002C, and other related matters. And the resolution is in your book.

Basically what we are proposing to the Board today, we have approximately 117 million or so that is left in our cap for private activity mortgage revenue bonds single family out of 156 million this year.

And so what we want to do is preserve that cap for issuance of bonds for this year to originate single family mortgage loans, and then also to issue 75 million or so in convertible option bonds. Both the bond series would be issued before the end of the year.

The 42 million would be available now to make mortgage loans, and the 75-plus million of option bonds would be available into next year for us to convert into bonds that we could then issue -- or we could then originate mortgages.

MR. JONES: And we have one person that would like to make public comment on this agenda item.

Mr. Don Currie?

MR. CURRIE: Thank you. I'm Don Currie. I'm the director of the Community Development Corporation in Brownsville. I'm a lender under your Mortgage Revenue Bond Program and probably your biggest lender to families who are below 60 percent of the median income.

I basically have two issues that I'd like to address regarding, you know, this particular resolution and its application to the Mortgage Revenue Bond Program issuance.

The first issue is access to loan servicing data-aging data. Particularly as a lender whose majority of loan volume is to families at or below 60 percent of the median and whose loans are typically very high loan-to-value ratios, our organization would like to have access to the individual loan payment aging data on all loans originated under the TDHCA bond programs and delivered by us to the master servicer of the Department. We have been informed on several occasions by your master servicer that they aren't able to release any aging data due to privacy issues.

Due to the structure of the TDHCA bond program, as you all know, all of the loans are sold to Countrywide service released, thus taking the originating lender out of the servicing loop. Not being able to own the servicing, and so to be able to monitor the payment stream of each loan, puts the originating lender in the position of not being able to counsel, intervene, or assist a family that is having difficulty in meeting their mortgage obligations due to our inability to access the aging data.

Early post-purchase counseling intervention is paramount in making lending to lower income families successful. And I think it's going to be paramount to your Department, particularly as you look to do expanded approval-type lending and continue to expand in the 60 percent or below market.

Just to give you an example of two portfolios that my corporation loans under, one portfolio, where we own the servicing rights, that is more liberally underwritten than your FHA Mortgage Revenue Bond Program, in our portfolio of 700 loans that we service for local banks, our delinquency rates for loans 90 plus is less than 1 percent -- three quarters of 1 percent.

I pulled the data from the TDHCA program yesterday through the FHA connection, which is the only way that we can get such data. And on the 350 loans that we've done under your program in the last year-and-a-half our delinquency rate for 90 plus is above 6 percent.

Our inability to access the information on our own customer late pays under the Mortgage Revenue Bond Program puts us as a lender who originated a high volume of such LTV loans in a situation of high risk as we're monitored by HUD, as well as puts the owner of the home at risk of losing their home to foreclosure.

At the present time, again, the only access that we have to aging information is through the FHA connection system that only tracks loans that are 90 days or more already in arrears. Delinquency counseling at this particular point is often very difficult because the low income mortgagor is often not in a fiscal position to catch up on a loan that is already three or more months in arrears.

In light of that fact we would like to ask the Department to require that its master servicer provide the Department or the originating lender within ten days of delinquency with aging information on loans that are 30, 60, and 90 plus days in arrears, identified by originating lender, customer name, property address, and arrearage for all loans delivered under this bond program and under subsequent TDHCA bond programs.

We would request the Department to make such information available to any lender participating in the TDHCA bond program on a proprietary basis, each lender being able to receive such information on loans that they alone originated.

If such an arrangement is not possible with your master servicer we would ask the Board to consider allowing mortgage revenue bonds to be originated on a servicing-retained basis so that we, as high LTV lenders, again, would be able to monitor our portfolios more responsibly. That was issue number one.

Issue number two is basically the delivery of Section 8 home ownership loans. I'm sure as a PHA you already know that you have the ability to develop and implement a HUD Section 8 home ownership program, which allows a public housing resident under certain conditions to obtain Section 8 voucher that might be used to assist the family in making their monthly mortgage payment on a home that they would own for a period of 15 years on a house with a 30-year mortgage.

We have developed such a program in conjunction with the Brownsville Housing Authority that has already been approved by HUD. Under this program we originate an FHA-insured loan that is underwritten using the FHA Section 8 assistance voucher as income, with the voucher monthly payment being delivered directly to the loan servicer.

Currently your bond program and your master servicer do not accept for delivery loans originated using the Section 8 home ownership voucher, even though such loans conform to the program guidelines as they were issued by the Department that refer to, quote, qualifying MRB mortgages as FHA-insured and meeting the eligibility requirements for pooling into Ginnie Mae securities.

As a Section 8 home ownership voucher provides an excellent vehicle for the family to make a transition from rental public housing to home ownership, we would encourage the Department to make any FHA insured loan, including those using the Section 8 voucher, eligible for delivery under the Mortgage Revenue Bond Program. Thank you.

MR. CONINE: I'd like to hear some staff comments on that --

MR. JONES: Okay.

MR. CONINE: -- if possible.

MS. CARRINGTON: I'll start. On Mr. Currie's first request about the information on our master servicer, I guess what I would do on this is have to defer to the attorneys, and certainly find out what they have to disclose, what they are required to disclose under the Freedom of Information Act, and anything else that might apply to them.

I certainly, from a staff standpoint, think that we would encourage and want that kind of information to be available to those, be them CDCs, nonprofit lenders, or any lenders who are interested in knowing what the delinquency rate is in the portfolios on loans that they have originated.

So, from that standpoint -- and I don't know what the issues are with Countrywide, but I will commit to have staff look into it and have our attorneys look into it and deliver the information -- or have Countrywide deliver the information that they feel that they can deliver. So that would be my first comment.

The second comment -- the second part of Don's comments related to Section 8 home ownership. And, certainly, this is something that the Department has been looking at for about the last six to nine months -- looking at it with some of our vouchers and maybe doing a demonstration program, having gone to some workshops.

So we're very interested in figuring out how we can participate as a PHA in Section 8 home ownership, and do not want to have a mechanism created that would not allow Section 8 home ownership.

If this is indeed a policy of Countrywide what I would say for today is that what we are looking at is a bond issue that's about $42 million, and that we're looking at pricing it in the next few weeks -- pricing it and selling the bonds.

And so it may be too late to try to do it with this program, but it is something from a staff's perspective -- I know Gary has a lot of experience in Section 8 -- and is something that we would like to pursue and figure out why Countrywide won't do this and see if we can't encourage them -- put some pressure on them. I mean, I would think we have quite a bit of leverage with them. So those would be my comments. And if staff feels like I left anything out --

MR. CONINE: Could I ask Mr. Currie a question?

MR. JONES: Sure.

MR. CONINE: Did I understand you to say, Mr. Currie, that, as the originating lender, at some point -- obviously, you're going to counseling first to try to get the guys back current.

MR. CURRIE: Yes. Exactly. Or a counseling agency as well.

MR. CONINE: Did I hear you to say that there was a pool of money that you had access to to help resolve some of the situations or not? Or is it just strictly counseling?

MR. CURRIE: I didn't say there was a pool of money, but we certainly would look at each individual case, whether that came to a matter of being able to look at a forbearance, whether that came as a matter of basically buying back the loan ourselves, whether that came to renegotiating the loan with the family and offering them another product in exchange for paying off their present loan. We would certainly be willing to look at that.

But our position at this point is -- well, we're dealing with the same clientele -- on a portfolio that we service we have less than a 1 percent late delinquency on 90 days. On the other portfolio, which is exactly the same kind of customer that is even more tightly underwritten, we have a performance that's plus 6 percent.

We as a lender, from even HUD's perspective of looking at us -- I mean, we cannot go on having that kind of delinquency rate because we ourselves are going to get written up by HUD, and we are not going to be looking very good either.

But, yes, to answer your question, we do have, besides just straight up-front counseling on default, foreclosure, and delinquency, and early intervention, we also have cash that we would be -- because, obviously, those are homes that we built and developed -- we would have cash to bring to the table to help the family as well.

So we think it's a critical issue. Particularly we know it's -- the servicing issue is an even more intense servicing requirement under your expanded approval product. That's a 12-day intervention. And if the information can't be gotten until 90 days how can lenders do expanded approval to your A-minus and A borrowers? I mean, they're just not going to do the product because the intervention availability is not going to be there.

MR. CONINE: This subject dovetails right into, Ms. Carrington, some of the discussions I know I've had with you, as well as Eric Pike, our staff person, in relation to maybe a pilot program where we take some of our HOME money and use it to help shore up some of these borrowers on our Multifamily Bond Program -- Mortgage Revenue Bond Program.

And I know staff's looking into that and, hopefully, by next spring would come up with a proposal that we could help do something. I see -- I don't know whether you get name, rank, and serial number like you requested, but, even if you matched up loan numbers with the delinquency report as the originating lender --

MR. CURRIE: Anything.

MR. CONINE: Yes, I --

MR. CURRIE: Anything.

MR. CONINE: -- would think you could do that.

MR. CURRIE: Correct.

MR. CONINE: And skirt some of the privacy issues. So look forward to your report back on that.

MR. CURRIE: Thank you.

MR. JONES: All right. We've had public comment, we've had a recommendation from staff.

MR. CONINE: I move that we approve a resolution approving documents relating to issuance of Residential Mortgage Revenue Bond Series 2002A, 2002B, 2002C, and other related matters. And I bet there was a Resolution Number -- 02-62.

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

MR. SALINAS: Second.

MR. JONES: Motion's been made and seconded. Further discussion of the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed say nay.

(No response.)

MR. JONES: Motion carries. Turn to item 4(b).

Ms. Carrington, staff's recommendation?

MS. CARRINGTON: And the second part of issuing bonds, of course, is the team that helped structure and the team that will sell the bonds. And this is behind tab 4(b).

And this is the underwriting team recommendations for Program 59. The senior manager would be Bear Stearns and Company; co-senior is USbancorp Piper Jaffray; co--managers, Lehman Brothers, Morgan Keegan, Estrada Hinojosa. And staff does recommend approval of this team.

MR. CONINE: Move for approval and endurance award for sticking through today.

MR. JONES: We have a motion that --

MR. SALINAS: Second.

MR. JONES: -- item 4(b) be approved. Is there a second?

MR. SALINAS: Second.

MR. JONES: Motion's been made and seconded. Further discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We will now turn our attention to -- item 4(c) -- 4(d).

Staff's recommendation, Ms. Carrington.

MS. CARRINGTON: Staff's recommendation -- this is for the issuance of Multifamily Mortgage Revenue Bonds, 160 units, Nuckols Crossing, to be located in Austin. Bond amount -- 9,100,000.

MR. JONES: We have staff's recommendation. Is there a motion?

MR. CONINE: Move for approval.

MR. SALINAS: Second.

MR. JONES: Motion has been made to approve it. It's been seconded. Discussion?

MR. CONINE: Is there a resolution number we need to throw in here? I don't see one.

MS. CARRINGTON: No.

MR. CONINE: Okay.

MS. CARRINGTON: No. But I probably should read the development number from --

(All talking at once.)

MS. CARRINGTON: The file number of 2002-045. Got that right, Robert?

MR. ONION: There is resolution number on this. It's Resolution Number 02-67.

MS. CARRINGTON: Okay. Thank you. All right.

MR. JONES: We have a motion that's been made and seconded with regard to that resolution. Further discussion on the motion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We'll turn to item 4(e).

Ms. Carrington, staff's recommendation.

MS. CARRINGTON: 4(e) is for one recommendation on one project, as opposed to what is in your book. Your book actually had two recommendations. The Cameron Apartments has been pulled. You'll remember several months ago we issued $10 million in taxable Junior Lien Funds. We programmed 2 million of that into a preservation program, and we have now added -- or did add an additional 2 million for the preservation program.

You have made several awards. The page summarizing the awards that you have made is on page 1 of 1. What we are recommending to you today is a million dollar award for the Cedar Ridge Apartments. And this property is located in Dayton, which is Liberty County, right outside of Houston.

This property was constructed in 1978. It's 80 units, and we are recommending a million dollars in the Junior Lien Funds be allocated to this project for a substantial renovation of the project.

MR. JONES: And this is something we did several months following up on? Seems like this meeting was several months ago when it started.

MR. CONINE: Move for approval.

MS. CARRINGTON: This is a new recommendation.

MR. CONINE: Move for approval.

MS. CARRINGTON: This is a new recommendation.

MR. SALINAS: Second.

MR. JONES: Motion has been made that it be approved. It's been seconded. Further discussion?

(No response.)

MR. JONES: All in favor of the motion -- discussion anybody?

(No response.)

MR. JONES: All in favor of the motion please say aye.

(A chorus of ayes.)

MR. JONES: All opposed say nay.

(No response.)

MR. JONES: Motion carries. Turn to item 5 on the agenda. And we'll start with 5(a).

MS. CARRINGTON: 5(a). TDHCA is the public housing agency, PHA, for the purpose of administering the Section 8 program. On an annual basis we are required to development a payment standards schedule that establishes the voucher payment standard amounts for each fair market rent area that is in our jurisdiction.

And what we have done is present to you -- this payment standard can be between 90 percent and 110 percent of the published FMRs for that area. The way we got to our recommendations today was to have a utility study done several months ago, and it was presented -- the results of that study was presented to us in August 2002.

So what you have behind the resolution is an Exhibit A -- is the Exhibit A to your resolution -- and lists the payment voucher standards that we are recommending for all of the regions in which we administer the Section 8 program. And we are requesting to you either the 100 percent, which would be 100 percent of the FMR, or 110 percent of FMR. And if we've gone up to 110 percent it's because of the increase in utility allowance, and we need a little bit extra to be able to exceed the fair market rent.

There's another component of this, and that is that you would authorize me as executive director to go to HUD if, indeed, we felt like we had to go up to 120 percent of the fair market rent, if there were areas where our tenants -- or our prospective tenants -- couldn't find decent safe housing at 110 percent.

But that's -- only HUD can grant it, but you all would be giving me authorization to go to HUD if we felt it was necessary.

MR. CONINE: So moved.

MS. SALINAS: Second.

MR. JONES: Okay. We have staff's recommendation. It's been moved that staff recommendation regarding item 5(a) be approved. It's been seconded. Any discussion?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

(No response.)

MR. JONES: Motion carries. We'll now turn to 5(b). Staff's recommendation?

MS. CARRINGTON: Okay. What Tom Gouris has been waiting for all day long. These are our underwriting market analysis appraisal and environmental site assessment guidelines and rules. This is what we pulled out of the QAP, which is the 2002, and have turned into a separate set of rules and guidelines that we will use, not only for a tax credit programs, but for other financing sources within the agency.

And we pulled out three that overlapped with the QAP that were important for you all to know. But we've already discussed all three of those.

There is one recommendation that I want to point your attention to, and it is on page 9 and 10 of this section. It's 1.32(e) --

MR. CONINE: Could I ask a question? I hate to do this. Is there any necessity for us to approve this today? Could we -- from a staff perspective, could we table to the next Board meeting?

MS. CARRINGTON: Yes, you can comment, Brooke.

MS. BOSTON: The tax credit cycle opens on December 4. And I think it might be a hardship for the applicants to not have underwriting policies in place at the time the cycle opens.

MR. CONINE: It opens on the 4th, but it closes on the -- early closing is on the 7th. And we meet on the 12th. And, you know, I understand 30 days, but I don't think it's going to be a life killer for anybody. And I would -- I have to admit guilt in not studying this document with all the other volume stuff. And I move to table this till the next Board meeting.

MR. JONES: We do have somebody that would like to make a public comment on this item -- agenda item. So before we vote on your motion I'd like to call on them.

Ms. Flores?

(No response.)

MR. JONES: Nicole Flores?

MR. CONINE: She's not here.

MR. JONES: Okay. Sorry about that. Do we have a motion to table by Mr. Conine?

MR. CONINE: Till the next month's Board meeting.

MR. JONES: To the next month's Board meeting. Is there a second to his motion?

MR. SALINAS: Second.

MR. JONES: Motion's been made and seconded. Does anybody want to commend on that?

MS. CARRINGTON: May I?

MR. JONES: You certainly may.

MR. CONINE: On a motion to table?

MS. CARRINGTON: What I would like -- because much of this is in the QAP -- we've already approved that -- the most controversial part of this was on pages 9 and 10, Section 1.32(e)(1)(b). And that was how we calculate the amount that we will allow on our identity of interest transfers.

So, as the Board and the voluminous amount of material that I know you all are asked to look at, if you would like to me help you focus that is where I would suggest that you focus.

MR. JONES: Okay. We have a motion to table on the floor that's been seconded. Is there -- did somebody have something traumatic they'd like to tell us?

(No response.)

MR. JONES: Okay. The motion to table is on the floor. It's been seconded. Further discussion on the motion to table?

(No response.)

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

(A chorus of ayes.)

MR. JONES: All opposed nay.

MR. GONZALEZ: Nay.

MR. JONES: Motion carries. 5(b) has been tabled. We then will turn to the executive director's report. Can we do that in writing, maybe?

MS. CARRINGTON: No report.

MR. JONES: No report. Oh, great. Then we'll move to executive session. The executive session -- on this date, November 14, 2002, at a regular Board meeting, Texas Department of Housing and Community Affairs held in

Austin, Board of Directors adjourned into a closed executive session as evidenced by the following:

The Board of Directors began its executive session today, November 14, 2000, at 4:50 p.m. The subject matter of this executive deliberation is as follows: litigation, anticipated litigation, potential or threatened under Section 551.071 and 551.103, Texas Government Code, litigation exception, regarding Cause Number GN-202219, Century Pacific Equity Corporation v. TDHCA, et al., within the 53rd District Court of Travis County.

Number two, consultation with attorney pursuant to Section 551.0712, Texas Government Code, A, 501(c)(3), Multifamily Housing Mortgage Revenue Bonds, Williams Run Apartments, Series 2000A, and B, Lakeside Village Apartments, 2000 Low Income Housing Tax Credit Extension. Number 3, discussion of any item listed on the Board meeting. And, with that, we'll go into executive session.

(Whereupon, at 4:50 p.m., the meeting adjourned to begin the executive session.)

MR. JONES: All right. I'll call the meeting back into order. The Board has completed its executive session of the Texas Department of Housing and Community Affairs on November 14 at 5:20 p.m.

I hereby certify this agenda of an executive session of the Texas Department of Housing and Community Affairs was properly authorized pursuant to Section 551.03 of the Texas Government Code, posted at Secretary of State's Office seven days prior to the meeting pursuant to Section 551.044 of the Texas Government Code.

And that the subject matter of this executive session was litigation, anticipated litigation, potential or threatened under Section 551.071 and 551.103, Texas Government Code, litigation exception, regarding Cause Number GN-202219, Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs, et al. Action taken, none.

Number two, consultation with attorney pursuant to Section 551.0712, Texas Government Code, A, 501(c)(3), Multifamily Housing Mortgage Revenue Bonds, Williams Run Apartments, Series 2000A, and Lakeside Village Apartments, 2000 Low Income Housing Tax Credit Extension. Action taken, none.

Discussion of any item listed on the Board meeting agenda be of even date. Action taken, none.

That all the members of the Board were actually present with the exception of Shadrick Bogany and that this is a true and correct copy of the proceedings pursuant to Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended, signed Michael Jones.

There being no further items on our agenda the Board will -- I mean, the Chair will entertain a motion to adjourn.

MS. ANDERSON: So moved.

MR. GONZALEZ: Second.

MR. JONES: Motion has been made and seconded. All in favor say aye.

(A chorus of ayes.)

MR. JONES: Motion carries. We're adjourned.

(Whereupon, at 5:22 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: November 14, 2002

I do hereby certify that the foregoing pages, numbers 1 through 254, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Sunny Peer before the Texas Department of Housing and Community Affairs.

11/26/02

(Transcriber) (Date)

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