TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

9:10 a.m.
Thursday,
September 9, 2004

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

COMMITTEE MEMBERS:

BETH ANDERSON, Chairman
C. KENT CONINE, Vice Chairman
PATRICK GORDON
NORBERTO SALINAS

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
BROOKE BOSTON
BILL DALLY
TOM GOURIS
DELORES GRONECK
BRENDA HULL
BYRON JOHNSON
JENNIFER JOYCE
PATRICIA MURPHY
SUZANNE PHILLIPS
ERIC PIKE
STEPHEN SCHOTTMAN
CHRIS WITTMAYER

A G E N D A

P R O C E E D I N G S

MS. ANDERSON: Good morning and welcome. This is the September 9 board meeting of the Texas Department of Housing and Community Affairs. I want to welcome all of you all this morning.

I want to -- it's unfortunate ever to have to do this, but I want to open this morning on a sad note for the Department.

In the early morning hours of Sunday, September the 5th, one of the members of our family here at TDHCA tragically lost his life. Mike Villela worked in the Consumer Protection Division of Manufacturing Housing Division. He was killed in an auto accident. And his funeral is this morning here in Austin.

And he was an employee, I'm told, that everyone had a great deal of affection for and he also is the son of Ofelia Villela, a staff member in our Information Systems Division.

He was relatively young but he had risen quickly through the ranks, becoming an investigator, handling his own docket of consumer complaints and enforcement actions. He was known for his boundless energy and positive outlook on everything that he did.

He was extremely popular throughout the

division, which was a testimony to his outgoing, friendly nature. He leaves behind a young son, Xavier, and TDHCA has established a trust fund in this child's name and if you're interested in making a donation to this fund, if you will contact Curtis Howe, he is as you know is our director in the Information Systems Division.

So on behalf of our entire board, we want to extend deepest sympathies to this family and he will certainly be missed and never forgotten.

Now, I have another announcement to make -- preliminary announcement and this one is a little happier for me. I want to ask the Board to join me in wishing a particularly happy birthday to John Garvin on his 55th birthday.

Okay. As is our custom, we take public comment at the beginning of the meeting and, then as people prefer, when the agenda item is presented. If you wish to speak, you must complete a witness affirmation form and copies of those are up here in front.

The first speaker is Susan Maxwell and the next speaker will be Mark Bower.

MS. MAXWELL: Good morning. I'm glad to see you all this morning. I'm Susan Maxwell. I'm from the Texas Council of Developmental Disabilities and we've spoken before on other occasions. And this morning, I wanted to give some comments on some of the plans that are coming up -- the proposed plans.

First of all, I want to talk about tenant-based general assistance for the Olmstead population. I've been thinking about this dilemma of this population and how we know that there's people institutionalized that want to get out and it's kind of like there's a big bridge here. And TDHCA has done their part of the bridge. They got their -- they got the program all ready but -- I don't care.

Okay. But the Health and Human Services end has been falling apart as they reorganized their eleven agencies into four and that with the budget shortfalls -- so they haven't really been able to come to the table and support the other part of the bridge. So you've got yours standing there and then we're waiting for the Health and Human Services to come over.

Also, we have a lot of small nonprofit agencies or like the Independent Living Center, who's never dealt with housing and they're learning about how to do this thing and they're also learning how to put this -- partner with somebody else to get the money because this is not their bailiwick. So there's a lot of learning curve that's been going on.

I understand the Department is -- has to get their money out the door but I'd like to, in some way, encourage you to find a way to keep that -- your part of the bridge open for when everybody else gets their part of the bridge there. So that people can actually move from the institutions. There's a -- in talking to Health and Human Service people, they talk about how they don't have the budget and so people have to stay in these homes and they have to have a state school, so that they can support the community. It's an actual improvement in the population just for funding natures of their community.

But we're making progress and I appreciate all of what the Department has done -- to be so quick to move on this issue and to understand it. So just beg for your patience with the rest of world in getting to use the opportunity presented to them.

And that open cycle concept really helps in this kind of -- promoting this plan. I'd like to support or Council supports the 5 percent that is used in teaching for people with disabilities. That set-aside is very helpful and a lot of people who move from nursing homes would be -- probably staying in an urban area just because there's transportation. It's easier to get around and other opportunities that isn't in the rural areas.

The TDHCA we support staying as a public housing authority offering Section 8 and being the conduit for the Project Access Vouchers from HUD and we also expect that there will be more funding through that.

On the compliance issues that's in the plan that QAP, I've -- was really -- I love the alliterative initiative, I'll call it, for affirmatively furthering fair housing. Throughout the plan, it's really well done and it assures accessibility standards and a lot of good housing for people with disabilities that need accessibility. So we appreciate that.

As the LBB hearings come up, I would urge you to -- I know they're not going to have any money for you but I urge you to bring to them their view -- their viewpoint that we do not have an adequately refunded housing trust program and we really need to put that somewhere as a hot item -- a priority item.

And finally in the consolidated plan, I haven't gotten to read every little piece of paper there, but I understand the HOYO program has disappeared from that. Our -- the council that I represent has been involved with and funded part of the HOYO program throughout the years. We've been really happy that it's been nationally recognized and appreciate the Department's help in getting that program off and just when we get all this preparation, it's not time to pull the plug. It's time to keep raising the flag about how good we are and keep that program in.

And thank you for this opportunity, Committee. Questions?

MS. ANDERSON: Thank you. Mark Bower. The next speaker will be Gene Watkins.

MR. BOWER: Hi, my name is Mark Bower. I'm have -- my printing's pretty poor. I'm with -- Developers out of Corpus Christi and speaking about a project application that we filed for Harris County called Willow Creek Apartments.

I'm here specifically to request a waiver just for the private activity bonds -- that the filing date was August 30. Requesting a waiver of the August 9 date for notifying the county or city clerks. We -- excuse the -- we're new to Texas and doing these types of developments and want to do a project in Harris County. We didn't realize the importance of checking the website for all the new locks -- so we can see what new rules came out and we've hired a Novagradic company to kind of help consult us and make sure we follow by the rules.

And we missed that deadline by about a week and we immediately, as soon as we missed it, we called the county clerks and called the city clerks and found out in Harris County that it didn't even really matter because they don't handle the neighborhood association.

And so we did get -- went ahead and got that through the Mayor's office and did the required notifications before August 30, but it's my understanding that's kind of like being an agenda item if you're going to decide to address it.

So I'm here to request it. Thank you.

MR. WATKINS: Good morning. My name is Gene Watkins and I'm here to request a forward commitment for two small senior developments in the Austin area. They are 04182 and 04183. Two years ago, we withdrew from the initial application round because we didn't anticipate having the adequate scores to be competitive.

This year we had the top two scores in our region, however, there's no money available because of former commitments of the previous year.

So, I'm here to request a forward commitment of these two small elderly developments. Both projects are ready to go. They have the support of the community, public officials, and financing is in place. Thank you very much.

MS. ANDERSON: Thank you. That's the end of the public comment for this portion of the agenda. I should have done this first -- call the roll -- so I will do that now.

Vice -- Beth Anderson. I am here. Vice Chairman Conine?

MR. CONINE: Here.

MS. ANDERSON: Shad Bogany? Vidal Gonzalez?

MR. GONZALEZ: Here.

MS. ANDERSON: Pat Gordon?

MR. GORDON: Here.

MS. ANDERSON: Mayor Salinas?

MR. SALINAS: Here.

MS. ANDERSON: We have five board members present. We do have a quorum.

First item on the agenda is the possible approval of the minutes of the Board Meeting of July 28.

MR. CONINE: So move.

MR. SALINAS: Second.

MS. ANDERSON: Any discussion? Hearing none, I assume we're ready to vote. All in favor, say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Next, agenda item 2. I'm going to turn, Ms. Carrington, to you for presentation of these various rules. We'll take them one at a time and I do have some public comment on some of them.

MS. CARRINGTON: Thank you, Madame Chair. The first item 2(a) is the Qualified Allocation Plan for the Housing Tax Credit Program.

And what we will be doing is proposing to the Board the repeal of Title 10, Part 1, Chapter 49, which is the 2003 Low Income Housing Tax Credit Allocation Plan and Rules. And then we are proposing to the Board a new Chapter 49, Texas Administrative Code, 2005 Housing Tax Credit Program Qualified Allocation Plan.

The draft Qualified Allocation Plan is behind tab 2A of your board book and you have several documents behind this tab.

The first document that you have is the staff memo explaining the item and also informing the Board on page 2 what revisions have been made to the draft QAP since the August 19 board book.

You also have staff memo, which is 18 pages, which goes through staff's recommendations and addresses also the recommendations of the working group.

You may remember that the working group started their work in January of this year and finished up their work in June of this year; and it was an open group so that people could -- attendees could come and go and participate and that working group did make their decisions by vote.

In some instances, we have a majority opinion and a minority opinion. What we found on many of the items was that perhaps there wasn't as much consensus as perhaps staff would have liked.

So we have our memo, that we have typically provided for you, that goes through the recommendations and why we did or did not incorporate the recommendations.

On page 18 of 18 is the scoring breakdown in descending order of points for the draft 2005 QAP. And this has changed some from last month. You may remember that we had 200 points last month. Now, we are down to 195 points on our draft QAP. And the staff does believe that all of the items that -- well, we know that all of the items that are listed for points are items that are required to have points by legislation and we have provided that legislation citation to you on the right.

Then behind that you have the draft QAP, which is blacklined against the '04 QAP.

And then the last document that you have in your board book on this item is the whole 2005 QAP working group recommendations.

On page 2 of your working group memo, I would point you to the revision -- let me see -- August board book and we can -- staff can present this however the board would like. If you would like us to go down through some of these major revisions since the August meeting, Ms. Boston would be happy to do that.

If you all want to ask particular questions, maybe as Ms. Boston is coming up, I will tell you and you'll hear this about five times, that our consolidated public hearings are already on a schedule and that schedule is September 27 to October 8, and we will be having public hearings in all 13 of our state service regions, which is our practice.

And we call them consolidated public hearings because the discussions will be to Qualified -- the draft Qualified Allocation Plan, the draft rules for the Housing Trust Fund, for the HOME Program, the Real Estate Analysis Rules, the Compliance Rules, the State Low Income Housing Plan, the Consolidated Plan, and also the Affordable Housing Needs Score.

So we do that now all at one time and one large hearing and, for the Board's information, the schedule of those hearings is on our website and, I believe, also behind one of our items -- probably the State Low Income Housing Plan. I'm sure we're going to be having a public hearing in a city near you, so I would certainly encourage the Board members to attend the public hearing that is in their community.

So with that, Ms. Boston, I believe that I do see an interest from the Board members to go through on page 2 of 18 the revisions that we have made to this draft QAP since the August 19 draft.

MS. BOSTON: Okay. And I don't know -- because we never formally presented this to you in August, and I do know it would be helpful also just to touch on the most significant changes, comprehensively, since the '04 QAP and, as I'm doing that, I will touch on things that changed from August as well.

Again, these are the more significant changes that we've put in as it -- you all have seen, we've made a lot of streamlining -- kind of cleaned things up, some smaller changes in terms of consistency, referential integrity. I won't be touching on all that.

First, one of the big things, is streamlining of our threshold submission requirements. We have tried to eliminate certain documentational requirements where we could -- anywhere -- take them out entirely if we felt like they weren't a 100 percent necessary or move them back to a later date, when possible.

We also -- a big thing we've mentioned to you all in the past was that the dates that we had from March 1 -- we had, you know, three or four different deadlines -- and then until June that were making it very hard for us to administer the program. And we had done it trying to accommodate and give people more time to get stuff in.

But we pretty much either moved everything to April 1, which would include having to have resolutions for the one-mile three-year rule; having to have resolutions on two times the state average; the QCP submission documents; the letter from elected officials; the market study and environmental site assessment -- all of that's been moved to April 1.

And then a couple of requirements, we've actually moved back to commitment and I'll mention that a little bit more in a minute.

The evaluation process, in terms of how we actually are planning to evaluate the applications that may come in, in the past we evaluated first, the threshold, which is very time consuming; it has peer review four or five hours per person. So that's taking a good ten hours and then we look at the deficiencies.

And, ultimately, when we review on a lot of applications that were not competitive by -- based on their scores. And so our recommendation is to do a preliminary score first and if they need to issue deficiencies in -- to be able to finalize the score, they'll do so. But we wouldn't be issuing them on all threshold.

And then once we have a score, we'll go ahead and based on everybody's scores, we'll determine who we think is priority and then we will go back and do the threshold review on those.

So, hopefully, this will be more efficient for staff, definitely, and more efficient for the applicants and we can get more applications to underwriting marketability.

One change with zoning is we, in the past, have required that we have evidence of approval from the planning zoning commission by April 1. We're recommending that milestone be removed and just say by the time the application -- that the applicants submits their commitment notice, they have their full zoning. If they don't have it, they cannot get an extension. So pretty much, we've just -- they don't get to go forward.

In terms of notification, there are some substantial changes. We have deleted the requirement for the newspaper advertisement. We felt like it's a very expensive requirement and not very many people end up reading it. We -- instead of that, basically applicants will have a choice. They can either put the sign up on the property or using mailing notification as to the addresses that -- all of the residential addresses nearby.

Then, additionally, as for our first year, last year, we had the new notification requirement, which went to a long list of elected officials, both at the political and state level, all the council members, everything like that.

The way we handled that was we're trying to get as compacted as possible but we realize it could be streamlined. And so we actually are indicating that the evidence just needs to be an affidavit from the applicant saying that they have sent it and a copy of the mailing list -- that we don't actually need any proof of mailing -- which hopefully that will be a vast improvement both for the applicant community as well as the staff review.

And then, in terms of the notifications where we asked for information about neighborhoods -- last year's it was to county clerks; this year we're proposing that it to be local elected officials. So, basically, if it -- if the districts are single-member districts, it would be to the council member and if they are at large districts, it would go to the mayor. And we would be ask -- the applicant would be asking those people for a list of neighborhoods and those are the only people that they would be required to ask it from. So that's a pretty significant change.

We are recommending that the maximum development size, in terms of unit, for rural developments go from 76 to 96. It's been 76 for years, so that's a change.

Another significant change is that the one-mile one-year rule would not apply to the 4 percent tax credit development associated with bonds. We have revised the ex parte language so that it more fairly tracks with legislation and the biggest change on the applicant's side of that will be that people can now verbally communicate with director-level staff and the deputy and Ms. Carrington.

We have added a change where increases to 4 percent credit as long as aren't more than 10 percent would no longer come before the Board. They would be approved by the executive director and if they exceed 10 percent, they would still come before the Board.

The added language, as you all have probably have experienced, there have been a lot of times a lot of amendments or requests that come before you are from a person who had a forward and then we say, okay, well you've got your forwarding '04 and you have to comply with next year's QAP, and obviously, they can't know what that's supposed to be. The reason we had to interpret it that way was to satisfy the IRS, who said they had to meet that QAP. Well we've checked with counsel and we have added a statement that basically says in this QAP if you get a forward from '06 and you meet the requirements of the '05 QAP, we will deem you to have satisfied the following year's QAP, with the exception of any statutorily changed. So, hopefully, that will minimize some of the impact of the amendments we have been seeing on forwards.

We've taken out the deadline and documentation requirement for construction loan closings. We are now doing our 10 percent tax roughly at the same time, so we feel like we already have a milestone there. So, we felt like we're trying to streamline in that case.

We suggested an increase to fees. The application fee we're suggesting go from $20 a unit to $30 a unit. We're suggesting that the commitment fee go from 4 percent of the credit amount to 5 percent. And then we've also suggested adding a fee, now that we're beginning to see an increase in the number of people asking for increases to the credit on 4 percent deals, being associated with the processing of those.

Let's see. Another change -- and again, this is based on something that you all have experienced over the past year, now when we have people -- testify in their application that they're going to do low income targeting, we've seen a couple of people come before you all asking for amendments where they don't need to do that. We've added some language to the amendment process indicating that if an applicant does come before the Board asking to do that, the Board can decide that entirely, however, that if they would not have gotten the award and the Board decides to grant that amendment, the applicant would be ineligible to participate in this program for two years. So, it's kind of a way to make sure that people really are aware of what they're doing when they commit to do it and that they stick to it.

And then just throughout the QAP, wherever we needed to, we tried to make it more clear about how we're going to handle forward commitment, whether it related to tie-breakers or mile rule. Anything like that.

Then, obviously, scoring. Huge changes. I saved all that for last. Just in a nutshell, the -- we've deleted points for mixed income; we have deleted points for site location which were the positive and negative amenities relating to where people sited their application; we've deleted the points for exurban; we've deleted points for small development; we've deleted points for public meetings, for having common amenities and actually those are moved to threshold; and then consistency of consolidated plan, which we've moved to only be required for applicants who do not have zoning in their assisted communities.

So for instance, Houston, instead of having zoning evidence, they would just have proof that they are consistent with the consolidated plan.

We've reduced points for the affordable housing needs score and for transitional housing. There were some significant point reductions in some other areas. We've also seen some scores go up and down, but those are two of the bigger ones.

Two brand new items were giving points for QC -- for locations in the QCP with revitalization and I'll speak in a minute why that's been added. And then leveraging.

Under the QCP item -- and I'm kind of going through these roughly in order -- under the QCP item, we've removed points for getting an average. Basically, you need to have a letter from a neighborhood organization to get the point, keeping in mind that neutral in this case or nothing in itself.

So, you would get 12 points if you didn't get a letter but you wouldn't get an average. And, obviously in this case, an average assuming that the points were positive, your average might be somewhere around 17. Something like that. Or 14 and instead you'd just get 12.

We added a way for a neighborhood organizations to be on record with the agency, as a way of being on record with the state. It would have to be by March 1. We have added a deficiency process so that neighborhood organizations, if we feel like there's something missing from their documentation, would be given a chance to send some stuff into us. Particularly because they don't have an appeals process which was a way that we felt we could accommodate the neighborhoods.

We have given more guidance on how we are going score. We've kind of laid out was it roughly x number of points for this amount of reasoning and we're hoping that that will generate some good public comment to see how people feel about that.

We've also clarified quite a bit about what a neighborhood organization is. We -- and what it isn't. So we hope that people won't necessarily go looking for letters that -- to be more clear, aren't going to be eligible.

For development location, as was mentioned earlier by Ms. Maxwell, we have added a couple new items with development location that address the points for housing and points for family. Those were items in your August book that were on their own and they've kind of been streamlined and integrated into this item.

Other points in the August book that had been CHODO points and we have gone back to the original proposal. We have cut points; however, we have clarified to try and clean up some of the misperceptions about how those have been used. How the HUB in question would have to have 51 percent ownership and they would have to have been an entity as a HUB for five years.

We try and incentivize people to do more rehab, to stay in front of the communities where we've been seeing a lot of saturation from new construction, we have increased to pretty much as high as you can get and still be under the nine high-scoring items. Points for rehabilitation -- it doesn't have to necessarily -- it could have either been affordable or not. We are limiting that in either way. It does have to have revitalization associated with it.

For income levels of tenants, that was one that was two pages long and we had 30s and 40s and 50s and a grid and all these limitations and we've totally streamlined it. It's one paragraph that's nice and short and sweet.

Leveraging was one of the items that -- we definitely revamped it. Primarily for -- to better track with 2306, our legislation. With this, high-scoring items are to be leveraging, it comes from local governing entities and, so in this case, we have limited the leveraging that that high scoring purely leveraging from local level.

Then there's others -- there are two other places in 2306 that address leveraging and we tried very hard to harmonize those three into one. But because when you try to do that, it seems to take away from this high-scoring item which emphasizes local. We felt like we couldn't harmonize it necessarily.

So we have added, as two very low-scoring items, two items that address the other two components.

One was that you have leveraging of state, federal, or private funds. And in that case, we have -- it's got to be 2 percent of the total development cost.

The other item was that you have a commitment of outside third-party funding outside of QCP. And -- so these are the two items and -- that we've added.

Because the one item is leveraging outside of the QCP that, to some extent, goes against our Section 42 requirement that we've got to give preference for being in a QCP. And we didn't want to go against it, so that item is one point.

And then the items for being in QCP is two points. So net, we're still meeting Section 42 requirement and meeting 2306 requirement. So this is how we tried to harmonize the two requirements that seem to be moderately conflicting.

I would like to point out that on the two leveraging -- on leveraging items for being outside the QCP, you actually have to have the commitment at the time you apply. So it already has to be a firm commitment.

For the other two, you have to show that you've applied and we were saying that you only have to give proof of actually getting this funding at the time you turn in your commitment notice to us. So it wouldn't be any of this finding out in June all of a sudden that someone doesn't have the money.

The way we foresee it happening is that the time you mail your commitment notice back in August, if you don't have evidence of that funding, we would go back to see if you still would have gotten an award without those points. If you would, then we'll double-check to see if you actually finance and you underwrite still about those funds. And if so, you'd be fine. If not, either that you wouldn't have gotten the points -- like with the loss of points that have made you noncompetitive, then we would basically not proceed with the commitment.

So that was an attempt and I know you got so much feedback from people in the past that April or March is way too early to have that kind of a commitment and that they would be eligible for the points at that point. So it's just trying to come up with a compromise. Definitely getting it in June doesn't work, I think, for any of us. We learned that this year.

Lastly, I just wanted to -- we've added an item for income levels and in this case, we've suggested that all -- you would get the points if all of the low income rents were 10 percent the maximum tax credit rent for that income level. So basically on a 50 percent unit, you would actually have your rent to be at 40 percent.

I'd like to mention also -- Ms. Anderson had asked me a couple of questions and I had told her that I would have answers today. You had -- regarding QCP, we had a discussion about did anyone in rural areas get QCP points, i.e., does it really have any negative impact? And actually not a single rural development this year got QCP points, with the exception of getting the average. So if the average is out, then basically because they're only competing amongst each other, they should be on fairly neutral ground. Equal footing, so to speak.

And then another question had been did the exurban points kind of make it or break it for a development. And, interestingly, we had 37 deals that got exurban points. Of those, 18 were actually awarded the development.

So it kind of seemed like -- well, it's kind of hard to tell. But when you break it out and look at it -- each region, in the two regions that we tend to think of having exurban areas -- which are regions 3 and 6, the

Metroplex and then Houston -- in Dallas/Fort Worth four out of the five got the exurban points -- got an award. And in Houston, eight out of nine did. So, I think, the most -- I don't know what you want to do with that information, but I thought you'd find it interesting because it does show that in those two big areas that those points did -- they do tend encourage dispersion as you all had wanted.

And with that, I'll take any questions.

MS. ANDERSON: Before we do that, Ms. Boston, can I -- I think we'll take a public comment on this agenda item.

MS. BOSTON: Okay.

MS. ANDERSON: The birthday boy.

MR. GARVIN: Good morning. My name is John Garvin. I'm with the Texas Affiliation of Affordable Housing Providers. Thank you for abusing me this morning, Ms. Anderson.

Thank you for the opportunity to comment. This is the first draft and we are just absolutely amazed at what a great job staff has done streamlining. We didn't think this thing could be streamlined. I don't know where they found the time between that last allocation and getting this up. So good job. You all did a very good job.

But of course, there are a few things that we have at issue still. And after me, I think we're scheduled to have Diana McIver, my vice president of my board, is going to come up and fill in the ones that I can't understand too also. I'd appreciate if you'll let her talk after me.

The first one, the debarment issue -- we like the -- the whole concept of strengthening up on, you know, fraudulent acts and forged mail and stuff like that. We think it's a little over the top to debar someone for missing a volume. Rejecting their application is, of course, warranted but debarment seems a little bit strong.

Again, the debarment issue when it comes to, of course, if they haven't paid their loan back to TDHCA, debarment is warranted. The only issue we have there is it says " with the original terms of the loan" and I think you've all witnessed a few amendments in terms of loans over the years. So if you maybe change that to as amended, just so you hold them up against what you said was the actual terms.

We like the simplification on just having to sign an affidavit as proof that you notified on time, instead of all those FedEx receipts and all that stuff.

That's a great idea. Everyone likes that.

Our next issue was on the 10 percent changing of your unit of who you're serving. That's a good clear way of saying what a change is and what warrants renotification.

My next issue is on page 3 of my memo here. It is the gift -- it says in the QAP you can't give money and you can't give a gift of anonymous value. We know where you were going with that and we know you meant a sandwich. But a sandwich isn't a gift. We think you should say no money, no gift whatsoever. And we know that's what you meant, it's just I know my industry and nominal has a very wide -- it could be a Mercedes or a cheeseburger.

The next thing is issue -- am I going too fast?

MS. CARRINGTON: Mr. Garvin, I think it would be helpful if you would cite maybe the statute citation, and give the Board members the page that you're on --

MR. GARVIN: Okay.

MS. CARRINGTON: -- so that way they can track.

MR. GARVIN: Follow along. Okay. Well, I was just on page 3 -- my memo or the QAP?

MS. CARRINGTON: I think your memo will be fine.

MR. GARVIN: Okay. On page 3 of 7, it's what I just did with that 10 percent changeover. At the bottom of page 3 is the issue of the gift.

The ones I'm not covering are ones Diana McIver is going to come up and cover. And I forgot to say we reiterate our support for no four-bedroom units in the multifamily developments.

On the commitment of development funding by local political subdivisions, we think a definition in the definition section of the local, political subdivision might help everyone down the road.

On the issue that Brooke was just talking about, page 5 of 7 up at the top, issue 14, it says to -- you can get 12 points if you have your rents 10 percent less than the maximum that you can collect. We're asking you to only hold that test to the 60 percent units because trying to get 10 percent less than a 30 or 40 rent in a rural area is next to impossible. The end, I think it would be a compliance nightmare already with the 30, 40, 50, and 60, it's probably tough to do compliance and I know it is for our management companies. But just -- it's a good concept. We know you have to do it by statute. I think going 10 percent less in the 60 units is the best way to do it.

On the issue 16, in the middle of that page 5, we have -- request clarification -- if you get 2 percent of your development costs from private, state, or federal resources and you get that point there, if you're operating out of a QCP, do you get another point? I know that sounds a little pushy, but it's just for clarification if you can get both.

Lastly, on the tie-breaker factors, the deal about considering potential Section 8 voucher holders -- I think they have to do that anyway, so that's really not going to work. And we would like to see a little more creativity here on maybe how highest needs score or just anything. Just a little more thought given to that.

Did you all have any questions on any of those issues? No?

If I can change my hat now and be John Garvin, the treasurer of the United Cerebral Palsy board of directors, I'd like to ask you to reinstate the funding for the home ownership program, known as Home of Your Own.

It's been a great partnership with Fannie Mae and the United Cerebral Palsy. Partnership doesn't necessarily mean favoritism, it means partnership and I think you should double the program and expand it. It's been a good program for TDHCA and its helped a lot of people. Thank you.

MS. ANDERSON: Thank you. Ms. McIver.

MS. MCIVER: My name is Diana McIver and I'm the president of the Omega [phonetic] Development Company and vice president of TAAHP. And just to echo something that John Garvin just said, our firm actually led the state from 1994 to 1997 with consumer control housing initiative and that was the genesis of the HOYO program. So, I would also add my support to that program as well.

Now, onto the QAP. To track the issues in the TAAHP letter, I'm going to go through the TAAHP issues and then I have a couple of issues that I'd like to discuss as a developer who does harder-to-develop deals -- deals that don't make money.

Starting with issue 1 and I actually -- I know the TAAHP letter talks about the difficulty in leasing one-bedrooms. In the markets that I personally work, I do not have trouble leasing one-bedroom units.

What I would just ask, Mr. Conine, is if we could have just a little more flexibility. Just, you know, force us to do all types of units, no four-bedrooms. Force us to do all of them, but we're proposing when you get into percentages of 48 units or 60 units, it's a whole lot more difficult and when you're doing like a two-story walk-up or a fourplex, it's nice to be able to have even numbers and particularly four of a kind.

So if you could just give us a wider, I think that we could accomplish the same thing. So that was the TAAHP recommendations on the percentages. The -- and that is threshold 49.3.47, et cetera.

The next issue on the TAAHP letter, on page 2, is issue 4 and this is just, I think, a technical clarification and that is that last year TDHCA put in a joint venture require -- not joint venture requirement, but allowing rural developers to do joint ventures and count against their QAP pro rata. And that number last year was 76 and, I believe, if we're moving to 96 in the rural set-aside this year, then that for consistency should be 96. Okay. Brooke's disagreeing with me on that one.

Issue 6 -- I just simply would say this is phenomenal. This whole idea of changing the -- last year we had the experience threshold of a 100 units for any metropolitan project and it also applied to Trust and HOME, so you had a bunch of your smaller groups coming in metro areas and not meeting the experience threshold. And I believe that that recommendation probably came out of some HOME and Trust meetings and I just really appreciate that one, too. To allow them to only have 25 units of experience, I think that's great.

Issue 8 for us -- in your QAP is 49.9 -- and it's taking zoning and consolidated plan and lumping them together, which creates a little bit of difficulty. I agree wholeheartedly with what has happened on zoning and when you prove up zoning. But what happens in consolidated plan is big cities have consolidated plans and last year you were given three points for that and I'm sure everybody got it because you certainly don't apply for tax credits if you're not in conformance with the city's plan.

But what happens is the alternative for cities who don't have plans, then they've always had to do a letter that the housing's needed in the community. And that they support the housing. But that was a point issue and so that's okay when it's a point issue. But now that we're putting it as a threshold issue, I would suggest that the consolidated plan, where a community does not have one, that they simply provide a letter that says we do not have a housing plan, but we believe that the housing is needed in our community. And that's a more comparable threshold requirement than the support letter is.

So what's happening under this year's language is your forcing small communities to have a support letter and not larger communities. And it really flies against the fact that we're not supposed to have -- which I disagree with -- we're not supposed to have points for local support, anyway. But now you're making it a threshold on these smaller ones.

So our recommendation is to modify that and, Mr. Garvin in his letter, put a recommended solution there on page 3, but he forgot a comma -- a pretty critical comma. So the TAAHP --

MS. ANDERSON: That's what happens when you get old.

MS. MCIVER: I know. You know, I didn't realize that he was 55. He's been telling me he was 31, you know.

So if you read that letter, the second sentence should read, "if a city has a consolidated plan, require certificate consistency. If they do not, then require a letter confirming the need for affordable housing." So, basically, we're trying to separate need and support across the board for big cities and little cities.

The next issue -- oh. Here we go. Issue 11. This is Section 49.9. This is the Quantifiable Community

Participation and I know that you're surprised that John gave me this one to do.

What we're recommending is something that I believe is within the legislative intent and, basically, it only comes into play if you have a community that does not have a neighborhood organization in the sense of TDHCA's definition of a neighborhood organization.

So what happens is there's -- this particular part of the QAP gives a distinct advantage to communities that have the neighborhood organizations. What we're saying as an equalizer is instead of just 12 points, if you don't have a neighborhood organization, if we work really hard and we get letters from those other kinds of groups, like Lion's, like Rotary, Chamber of Commerce, and we come up with enough to get us to 24 points, then let us elect that option.

And by the same token, if groups come out and oppose us, then we're going to get negatives for those letters, too. But it's just a way to where -- and it would not be an option if there's a true neighborhood organization. It's only an option if you don't have the neighborhood organization. So I know that you all have heard me ad nauseam on this issue, but this is the language that we're recommending and again, I don't believe personally that it flies against the statute. I believe we have honored the intent of the legislature.

Item 12 -- issue 12 on the TAAHP letter is the income levels of the tenants and the -- and as Brooke had said they've really simplified this year. And what we have suggested is just simply one more category in there, so that there's not such a quantum leap between the 22 points and the 18 points.

And what we have added under our recommended solution is to -- is Item C, which would be 20 points if at least 60 percent of the total development or the total units in the development are set aside with incomes at or below 50 percent of AMGI. So it's just one more choice that a developer can pick.

The next issue in the TAAHP letter is development location. This is 49.9 and this is the list of where people get points for certain locations. And staff added a couple that had come out through the affirmatively furthering fair housing, which I really agree with. Our only suggestion is that we that we take one of those and modify it so that senior housing could also qualify for it. So it's just simply taking -- one of those, as you'll recall, is location of certain school district and we're not asking that seniors qualify for that one.

But we are asking that the language be modified so that there's an encouragement to not just locate family housing outside of areas with high poverty, but also senior housing. And then senior housing can qualify for those points as well.

The next item is on page 6 of our letter and this is something that is not in this year's QAP but it was in the 2004 QAP. And I lobbied really, really hard for this and that's point for sites. And we got this in the 2004 QAP. I think it's really, really good thing. We took baby steps toward it. It was pretty easy to measure. It was not a lot of points but it was at least recognizing that good sites are important to the Agency.

And so TAAHP would request that you reinstate this section of points for sites. And I think that a lot of the applications last year did receive these points for sites, but I would hate to see that slip back and not reward good sites as part of this QAP.

Those are the TAAHP issues. Now, there are a couple of small city issues that I wanted to address because if you look at this scoring sheet, there's 64 points that favor large cities. There's 64 points that really go to the heart of Houston and Dallas. And one of those, I've addressed and that's the QCP for neighborhood organizations. That has a value of 24 points.

But the second one is the income level of the tenants. And I think that's a really good policy for the Agency but the working group had recommended that we be able to use the 30 percent limit as the adjusted median income for the state, instead of the area for -- or the higher of the two, the greater of the two.

And to just give you an example of what that does to a 30 percent rent, the statewide 30 percent rent on a one-bedroom unit is 298 and on a two-bedroom unit it's 357. And those get further reduced by the utility allowance. Well, the basic -- I mean, if you take just the 198. Let's assume a very conservative utility allowance of $50. That's $248 that you can charge for a one-bedroom 30 percent unit statewide.

That alone doesn't even make up your cost of that unit. It costs about $300 to operate that unit. And pay the debt service on it. So that would be the highest or that would be, in rural areas, that would supplant the figures I'm going to give you next.

If you're building in Pearsall, that one-bedroom rent, the base is $238 and then you take out your utility allowance. So you're basically charging in, like, a $175 for a unit that's costing you $300. And if you take that to Llano, another example, that one-bedroom is $265 and so then you're going to be getting about $100 and their utility allowances are up to $90. You're going to be getting about $150 for a unit that it's costing you $300.

So I would really ask as an equalizer in this section -- I support the philosophy but I would really ask as an equalizer that for 30 percent rents we be able to charge the greater of the local 30 percent or the state adjusted median income lot. And then the next area -- and that's a 22-point item.

The next one is the commitment of local political subdivision development funding. Now, here again, this is one that supports sites -- favors cities that have their own allocations of HOME and CDBG-participating jurisdictions. The staff has allowed for -- has allowed funds coming from the state HOME program to qualify for those, which makes sense because we're talking about communities that don't have funds to give to a project.

And what I would ask is that we be able to put Trust in there, as well as HOME, as long as it's a non-PJ. So, just ways for the non-PJ's to be -- projects be able to get those points. And then -- and that's an 18-point item. Also, favoring the big cities.

But then the last one is the rent levels of the units and that's the 10 percent reduction and again that was in -- John addressed that. And that's another one that favors the big cities. When you get into the smaller towns, they simply cannot afford that 10 percent reduction in rents across the board because you've seen what those 30 percent rents are.

The -- my final wrap-up comment would be just simply that if we're not going to be able to come up with these items to level the playing field for the smaller cities -- I don't worry so much about rural areas because they all compete with each other. But if we're not going to be able to help the smaller cities who compete with the larger cities, then I would say let's go back and add some points for exurban cities.

Obviously it worked last year. As well as it can't be 10 points, but it could be six or seven points and I think that might help equalize and allow the areas outside of Houston, the areas outside of Dallas to be able to play in this year's program.

And that's the end of my remarks. Thank you.

MS. ANDERSON: Questions?

MS. MCIVER: Okay.

MS. ANDERSON: I have a question for you.

MS. MCIVER: Okay.

MS. ANDERSON: On this local -- like local AMFI versus using the statewide AMFI. If we change the QAP and allowed the use of statewide AMFI, and those -- but then you get into --

MS. MCIVER: But only for 30 percent units. Yes.

MS. ANDERSON: Only? Okay. And that rent that is not attained ends up -- you know, that rent then is not attainable. I mean, we're changing the QAP so it cleared the underwriting hurdles --

MS. MCIVER: Yes.

MS. ANDERSON: -- but when you get out into the practical reality that you can't attain that rent, then we've underwritten a deal that's going south, you know, that's potentially not feasible.

MS. MCIVER: Yes.

MS. ANDERSON: How do you address that argument?

MS. MCIVER: Well, it is going to -- I mean, the effect is going to be, and everybody has to -- obviously, it's got to be supported by your market study, as well, that people can afford that.

But what is going to happen is that you're going to have the units out there for people who qualify at 30 percent of median income and they're probably going to have to pay more than 30 percent of their income for that rent, which happens. I mean, virtually no one fits on that exact line so a lot of people have to pay slightly more than 30 percent.

So I think you would find someone paying 40 percent, but they would have a unit. Otherwise, I think, developers are going to steer away from doing those units at all.

So, you know, I do think you do need to look at it in the confines of the market study and whether there's a market for people who can afford that. In many cases, it's going to be roughly, you know, $40 to $50. And, you know, you're going to have to income-qualify people for those units, as well. But people can sometimes, you know, afford 40 percent of their income.

MR. CONINE: Have you -- I hate to show my ignorance here but I do that quite well and often, a lot. Do we have the authority to do that?

MS. MCIVER: Sure.

MR. CONINE: I mean, I keep hearing the

argument that it took congressional action in order to change -- to get the lower -- the higher of statewide medians --

MS. MCIVER: Right.

MR. CONINE: -- versus whatever the local median is. And so, we had to get congressional authority to do that for 60/50/40, however we have the authority to change the 30?

MS. MCIVER: My advisor here, Suzanne Phillips --

MR. CONINE: I knew she'd have the answer.

MS. PHILLIPS: Real quick. Suzanne Phillips, director of PMC. There is a consideration and it has been a consideration for quite a while in Congress to do a balanced of state calculation. It's not gone very far because there's not been a vehicle to carry it on.

I think one of the things that historically we see that on the 30 percent tenants are historically Section 8 tenants. Generally, those lower set-asides are -- targets to meet those lower set-asides -- generally met by Section 8 tenants.

And typically what happens is the tenant does not pay more than 30 percent but the owner is allowed an income of -- a full rent, if you will, on those lower income tenants because the eligibility is based on the tenant pay portion of the rent rather than the entire rent amount.

So, in essence, tax code allows the developer to collect a bonus, if you will, for renting to Section 8 tenants.

MS. CARRINGTON: That's not exactly the question I heard.

MR. CONINE: Right.

MS. PHILLIPS: The question was --

MR. CONINE: I understand the result.

MS. PHILLIPS: -- related to the balance of state.

MR. CONINE: I understand the results but the question is the authority. If we had the authority to do that in QAP for 30 percent, why don't we go ahead and do that for 40, 50, and 60 and then it begs the question why all the talk about congressional action needed? So is it against Section 42 statutes to play with 30 percent rents?

MS. MCIVERS: And it came up in the working group. Do you know, Brooke?

MS. BOSTON: I think it's silent on it.

MS. PHILLIPS: Thirty percent rent of 30 percent set-asides, 40 percent set-asides they're not in

Section 42. All that's required in Section 42 is 40 percent and 50 percent and -- I'm sorry -- 40 at 50 --

MR. CONINE: Forty at 60.

MS. PHILLIPS: Forty at 60, 20 at 50.

MR. CONINE: Twenty at 50.

MS. PHILLIPS: And if you elect to do a larger set-aside, then you are tied to that 20/50/40/60.

MR. CONINE: Can we get a little help from Tony or Freeman or somebody on that issue, Ms. Carrington?

MS. CARRINGTON: Yes, sir. We will. And I believe the question -- let me state the question, Mr. Conine, to make sure I understand it and that is, do we have the ability in areas of the state that have a lower area median income than the statewide area median income, do we have the ability -- do developers have the ability in those counties and cities to use the higher of the statewide average median income as they are doing in populations and they are doing in performance?

MR. CONINE: And as they charge rent for the units.

MS. MCIVER: Right.

MR. CONINE: Because they're going to ultimately charge those rents, whether it's a Section 8 or whether it's somebody just working in that community.

MS. MCIVER: And I actually think there's probably somebody in the housing credit group that knows the answer to that.

MR. CONINE: Like I said, I hate to show my ignorance.

MS. MURPHY: Hi. I'm Patricia Murphy, the acting manager of the portfolio compliance division. The tax code will not allow us to use the statewide area median income if it is higher than the local area median income for the limit that is selected by the minimum satisfied.

So on a 40/60 deal, if they income-target different levels, it's possible for our QAP to allow a developer to pick the higher of the two for the 30, the 40, or the 50, but not the 60.

MS. MCIVER: Okay. And we were suggesting that --

MS. MURPHY: Is that the question?

MR. CONINE: That's was -- yes. That was the question.

MS. MCIVER: That's the question right. We're suggesting the 30 and we're requesting if the higher or local -- or actually statewide. It would be -- but it can't exceed the statewide? Right. Okay.

MR. CONINE: So, yes. I think I understand. I'm just -- I guess I'm shocked that we haven't addressed this issue a long time ago. It helped out, you know, the lower income citizens of Texas by -- especially in areas that are below the statewide median in those income ranges. We hadn't done that before.

MS. MCIVER: Okay. I'm --

MR. CONINE: Glad you brought it to our attention. Thank you very much.

MS. MCIVER: Okay. You're welcome. Thank you.

MS. ANDERSON: That is the end of public comment on the QAP, so Board members have questions?

MR. CONINE: This -- we're just going to repeal the old one and circulate the new one. Correct? That's what we're doing here.

MS. CARRINGTON: We will be repealing the 2003 QAP and circulating the 2005 QAP for comment for our 13 public hearings.

MR. CONINE: Madame Chair, I move that we repeal the 2003 QAP and circulate the 2005 for public comment.

MR. GONZALEZ: Second the motion.

MS. ANDERSON: Discussion? I have several things to propose. The first would be as amendments. The first would be to adopt Ms. -- the modifications took from the 20 percent one-bedroom units to 10 percent. And I better put all this out and then you can cherry-pick, you know, what we want to pull out.

I also support -- not making the change to the debarment. We have other penalties for missing a volume but not debarment.

Third amendment I would propose is to adopt TAAHP's language on issue 3, which is on page 2, which is the inclusion of the phrase "as amended."

MR. CONINE: Could we vote on each one of yours independently?

MS. ANDERSON: We'll be here awhile. But quickly.

MR. CONINE: I guess -- let me ask this quickly.

MS. ANDERSON: I have a number of changes I'm proposing.

MR. CONINE: I understand. I guess -- you want to do it now or wait until November?

MS. ANDERSON: I want to do it now.

MR. CONINE: You want to do it now.

MS. ANDERSON: And then we'll get public comment on it. If people don't like the changes I've proposed and we get overwhelming public comment, we'll deal with that in November.

MR. CONINE: Okay.

MS. BOSTON: Could you tell me your last one again? I'm trying to track you in the TAAHP letter.

MS. ANDERSON: Yes. It was the "as amended" thing on page 2 --

MS. BOSTON: Okay.

MS. ANDERSON: -- issue 3.

MS. BOSTON: Okay.

MS. ANDERSON: You want to talk about this first one first -- the ineligible building tax?

MR. CONINE: Yes. That'd be great.

MS. ANDERSON: Okay. What is still -- so I move to amend by adopting the suggestion that we let a minimum of 10 percent one-bedroom units be okay.

MR. CONINE: I understand, I guess, where the development community is coming from on that particular issue and I think Ms. McIver's point is probably correct in that it's in lower -- smaller projects, it's hard to meet those exact, you know, divisions that we have laid out, especially when it comes to multiple of four.

So, I guess -- but I still have sympathy for the single person, affordable person being able to have some units in stock -- in the housing stock out there, to be able to rent. And my perception of the one-bedroom being hard to rent is not hard as maybe some others have made it out to be.

So, I guess, my mental -- my solutions that I came to while Ms. McIver was talking was to allow the flexibility of -- the percentages in QAP targets and if they have to move a freckle or two to meet a -- the nearest multiple of four, so that they can get a particular building type in there, that we would have the flexibility in the QAP to be -- to do that.

And -- but that not gut the one-bedroom units to a 50 percent number, where it is today, but it would be flexible enough to allow, you know, two more units or 22 percent let's say, or 18 percent or whatever the numbers work out to be.

So I bet we can craft some language that would do that.

MS. BOSTON: We can do that.

MS. ANDERSON: I accept his amendment to my amendment.

MR. CONINE: Good. Thank you.

MS. ANDERSON: Is there a second?

MR. GORDON: Second.

MS. ANDERSON: Any more discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Okay. The second one was about not debarring a developer for missing a volume.

MR. CONINE: I'll second that.

MS. ANDERSON: Thank you. Any discussion? Hearing none, I assume we're ready to vote. All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. The other one was issue -- the next one was issue 3, on page 2 in the middle of the page, about the -- with the original of the loan as amended language.

MR. CONINE: Second.

MS. ANDERSON: Discussion. All in favor, say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. The next one is on page 3 of 7. It's with regarding the language concerning gifts. That's at the bottom of -- and the motion is to eliminate the language about nominal value and say no gifts. Period.

MR. CONINE: Second.

MS. ANDERSON: All in favor, say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: The next one is in the middle of page 3 of 7, where the infamous paragraph with the missing comma. If they do not, require a letter confirming the need for affordable housing rather than a letter of support for the development. And I move that to change.

MR. GONZALEZ: Second.

MR. SALINAS: What's the change?

MS. ANDERSON: It's if there's no zoning in an area or if they don't have a consolidated plan and they don't have zoning, then we would ask that that local community provide a letter, not in support for the specific development, but a letter confirming the need for affordable housing in a --

MR. SALINAS: So that would be the Houston area where they have no zoning. So what would they have to do there?

MS. BOSTON: They have a consolidated plan, so they'd have to get consistent with the consolidated plan. In a smaller community, for instance, that didn't have zoning or a consolidated plan, they would just need to get a letter saying that they thought there was a need.

MR. SALINAS: What's the definition of what you said? The company has the plans?

MS. BOSTON: Consolidated plan or comprehensive plan. Just a local planning document.

MR. SALINAS: This is what were the Elgin, that area or --

MS. BOSTON: Right.

MR. SALINAS: What if they don't have one?

MS. BOSTON: Well, that's what we're adding. If they don't have one and they don't have zoning, then we would just need to get a letter from a local government saying that there's a need for housing.

MR. CONINE: Somebody's rehabbing a little space.

MS. ANDERSON: Other questions?

MR. CONINE: You got one.

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

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Let's see. Amend the QAP by permitting the higher of statewide or local AMFI on the 30 percent units. Everybody understand what I'm proposing?

MR. CONINE: Could we wait and get an opinion from our tax counsel -- our tax guy on that?

MS. ANDERSON: I withdraw that amendment.

MR. CONINE: I want to see what they say. I support the effort but I want to make sure we're in full compliance legally to be able to do this.

MS. CARRINGTON: We will do that, Mr. Conine.

MS. ANDERSON: Thank you.

MR. BOSTON: And I just want to comment that if it doesn't go out in the QAP, it may be a big change to add without going out for comment. That maybe if you all are considering adding it --

MS. ANDERSON: Well, you know last year we --

MR. CONINE: -just for record --

MS. BOSTON: Because you could take it back out if our -- if the guidance is against it, but at least then it would have been out for comment so you could get comment on the topic.

MS. ANDERSON: If you remember last year, we had an element like that around scoring for local elected officials and we had language in the draft QAP that, you know, that we were seeking, you know, the eight or so we could -- so I'm going to reinstate my -- I'm going to make that motion that we put it in the draft.

MR. CONINE: Second.

MS. ANDERSON: Discussion? Hearing none, I assume we're ready to vote. All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: I have a couple of questions for the tie-breaker factors. There's, you know, one of them is something of the comments made about Section 8 voucher-holders and that perhaps just having the tie-breaker being something about the highest needs score might be more appropriate there.

And then I think we've got a tie-breaker that involves QCT somehow and I don't understand why we make QCT as a tie-breaker.

MS. BOSTON: And it may -- I apologize if my wording wasn't clear enough. On the original tie-breaker, it wasn't meant to be just Section 8 voucher holders. Section 42 requires that we give a preference for applicants who indicate that they're willing working with the THA's waiting list and that's how I meant to have this worded.

And because we aren't going to be using that as scoring, we need to have it in here somewhere as a preference. So, I guess I would request that we can maybe revise A to say as long as the applicant indicates that they are willing to -- waiting list because then that would satisfy our Section 42 requirement.

The other one about QCT was originally in there and the book that you have right now shows it as deleted.

MS. ANDERSON: It does.

MS. BOSTON: Yes. And it was in there originally to satisfy the preference under Section 42. But now that we've moved that back into points, we're already satisfying it.

MS. ANDERSON: Right. All right. That's why I was questioning it. Okay. Thank you.

And I move that we reinstate the site location characteristics both positive and negative.

MR. CONINE: Could we hear some staff comments as to why it was removed in the proposal?

MS. BOSTON: We removed anything that we did not feel had a legislative citation, either under Section 42 or Section 2306 and in this case, that had been added based on public comment in the past but was not legislated under either federal or state statutes.

MR. CONINE: And how many points did it have last year?

MS. BOSTON: I think it was five.

MR. CONINE: And how many points are we proposing for this year, Madame Chair?

MS. ANDERSON: I would say four because it has to be, you know, below the line.

MR. CONINE: Right.

MS. ANDERSON: I would just like to -- I mean, I heard our public comment this morning. I'm aware of other public comment about this from the development community and I'd like to have it in the draft so we can get some public comment on it.

I mean I support the staff's streamlining. I really do. I'm not trying to back-pedal that but --

MR. CONINE: Okay. Just for purpose of circulation and comment, I'll second the motion.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

MS. BOSTON: And that was at four points?

MS. ANDERSON: Four points. The next thing is in the changes in the way we're going to evaluate applications, which I support. I support things that make staff's life easier when they do not have the cost of making a developer's life harder or something.

And so for that reason, I move that we amend the draft QAP to take the deficiency response period back to ten days, which is where it's been. Developers have to work with third parties to get answers to things and so forth and I just think ten days is much more reasonable than reducing it to seven.

MR. CONINE: Second.

MS. ANDERSON: All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. BOSTON: Can I ask for clarification on the amenities that you just added back, are you adding both the positive and the negatives?

MS. ANDERSON: Yes. Both the positive and negative. Yes. Thank you.

I want to talk about this -- about the places where we are changing things from April 1 deadline to commitment. Okay?

And zoning's one of them. There's several things. And would you walk me through the rationale for that?

MS. BOSTON: This past year for 2004, we had some things came in on March 31 -- like market study. Then we had the zoning for P and Z on April 1. Then we had the letters from the elected officials -- from QCP was April 30. Then we had letters from elected officials was May 31.

Then we had evidence of subsidy was resumed and because it dragged out, people's scores fluctuated basically right up until the June Board meeting. And so hence, one of the primary reasons why a lot of the underwriting could not be done because we didn't know which of those would even go.

And so the whole idea of moving things back -- well, first, streamlining is to make it easier for applicants to --

MS. ANDERSON: I don't think you understand my question because I'm asking about things you're pushing out to commitment. I understand why we don't want more multiple deadlines --

MS. BOSTON: Okay. Sorry.

MS. ANDERSON: -- but I question is pushing things out to commitment, which means it later -- and I'll just go ahead and make my point.

It's way late before -- at commitment before we know whether a deal is going to, you know, have its zoning and then in the meantime, somebody that would have won a deal has lost site control between July and September 1. You know, I seriously question moving the zoning late to commitment.

MS. BOSTON: Moving it to?

MS. ANDERSON: I'd leave it where it is at April 1.

MS. BOSTON: Okay. But it would be full zoning not PMV?

MS. ANDERSON: I mean, I'll just go ahead and put that in the form of a motion. See if anybody. Because I think it --

MS. BOSTON: Okay.

MR. SALINAS: They should be able to know by this date whether they --

MS. ANDERSON: It's just not fair to other developers who had their deal ready and their deal together and we don't know until commitment, you know, and it throws more deals being awarded after the award date.

You know, I think it's just wrought with multiple problems.

MS. BOSTON: So zoning on April 1?

MS. ANDERSON: That would be my --

MR. CONINE: Back to where it was in P and Z, you mean? Where it was --

MS. BOSTON: Well, before April 1 was just P and Z.

MR. CONINE: Remember, you're asking somebody if you can zone somebody else's property.

MS. ANDERSON: Right. Back to the 2004 language.

MS. BOSTON: Okay. So the 2004 language had that they wouldn't have final zoning until commitment notice.

MR. CONINE: Right.

MS. BOSTON: Just to be clear.

MR. CONINE: Right.

MS. BOSTON: The only difference is we deleted the April 1 P and Z deadline.

MR. CONINE: Right.

MS. BOSTON: But we already had it that they wouldn't have full zoning until commitment anyway. So all we did was delete that middle milestone.

MS. ANDERSON: Because it's not realistic to expect them to have full zoning in April.

MR. CONINE: Can't -- won't happen when practical --

MS. BOSTON: Well, we're only requiring P & Z but in the last year, we had several circumstances where someone would say -- we'd get their P&Z approval like one week later and they didn't meet the one but they definitely would have met the full zoning by commitment. And so we kind of thought maybe if we -- since we're already going to require full zoning --

MS. ANDERSON: But definitely we don't know until they get it.

MS. BOSTON: Right. So we were just trying to take out that middle step to make it where people who missed it by a week didn't get kicked out of competition.

MR. CONINE: I tend to side with staff on this one. I understand why we put the middle ground in there because it was probably me that did it back whenever we did it. But from a practical working reality, if it's not April 1 it's May 1 when P&Z does it or it doesn't matter when.

If we -- ultimately, the winner of the tax credit have to then execute on the purchase of the dirt and simultaneously get the zoning. They're making a substantial commitment and if they can't get that done, then the practical reality is they fall out and the next guy comes up anyway.

MS. ANDERSON: Well, but I -- that's my argument about at what point in the calendar does that happen, if it's happening out in September or October, the next guy that comes up by now does not have site control.

I mean that's what I -- because he didn't get awarded in July. And that's what I'm trying to -- are there any other bright ideas?

MR. SALINAS: Everybody just have zoning in place by April 1.

MR. CONINE: Most guys do site control though, Ms. Anderson, to get them out through the period of the award and the ultimate, you know, full drawings and plans and closing of their syndicate partner and closing the land, which gets them into November anyway.

And what we're saying is they have to have the site zoned by the commitment letter, which they got in August. Is that what it is?

MS. BOSTON: Yes.

MR. CONINE: So they have to then -- once they get the award on July 31, have to go back to -- get on the city council agenda, a docket for the next month in August, to get their full zoning approved by the city council, and then come back and be able to sign their commitment letter at that time. So, by September 1 --

MS. ANDERSON: So you think they have site control through this period of time I'm talking about after award and --

MR. CONINE: I promise you that's the case. They won't contract for a piece a dirt that triggers a closing on August 1, let's say, the day after they would find -- they just don't do that because they don't have the resources available to them to close -- to gain control of the dirt.

MS. ANDERSON: Yes. I'm not really talking about August 1, though, Kent, I'm talking about --

MR. CONINE: Fifteenth.

MS. ANDERSON: You know.

MR. CONINE: Whatever. They have -- most of them have site control, if you go look at those contracts, into November or October or whatever the case may be.

MS. ANDERSON: Okay. I withdraw my --

MR. SALINAS: So April 1 would be the -- by

April 1, they would have to have the planning and zoning?

MR. CONINE: What they -- now what we're saying is what they'd have to do is to have the site rezoned before we would issue a commitment to fund their project in August.

MR. SALINAS: So that would start --

MR. CONINE: And you take away the April 1 target date simply because it may be May 1 or it may be June. It was creating a, I think, an administrative nightmare for staff and --

MR. SALINAS: But it would be a nightmare for a developer.

MR. CONINE: We're trying to create a schedule for local city councils that may or may not be attainable, at the local level. And so --

MR. SALINAS: They usually meet two -- twice a month, so --

MR. CONINE: We're not hurting our position any from final zoning. What we're not having is the indication that P&Z may have approved it on April 1, but I'm not sure --

MS. ANDERSON: Matters.

MR. CONINE: -- hurts a whole lot. Yes.

MS. CARRINGTON: And the Board may remember that that was the cause of several appeals because they missed the deadline because of when the city council was planning meetings by a day or a week.

MR. CONINE: Anything we can do to reduce appeals, I'm for.

MS. ANDERSON: Brooke, would you -- my next topic is exurban points. Now, I remember that we over time we've discussed -- or steps, you know, sort of related exurban points to the affordable housing needs score points and how you didn't want both and would you refresh my memory on that?

MS. BOSTON: Yes. The working group's recommendation had been that they only wanted one or the other.

MS. ANDERSON: Okay.

MS. BOSTON: And so staff had concurred with that at the time because at the time the working group was making those, we didn't have conclusive information about the impact of those points.

I guess my comment would be it does look like in those two metropolitan regions, it did help to disperse. Although, when Jenn and I were chatting about it, and she did point out that pretty much in the Dallas area almost everybody got a deal but one.

So, it's not a great barometer but definitely in Houston that, you know -- let me see. I think it was eight out of nine was the number that I gave you all. And, I mean that, to me, is pretty significant.

MS. ANDERSON: You know, I would sure like to get some public comment on this and I -- because I can understand the working group's position on not wanting to measure them both and I know -- can understand why we might not want to take out the needs score because we should be reflecting need.

I think I could make the argument that the ex-urban points, you know, by dispersing and developers putting it -- they're not going to put it in exurban area that does not have demand or need.

MR. CONINE: By virtue of removing it, aren't you going to get the public comment anyway?

MS. ANDERSON: Yes. I don't know whether to remove the appeal -- I mean I have some alternatives and I guess I'll ask what my fellow Board members think, you know.

We can take out the needs for -- and put in the exurban points. We can leave in the needs score and add the exurban points.

MS. BOSTON: I mean housing need does address a

Section 42 requirement that needs to address need and so --

MS. ANDERSON: Well, I can argue that exurban, well -- yes. I understand.

MS. BOSTON: And also I guess I would also just mention --

MS. ANDERSON: Well, then I'm going to move that we add the exurban points back in.

MS. BOSTON: About how many points?

MS. ANDERSON: Same as the needs score.

MS. BOSTON: Okay.

MS. ANDERSON: I think that's going to die for lack of second -- not so fast, Brooke.

Didn't get anybody to get on that train with me. Okay. Now I have some things in the QCP section. On page 34, and these comments really all relate to just -- there's some places -- I think you all have done a very good job. I think you have made a -- from last year to this year, I think we now have going forward a QCP process that will invite more community participation. It will be more successful. You've agreed to sort of become an agency that records, you know, neighborhood organizations on record. I think that was the right thing to do.

I'm very pleased to see the criteria on the whole. I'm very pleased with this. These are like, I'll call them nits, but they're about getting what I view as still vague language out of this part of the statute.

I'm on the bottom of page 34 and I'm in AIII and the end of that is established that the boundaries contain the proposed development site.

I would just like to see more definition there. What is it we're looking for from the people? Do we want a map with like, you know, Magic Marker around the outside of the -- I know this is kind of ridiculous but there was just so much confusion about this last time.

So, you know, you have a map with the boundary of the neighborhood outlined and then an X over the property location or do you ask them to list the streets that mark the boundaries? We just need a little more specificity there.

MS. BOSTON: Okay.

MS. ANDERSON: Now on the next -- top of page 35. Well, we're talking about the Secretary of State's thing and the dissolved, forfeited, you know, if you go and look and they're dissolved or forfeited -- I would take out the reference to the date.

I would say anytime that the Department staff -- take out April and May -- anytime Department staff for whatever reason has to go to that website -- you know, you may be going in June. You know, so I don't want you to be limited to not be able to go in June if you need to go in June.

And I would also be real specific on this part where we're saying that we're going to satisfy -- they can mail us a letter and that'll satisfy the requirement for being on record. If we please add more specificity about who in the Department that letter goes to, we got a big mail room and I don't want those letters getting lost, and then this poor neighborhoods -- well, I sent the letter. So, if you would just -- like you are about the letters that come to the ED, let's just be a little clear about that.

I have a concern and maybe I just need to ask you to help me get comfortable, under -- still on page 35 -- I'm under B, scoring of letters, first paragraph I. The last sentence: the Department may consider any relevant information sent to or known to the Department in determining a score.

I understand -- I swore that the Department needs to have the ability to use all relevant information to determine whether or not to make awards. But I don't understand --I don't think -- I don't believe that that --

any information we might know about something, should apply to the scoring of a letter.

MS. BOSTON: And I can just comment on the reasons we added it. You may recall last year there was a specific scenario where one neighborhood had sent in -- the neighborhood organization had sent in a letter of opposition and separately, other members of that group sent a separate letter and said that wasn't really what went on. This isn't the will of the group. And we took that letter into consideration because they were members of that organization who said they felt like the original letter wasn't representative --

MS. ANDERSON: Okay. And that example is about sort of dueling letters. Okay. And I'm comfortable with the way you just explained it, but the way this reads it sounds like you can take something that's not a -- you can take some information you know about a development that has nothing to do with what's in the letter and use it to influence your scoring of a letter. And that's what I'm uncomfortable with.

MS. BOSTON: So maybe specify --

MS. ANDERSON: So I think -- you get my --

MS. BOSTON: I do.

MS. ANDERSON: Can we work on that language a little bit?

MS. BOSTON: So, you're okay with the letter as long as it's from another neighborhood organization commenting on that development?

MS. ANDERSON: Yes. Yes. That would -- and down on the bottom of page 35, on paragraph III and then I'm in capital III, this is just a section that talks about a minimal reason for support.

That just feels way vague to me and, you know, if they've got three reasons for support or opposition, they get up to 24 or zero. If they've got less than three, and I would change that and make it, you know, two, and than I would say, you know, one or none.

I mean, let's be -- because minimal just -- real vague. But I'm very pleased that you all put these criteria in here. I think that will give a much clearer road map to the citizens and neighborhood organization of Texas that want to participate in this process.

Believe it or not, I am almost through. Oh. On the school system thing, that's on page 4 -- I guess that's in the development location.

MS. CARRINGTON: Development location. And that would be on page 39.

MS. ANDERSON: And we're only talking about an elementary school that is exemplary or recognized. And I guess my question is if the elementary school is a notch below that but the high school is exemplary or recognized, why would that matter in dispersing the points? Why are we just tied to the elementary school? Do we not care about teenagers getting the right to go to an exemplary school?

I mean it just struck me as sort of an error of omission, not intention. Mr. Wittmayer, would you have a point of view on that?

MR. WITTMAYER: Good morning.

MS. ANDERSON: Good morning.

MR. WITTMAYER: Chris Wittmayer with the Department's General Counsel. I think the thinking on the elementary school was that that gave us a more targeted geographical area because of the smaller attending zones of elementary schools, rather than the much broader and larger geographical attendance zones of high schools. That is why staff made the recommendation for elementary school.

MS. ANDERSON: So fewer people are going to get the points. I mean -- well, I mean I guess that didn't necessarily fall --

MR. WITTMAYER: I think that is the result but

I think that the reason was to more clearly target the locations of the housing and probably, perhaps, also thinking that there's -- more apt that the students would be elementary school age. I'm not sure.

MS. ANDERSON: Do we have data that back that up? That our residents are more apt to be more elementary school aged than high school?

MR. WITTMAYER: That was just a wild surmise on my part.

MS. ANDERSON: Okay. All right.

MR. WITTMAYER: We'll just delete that and go with the more closely and targeted geographical area being the right --

MS. ANDERSON: All right. Very good. Thank you very much. I'll let that go. I'm through.

So I move all those things.

MR. CONINE: I'll second it.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. Thank you. Thank you all. I do thank you.

MR. CONINE: And you want on the limited --

MS. ANDERSON: Oh. Yes. We need to vote on those --

MS. BOSTON: Can I ask one other -- there was an issue in the TAAHP letter that was actually just a consistency. It was that one revision moving from 76 to 96 on the rural units and I'd like to be able to do that just so that we're consistent, if that's okay.

MS. ANDERSON: Absolutely. Any objection? So hearing none, so heard. Okay.

So now we'll vote on the main motion which is the repeal of the 2004 QAP --

MR. CONINE: '03.

MS. ANDERSON: '03 QAP and to publish for public comment the 2005 draft QAP.

MR. CONINE: As amended?

MS. ANDERSON: As amended.

MR. CONINE: Second. We've already got that on there, I guess.

MS. ANDERSON: Discussion. Hearing none, I assume we're ready to vote. All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: The motion carries. Have at it.

MS. CARRINGTON: The next item for the Board's consideration is item 2(b) and this is proposing the amended -- an amendment to the 2005 HOME rule that will be released for draft for public comment on the same public hearing cycle that I have previously announced to you.

The staff did have a work group, a roundtable, on July 22 and the recommendations that are being made to the HOME rules today are a result of written input and input that the staff did at that particular work group.

The primary changes that are being proposed in the HOME rules are to ensure consistency with the Texas Government Code, to ensure consistency with any updates to any federal HOME rules at 24 CFR Part 92, to provide guidance on the management on open applications cycles by the Department, and it also adds language that ensures consistency with other multifamily rules, to the extent of the HOME program or the HOME funding is going to be used for multifamily developments.

We have provided for you on page 1 and over to page 2, a summary of amendments to this HOME rule. We would be happy to go over those with you.

On page 2, we have also provided you a summary of the comments that the staff did receive at the 2005 --

2004 HOME roundtable, which was held on July of this year. So I accept your direction, Ms. Anderson, on how you would like to proceed with this item.

MS. ANDERSON: Is that -- I mean, that really is your presentation --

MS. CARRINGTON: That is my -- we will -- staff will be happy to answer questions or go through any particular sections of the rules that you all would be interested in. If I could ask Mr. Pike to come up -- Eric Pike, who is the Director of Single Family.

The rules of course do address both multifamily and single-family administration of the HOME program, but as you all will remember from last board meeting, the majority of our HOME funds do go to support various single-family activities. But it was a joint effort between single family and multifamily.

MR. CONINE: Mr. Pike, the Home of Your Own program has been mentioned as eliminated. Can you give us some background on that?

MR. PIKE: Yes. The HOME of Your Own Coalition is an item in the consolidated plan. It was not in our rules but I'd be happy to go ahead and address that.

MR. CONINE: Well, we can wait until -- if it's not until then, we can wait until then.

MR. PIKE: Okay.

MS. ANDERSON: I have Mr. John Meinkowsky. Is he in the room? With the Texas Association for Centers for Independent Living? I'm sorry? Well, it said 2 and 4 on here. Okay. Thank you.

Are there questions for --

MR. CONINE: Eric.

MS. ANDERSON: -- Eric. I'm needing -- boy. I'm lucky to have my vice chairman here today. I'm needing a lot of help to stay focused. Any questions? Hearing none, I assume we're ready to vote. All in favor --

MR. CONINE: I make a motion we approve the 2004 -- 5 HOME rules for draft comments.

MR. SALINAS: Second.

MS. ANDERSON: Any discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The next item for the Board's consideration is item 2© and this is the housing trust funds rules. Again, we are proposing amendments to Title 20, Part 1, Chapter 51 of the Housing Trust Fund Rules.

We had an open forum, a roundtable, on July the 12th. And we've had written input on these rules -- these proposed rules, along with comments from the roundtable.

The primary changes that are being proposed on these rules again are consistency with the Texas Government Code.

Second, to provide the Department an ability to use an open application cycle and also to provide direction to the public on how applications will be processed in an open application cycle.

And to ensure -- to add language that ensures consistency with other multifamily rules to the extent that the trust fund will be used for multifamily developments. Again, on the bottom of page 1 and the top of page 2, we have gone through what we believe -- what staff believes are significant changes or revisions to the rules.

I'd like to call your attention to the last item on page 2. The last bullet on page 2 of the changes and that is an addition of a counting requirement under other program requirements sections.

And we added this to our trust -- to our HOME funds rules also. And basically, what this says is that after a contract has been closed out that the recipient of that contract has 60 days to provide close-out information to the Department.

And this is really very critical for us because what we've found over the years is that there might be contracts that are closed and you have final closing documents haven't been sent to us. And so this was really a simple addition to the rules that we believe is certainly going to be an improvement to the administration of our program and allow us to more quickly deobligate funds.

So with that, Ms. Boston was the primary author of the Housing Trust Funds rules and I'm sure would be happy to answer any comments.

MR. CONINE: Move to approve for the 2005 Trust Fund rules to be released in draft form for public comment.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion. Ms. Boston, I have a couple of questions.

The same thing applies to the HOME rules but as you know, I've expressed concern about -- not about an open cycle. I support the notion of an open cycle. But

I've expressed concerns about an open cycle that takes 330 days. Would you defend that please?

MS. BOSTON: It wouldn't take that long. That's how long someone could remain in each phase before they got -- like if they weren't able to resolve their deficiencies --

MS. ANDERSON: Could take that long.

MS. BOSTON: It could but if someone is responsive to the deficiency process, it would obviously move much more quickly. We have, as you've seen, and this would be -- for instance, if you took an open cycle on a HOME deal, you know, the first step would be the total review and that would have them going through, you know -- we would have to get our review done within 30 days.

Our anticipation internally that those would be done very quickly. I would anticipate within seven to ten business days. If these happen to come in when we're in the middle of a single family or multifamily round though, it might take a full 30 days.

But as long as they get back to us within ten days -- like for instance, let's say on day 28 we issue a deficiency notice. They get back to us in ten days, they're bumped into the next stage immediately.

And each stage is like that, so the length of time isn't about us having time, it's about that we instead of kicking someone out because they didn't respond to the deficiencies -- it was more like, well, why don't we let these people stay in and try and negotiate and work back and forth with us.

MS. ANDERSON: Yes. And I support that but I just think 330 days is ridiculous. I mean and I'm concerned frankly about the burden on staff if you have -- you get a 120 days at each point, you know, in each phase, or whatever the length of the phase is and they take all that time, then you've got to go back and reread that thing. You haven't read it in 90 days. You have to totally refresh yourself.

So I'm going to propose that for purposes of the rules for public comment, that we reduce those phases to a total of no more than 180 days and I'll let you sort through how to split those days out.

MS. BOSTON: Is that for HOME and HTF?

MS. ANDERSON: Well, no. I can't do it for HOME because it got by me.

MS. BOSTON: Okay.

MR. CONINE: You can a couple of months from now.

MS. ANDERSON: Yes, I can a couple of months from now. So that would be -- I would ask for that.

MR. CONINE: Second.

MS. ANDERSON: Any discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. The only other suggestion I have or amendment to the Housing Trust Fund rules is in the definition section and the definition of capacity building, you know, this is one of my favorite topics. But -- and I appreciated staff language on capacity building that I asked be included and I think that was in the HOME rules.

But I appreciate staff giving us a better definition. I think it was in the HOME rules. Right? And what I'd like to do here is remove the words "but is not limited to." And then sentence would then read: this activity may include. And you have three kinds of permissible activities and I would just leave it at that and eliminate that "but is not limited to" language.

If the staff, you know, has other things that it thinks it wants to potentially award capacity-building grants for, then I would just like to see those in the rules.

MR. CONINE: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. Do we have a motion? I don't --

MR. CONINE: Yes. We do. It's now been amended though.

MS. ANDERSON: Yes. So we're ready to vote on the --

MR. CONINE: Amended motion.

MS. ANDERSON: -- on the rules. The motion on the rules as amended.

MR. CONINE: Correct.

MS. ANDERSON: Discussion. Hearing none, I assume we're ready to vote. All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. Thank you.

MS. CARRINGTON: The next item for the Board's consideration is the proposed amendment to Title 10, Part 1, Chapter 1, Subchapter B. It's the underwriting market analysis appraisal, environmental site assessment, property condition assessment rules and guidelines. And proposed new section of what we abbreviate around here to call the underwriting rules.

It's a new section of 1.37 and it's the reserve for replacement rules and guidelines and this is behind tab 2(d) of the Board's materials.

These real estate analysis rules have now been expanded into six sections, which I have just read for you. These will be on the same public hearing cycle, on September 27 to October 8, as all of the other rules that we have been discussing.

And we have had -- we had a work group that was part of the financial feasibility work group, that was part of the QAP working group. So we received comment during that period of time.

We also had a roundtable on July 26 and we had 17 individuals attend that roundtable. And then we had another open discussion that was held at the TAAHP Annual Conference, concerning our underwriting rules and guidelines.

And what we have provided for you in the format that we have done the Qualified Allocation Plan, beginning on the bottom of the first page of your board action summary. We have outlined the changes in the rules that we are recommending and -- actually, the changes that have been recommended through our working groups, through public hearings and then staff response to each of those changes. And then a copy of the rules is behind that.

And this, of course, is in Tom Gouris' purview. Mr. Gouris, it would be my guess, that you're probably not going to get off as easy as the HOME and the Housing Trust Fund folks got off.

So, I'd like to ask Mr. Gouris to come up, please, and discuss some of the substantive changes in these rules.

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis for the Department.

Generally speaking, there weren't huge substantive changes in the rules. There's a lot of red in there because -- in the rules because we did a lot of streamlining and a lot of consistency checks with the QAP.

A lot of the streamlining consisted of things, such as definitions that were already in the QAP that were just redundant or documentation requirements that were already included in the QAP that we decided didn't need to also be included in our rule.

Issues like that were addressed, so a lot of the red you see in the rule pertains to those issues. The other major issues were things to address consistency with the district's practices or with our own practices, with regard to the timing of contact with applicants for operating expense issues. For example, instead of requiring the Department staff to contact on every line item, regardless of whether it had an impact or not, we decided it would be better for us to contact when it had an impact on the overall operating expense number. Issues like that.

Also, our address in the revised rules. We also added language to deal with some issues that came up during the course of the year, with regards to work-up procedures, with regards to verbal and interest structures, and we added language to deal with those issues.

And then, as Ms. Carrington mentioned, we added a section on the reserve for replacements. It's a statutorial issue that was somewhat addressed in the compliance rules previously and we removed it to be part of the real estate analysis division's rules.

I'll move it to you all for questions, I guess.

MS. ANDERSON: I only have one question.

MR. GOURIS: Yes, ma'am.

MS. ANDERSON: Your department is now responsible for asset management for the agency.

MR. GOURIS: Yes, ma'am.

MS. ANDERSON: And it's my understanding, that you've been in a selection process -- procurement process around procuring those services. Could you just tell me what the status of that is?

MR. GOURIS: We went out in early summer for RFP. I think we received six proposals. We're in the process of evaluating those. Probably within the next 30 days, we'll have a recommendation for you. We believe that -- just to kind of update what -- we believe at least four of those are

MS. ANDERSON: Viable

MR. GOURIS: -- would be candidates that were viable for us to be able to choose from. And we're, right now, kind of discussing amongst ourselves, whether it should be an all for one or it should be -- allow the developer to choose amongst these and so we're still contemplating --

MS. ANDERSON: And are the services themselves -- the pricing for the services, are those -- is that structured as a fixed price contract or a cost plus or a per -- you know, per transaction -- each?

MR. GOURIS: Historically, it's been based on a per door fee and that's the direction that we're moving in. That is one area that we would have to get some more consistency amongst the applicant or the RFP providers.

MS. ANDERSON: Any questions? Hearing none, we need --

MR. CONINE: Move to approve the 2005 draft Underwriting Marketing Analysis, Appraisal, Environmental Site Assessment -- whatever. For circulation.

MS. CARRINGTON: The underwriting rules.

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

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: Motion carries. Thank you, Mr. Gouris.

MS. CARRINGTON: The last set of rules for the Board's consideration today -- tab 2(e)-- compliance monitoring and asset management rules. And what we will be doing -- and what we are doing is proposing a repeal to the current rules that are out there and then asking you to adopt these new rules.

And sort of how we make the distinguish -- the distinction between whether we amend or repeal really depends on the amount of changes, recommendations, that the staff is making.

And our compliance rules are Chapter 6 of the Texas Administrative Code. And we do have -- we've provided you a memo that basically goes through the changes in the rules.

Many of them are word changes, terminology changes. We have also renamed the Division of Portfolio Management Compliance, so that it's in compliance with what we call the Division currently.

And on page 2, we go through some of our other definitional changes and as Mr. Gouris has already mentioned, the reserve for replacement that's a requirement in our statute did come out of the Portfolio Management Compliance rules and went into the Real Estate Analysis rules.

So with that, I would ask Suzanne Phillips, who is the Director of Portfolio Management and Compliance, to come up and answer any questions that the Board might have on these proposed, basically new rules, I guess, since we're repealing the others.

MS. ANDERSON: Any one have any questions for Ms. Phillips?

MR. CONINE: Let me make sure because I misunderstood the phrase. If I'm going to repeal the others, aren't we just circulating these for public comment to come back in two months?

MS. CARRINGTON: Yes, sir. We are. I'm sorry.

MR. CONINE: So, why are we repealing the others? We need to have something in effect during the interim, don't we?

MS. CARRINGTON: At the time the Board takes -- okay. I'm over my head.

MR. CONINE: Oh, my goodness. It's you again.

MS. CARRINGTON: I'm over my head again.

MR. WITTMAYER: We're proposing the repeal and we're proposing new and those actions will actually take place at the same time.

MR. CONINE: Okay. Now I understand.

MS. CARRINGTON: Thank you.

MR. CONINE: Thank you.

MS. ANDERSON: Any questions for Ms. Phillips?

MR. CONINE: Move to circulate the proposed Compliance Monitoring and Asset Management rules.

MR. SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No response.)

MS. ANDERSON: The motion carries.

I want to welcome this morning Scott Sims from the Speaker's office and also Jason Smith from the House Urban Affairs Committee. Gentlemen, as always, we appreciate your being with us this morning. We're going to take a ten-minute break and be back in ten minutes. Thank you.

(Whereupon, a brief recess was taken.)

MS. ANDERSON: We're ready to proceed with item 3, which is presentation, discussion, and possible approval of the Department's legislative appropriations request for the 2006-2007 biennium.

MS. CARRINGTON: Thank you, Madame Chair. This is a document the Department prepares every two years. And it is the document that provides the budget detail and supports the agency's strategic plan.

It also provides information related to our performance targets, costs, and methods of finance. There's actually two components to this legislative appropriations request.

This is first the baseline level, which is our general revenue for '04-05, which is reduced by 5 percent. And the second relates to exceptional items that are requests for general revenue above the baseline request.

I'd like to ask Bill Dally, who is the agency's Chief of Administration, to come up and discuss the components of the LAR with the Board.

MR. DALLY: Good morning, Madame Chair, Board members, Ms. Carrington. You'll find behind tab 3 a summary of information, including certain summary reports from the legislative appropriations request, which was recently submitted as of August 27.

The entire document is rather voluminous and somewhat redundant if you do look at the full copy. The Board's got selected summaries here in the Board book to make it a little thinner.

It was posted as a PDF file on our website for download for the public. You should have also received a hard copy of the entire report. It's in a tan cover.

I first want to start in recognizing that this is a -- the legislative appropriations request is very much a collaborative effort among the whole department.

Each division, with their related strategies, put together their proposals for their request of funds, their performance targets. And all of this is compiled by our division in Governmental Relations and then some of Sarah Anderson's Housing Resource Center to go into the ABEST system to be part of this legislative appropriations request.

I want to acknowledge some individual efforts and I know I run in danger here of leaving somebody out and I want to apologize ahead of time but I do want to recognize the efforts of Brenda Hall, Elena Peinado, Anne Paddock, and David Aldrich as the folks who took a lot of the input from across the department, digested that and worked on it to get a final document.

I also want to remind you that Sarah Anderson led an initiative this spring to make changes in our budget structure and in the performance definitions. And the purpose of this was to better align this document with our reorganization that occurred last year.

And that chiefly occurred in those first housing goal elements, where we took single-family approach and a multifamily approach.

And I'll have to be honest. I was a bit of a skeptic that we could really change things and kudos to her because we did have success. We had meetings with the LBB and the Governor's office and we got their sign-off. So we've got some changes in the structure. And I just want to give them some kudos there.

If you'll flip past that first action item and the table of contents, I just want to touch on this first page. It gives major milestones.

And we're roughly midway in this process. Some of the earlier elements were, of course, the approval of that budget structure where we got changes. Also the agency made a submission of a strategic plan, which the Board looked at and approved and submitted earlier in the summer.

We then did a baseline reconciliation, where we look at our actual expenditures and general revenue for 2004. We also look at what's budgeted for 2005 and that then becomes the baseline figure.

If you look -- oh. Back on that milestone, we have submitted our proposal. We'll bring this to you informationally and asking for your approval here. We will then have a joint meeting with the LBB and the

Governor's office of Budget and Planning on the 23rd of this month.

We have also scheduled to have a meeting with Senate Finance on October 5. We've received a letter from Joe Pickett, on the House side, for his subcommittee and we will probably be meeting with them in November.

All of that is to say they're looking to try to see where the funding needs for the state are going to be. Probably early in the fall, even before they start session. This is typically -- would have happened in January or February.

I did make reference to -- you'll see there was a letter that went out June 16 giving us directions on the general revenue requests, take that baseline that we agreed to, and reduced that to a 95 percent level or take 5 percent away.

If you'll skip three or four pages, there is a schedule and this is not part of the LAR. It looks like this.

In the last three columns, that third column you'll see the estimated base. That was the 18 -- I'll let you catch up quick.

It's page 7. Anyway, this schedule shows by strategy where the general revenue was in our appropriations for 2004 and '05. And then about the third column in, you'll see an estimated base. So we had $18.5 million dollars in '04 and '05.

We then took -- made a 5 percent reduction and just made a, you know, same -- a weighted average reduction to each area and then came up with our request for baseline. It would be at $17.5 million.

So, it's just a little under a million dollars -- is the reduction. And the areas hit would be the Housing Trust Fund. There was a little bit Colonias Service Centers. And then it chiefly is in our administrative areas, both in manufactured housing division and then in the indirect and admin support areas had reductions.

If you then flip back to page 3, this is the administrator's statement and it first lays out who our governing board is. It then lays out the purposes of the agency. It talks about some of our funding sources. And largely they're federal. It then discusses some of the legislative initiatives that occurred since the last biennium. Our citizen participation. And then it goes on and describes our exceptional items. And I'm not going to stop here. I'm going to go ahead and wait until the end of my presentation to discuss that.

And then finally, I want the Board to note, in the final paragraph there is a request to change the salary group for administrative director. She is near the top of her group and so what we do is requesting that they move up to the next group. And that band is between $90,060 and $139,140.

Moving on, the next schedule is the general revenue baseline report. It essentially, if you'll -- this is on page 8. Again, it lays out by strategies in that first column is the 2006 and '07 funds. The first column is all funds. That next column GR. And this schedule essentially adds up and highlights where the general revenue is among the strategies.

And as you look across, you'll see that comes out to a cumulative total of the $17.5 million on page 9. It then adds the exceptional items and I will touch here.

Exceptional items are -- would be requests where we're asking for additional general revenue above this baseline request. And we're asking for 6 million in the emergency nutrition, temporary emergency relief program and the system benefit fund. And I'll get -- I'll touch on those a little later.

And then if you'll flip to page 11. I kind of want to show you a history of FTEs. That first year, 2003, just before we entered into the 2004 and '05 biennium, we had some reductions of nearly a $1 million in the manufactured housing division. And so on August 31, we had to make some reductions in 2003 and as a consequence, our FTE cap was then 313 for 2004 and '05.

As we developed our 2005 budget and looked out at '06 and '07, what we have now is really our request it would be for 298 FTEs and so it will be below our existing cap by 15 FTEs.

Oh. Let me point out. The figure in 2004, the 279.8, that's been our actual rolling average of field positions, so that difference is going to be our vacancies and contract workforce.

Then flipping to page 12, that first grouping of folks is that reorganized, redone goals for housing, beginning with the single-family bonds and then the HOME program trust fund. And then we've got Section 8 tax credits, HOME multifamily housing trust fund, multifamily.

And this is titled mortgage revenue bonds, multifamily. It really should be private activity. But as you look across, and this draws through most of the strategies. As you look across, you see this funding is comparable in most instances across the years.

One place where I would point out where we've got a significant drop is on page 13, the Energy Assistance Program. You'll see we had $65 million for those weatherization programs in 2003. That included the system benefit fund. And then in, of course, '04 and '05 that was removed from our appropriation due to the budget shortfall.

And stop me whenever you've got some questions because I'll keep moving here.

Page 14, I would point out to you shows the method of finance for the budget. And these figures are not on yours. What I've done is I'm going to sum the figures in '06 and '07 for each of those categories and give you a figure and then a percentage so you can see the relative weight.

General revenue summed together is of course the $17.5 million and that is 5.5 percent of the request. The appropriated receipts, which are the fees that we collect as part of our housing programs, is $27.8 million or 8.8 percent. And then federal funds make up the remainder of $270,892,994 or 85.6 percent.

Let's skip a page or two. We've got a schedule here. This is not -- again, this is not the detail on capital project. It comes out of the LAR because its kind of scattered and so we've got this condensed on one sheet.

Essentially, we've got four projects. One being our normal broke, which is the hardware and PCS and servers, software licenses that we'll need in the coming biennium.

The major project will be a PeopleSoft upgrade implementation to 8.8. Then we have community services and energy assistance. I think we had some comment at the last Board meeting and discussion that we've taken that off of the central database project and this will be approached independently and be looking to upgrade existing systems, rather than trying to them into particular architecture because there's not really a real solid connection.

And then we have an upgrade to Section 8, who recently did an analysis and did some surveys with other agencies and we believe the best solution here is an off-the-shelf package. And we've costed that out at $65,000.

Any questions?

MR. GORDON: I had one question on page 12.

MR. DALLY: Okay.

MR. GORDON: Line item 3, your housing trust fund single family. Your request from 2006 -- it went from budget 29 to 8.1. Is --

MR. DALLY: That's a -- that figure in 2006 is a reflection of an unexpended balance and an estimate that we're putting out there of about $6 million, which is the equivalent of what it was in a previous biennium, its projected estimate.

But it bumps up that figure and those figures are now shown above the lines as opposed as being in riders below. And so if you take that $6 million are funds that we have now, that have been appropriated to us and so they're moving it forward into the new year.

So take that away, that's really what the new funds, per sale, per trust fund. And once you look at that, they're pretty comparable through the years.

MR. GORDON: Okay. The next section were the rider revisions, I'm want to -- essentially, we're trying to clean up some language and we've got some rationale or explanations associated with some of our strike-throughs and revisions. I'm going to skip past that unless there's some questions in that area. Move on to exceptional items.

Am I moving to fast?

MR. CONINE: No. You're doing just fine.

MR. DALLY: Okay.

MR. CONINE: Keep right on going.

MR. DALLY: All right. If you'll move back to the back of your package at page 26, it's titled 4a, Exceptional Item Requests.

This is our request for the Emergency Nutrition and Temporary Emergency Relief Program. We had some internal discussions at the Department and there were several proposed exceptional items. In the end, there were two that made the cut.

This was listed as our top priority. Like I say, it's a request for $6 million in general revenue and it's the only state emergency relief program aimed at extremely low income and low income persons. It provides county governments across the state the ability to offer basic temporary emergency assistance, such as food, blankets, utility assistance, and rent to people who find themselves in a crisis situation.

Given some of the trends and funding cutbacks across the state, we think this is probably a needed outlet among the counties to provide some sort of quick assistance to folks that are hitting hard times.

Let's see. And the Department goes on and anticipates that this would allow counties and nonprofit designees to assist approximately 50,000 persons per year. And like I say, this would be administered through the county governments -- the 254 counties in Texas.

MR. CONINE: So this is not natural disasters or anything like that.

MR. DALLY: No. No.

MR. CONINE: It's just you fall on hard times.

MR. DALLY: No. It would be a personal disaster yes.

MS. CARRINGTON: And it was a program several years ago that the legislature did fund and the Department did administer. It gradually -- the funding on it was gradually reduced. I think, maybe, the last year we received some funding, which was maybe like two years ago now, is about $350,000.

MR. DALLY: And the request for -- our thinking on -- was for $3 million was that we bring that up to a level where it can really, you know, have an impact and be a full-fledged program.

MR. CONINE: Didn't you say it would help 50,000 people?

MR. DALLY: A year. That's the estimate.

MR. CONINE: That's only $60 a pop.

MR. DALLY: Right.

MR. CONINE: That's not going to help them a whole lot. I mean, how did the staff come up with that math to generate that number? It doesn't make any sense.

MS. CARRINGTON: The previous program required funding in all 254 counties --

MR. CONINE: Okay.

MS. CARRINGTON: -- and so it does have to be available to all of the counties around the state and my -- as we looked at what we thought was perhaps possible, we looked at numbers we thought were perhaps possible to achieve with the legislature based on actually some prior funding of this program in years past.

MR. DALLY: We had a similar request last LAR, same amount, and of course, given the budget shortfall it was not considered.

MS. ANDERSON: But this is to pay someone's electric bill for a month or something. I mean, this is why you get an amount, like $60.

MS. CARRINGTON: To help with the rent or a blanket or -- right.

MR. DALLY: And it may fill a gap until they can get some other social services. You know, there may be a latent period or some queue and so this would provide some assistance.

MS. CARRINGTON: Some food vouchers at the grocery store. Very immediate, very emergency type of needs.

MR. CONINE: It just seems to me that purpose of another state agency and not this one.

MR. SALINAS: This goes to the counties?

MR. DALLY: Yes.

MR. CONINE: You can ask for it and see whether you get it or not but, you know.

MR. SALINAS: Well, we see it there, so -- it really doesn't do very much good. I really -- I mean, I've seen it there in Hidalgo, so and some people take advantage of it and some people don't.

Sometimes it's harder for them to get it than it is for us to give it to them. Sometimes there's too many of them. Few people get and then -- especially at the border.

I would think right now they could do with some.

MR. DALLY: I was reminded by general counsel that this requirement, this legal requirement, came to this agency from DHS several years ago and we had funding in prior years and so we're asking that we get some state funding for our requirement that's been under our statutes several years ago.

MR. CONINE: Go right ahead.

MR. DALLY: Okay. Then moving on to page 28 and 29. This is the second Exceptional Item Request that we have. This is for the System Benefit Fund. This is essentially the same program that we had, you know, biennium before this and it's -- one of its chief advantages here and why we're proposing it is federal regulations, when we're doing -- using DOE funds is it has a per house limit of $2,672. Some of the houses in some of the worst conditions that need improvement and weatherization, that's just not enough to get started.

So what we've done is we add these funds on the top of those federal funds and then we're able to upgrade even more homes.   And a lot of them are in worst condition. Let me see here.

Any questions with regard to that? I want to add we were in communications with Public Utility Commission. They're the administrators of this funds. They collect this funds from the deregulated industries. And they encouraged us to go ahead and make the proposal this session for these funds.

With that, I'll conclude and any questions?

MR. CONINE: Whatever happened to the little pot of money where on all the bond deals they're paying the $5,000 fee and it went over somewhere else. We couldn't get it back.

MR. DALLY: Okay.

MS. CARRINGTON: That is one of the proposed new riders, Mr. Conine, on page 8 of 9. 3(b). It's rider 702.

MR. CONINE: What's the current status of those dollars, just for my own edification?

MR. DALLY: They're in general revenue.

MR. CONINE: Do we have our hands on them?

MS. CARRINGTON: No, sir.

MR. DALLY: No.

MS. CARRINGTON: No.

MR. DALLY: We -- and we -- and even this and let me caution. Even this rider it's kind of a placeholder because it's really the Bond Review Board who has purview over those funds and it was contemplated that they would get a $1,000 for their administration and $4,000 would by MOU come to us those additional studies and stuff related to multifamily.

But that will need -- what happens is the legislation was passed but it didn't make it onto the list on the back of the appropriations book that says contingent -- and if this rider passes, then these funds will be appropriated to Bond Review Board and MOU will come to TDHCA and that did not happen.

And the appropriators, you know, as we go into a new session, take a look at this along with, you know, all the other priorities and give it consideration.

I believe, Ms. Carrington, didn't they sponsor the bill? Aren't they looking after this?

MS. CARRINGTON: They are in contact with our Governmental Affairs Division and have indicated that that is going to be a priority for them in the -- early in the session.

MR. CONINE: So we're counting on it as income or as revenue for the Department?

MR. DALLY: No.

MR. CONINE: We're not?

MR. DALLY: No, we did that last time. We put it in there and then it did not and then we did have the appropriation authority.

MR. CONINE: Okay.

MR. DALLY: So, no. It's not in there but it can be added as a contingent -- like I say, a contingent rider.

MR. CONINE: Later on?

MR. DALLY: Yes. And the other thing is this document, like I say, I've said this before, but this probably the high-water mark here. You know, we've put in our request and our proposal will now go through the process of going to the various committees and probably we'll have some successes and probably in some places a little down.

MS. ANDERSON: I've just a couple of questions. And I'm, unfortunately, you know, am looking at this thing. I'm on page 14 of the bound document and there are -- which is just a base request by strategy and, you know, I mean I just look at change year over year on things and there a couple of things that jump out at me.

One is the activity for monitoring contract requirements. The LAR doesn't have a big increase in it but there's a big increase in the proposed between this year and next year.

Can you explain what that -- it goes from $1.2 million to $1.8 million -- what that incremental expense is? Then it's sustained out in '06 and '07.

MR. DALLY: Some of that is a reflection of some of the reorganization that we had. Some of the HOME staff that is doing the administrative draws and stuff that were previous -- in previous budget years were part of the HOME program are now reflected in that particular strategy.

MS. ANDERSON: Okay. And then, similarly, in central administration there's a budget jump between this year and next between 3.8 to 4.3.

MR. DALLY: That -- I looked at that too and I probably need to get back with you with some more details --

MS. ANDERSON: Okay

MR. DALLY: -- but here's off the top of my head. The 2004 figures are our projections of where we think 2004 is going to end. We're actually going to have some expenditures in period 13 and some accruals that probably the 3.8 may go up some. And then as you look at budget 2005 -- and in 2004, remember that we had 279 roughly was our standing average of FTEs within that budget figure, which is in 2005, '06, and '07. We'll have -- we've got it fully budgeted at 298 FTEs and so --

MS. ANDERSON: But they're not all in central administration.

MR. DALLY: No.

MS. ANDERSON: Why don't you go -- would you just go off at your convenience and help me understand that a little better?

MR. DALLY: I will.

MS. ANDERSON: And I want to commend the staff on the rider 10, where had proposed the added language around refinancing a contract per deeds so that it gives us another way to put money in the Colonias, in a financial vehicle that may be more appropriate than just pure contract per deed. So I commend the staff for that.

MR. SALINAS: And we'll put more money into what?

MS. ANDERSON: Well, we've had some trouble in some areas where there aren't any contracts for deed to convert, if I understand correctly, and so asking the legislature for permission to use the same bucket of money to do refinancing of loans in the Colonias, so that we can get expense.

MR. SALINAS: That would be better than giving them conversion money for deed.

MS. ANDERSON: Right.

MR. SALINAS: Isn't there a law that they shouldn't do any more contract for deeds?

MR. CONINE: Don't know of one going around.

MR. GORDON: In the border area, House Bill 1001.

MR. SALINAS: That they should not do anymore contracts for deed?

MR. GORDON: On the border areas.

MR. SALINAS: I understand, wherever she has her lot, she's got 30 days to record it with a --

MR. CONINE: Was it the last session? Is that what you're saying?

MR. GORDON: Now --

MR. CONINE: It's always been there.

MR. GORDON: -- there's in -- for example, in El Paso you can't do contract for deed. You have to do a deed of trust.

MR. SALINAS: Deed of trust and you've got 30 days to do it.

MR. CONINE: So, it's already passed.

MR. GORDON: Yes. It's been involved for quite a while.

MR. CONINE: Good.

MR. GORDON: It's just in the border areas only.

MS. ANDERSON: What's the Board's pleasure?

MR. CONINE: Move for approval of the legislative appropriations request.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Oppose, no.

(No objection.)

MS. ANDERSON: Motion carries.

MR. DALLY: Thank you.

MS. ANDERSON: Thank you.

MR. CONINE: Good job.

MS. ANDERSON: Item 4, Ms. Carrington.

MS. CARRINGTON: Thank you, Madame Chair. And with your and the Board's permission, I would suggest we take item 4(b) before we take item 4(a). The regional allocation -- the affordable housing needs score which is item 4(a) is really a component of the regional allocation formula. So I think it makes --

MS. ANDERSON: I agree. And we shall. There's no objection? Okay.

MS. CARRINGTON: Okay. Thank you. This will be 4(b) then. This is the regional allocation formula and what we are requesting the Board to do today is to approve our proposed methodology for how we calculate the amount of dollars that go into the 13 state service regions around the state, which is legislated for the Department through 2306.

And we do revise and annually submit this formula for public comment. And it's updated to include updated demographic information, CHAS data from HUD, and any other information, in other available resources that we feel is appropriate for calculating our regional allocation methodology.

We've provided for you a copy of a map of the state, so you can see where these 13 state regions are and down at the bottom of the page on 1 of 6 you all will remember from each year, the four components that we use to help determine or determine this regional allocation formula and first one is poverty. Number of persons living in the region who live in poverty.

Cost of burden, i.e., paying more than 30 percent of their income for rent. Overcrowded units and units with incomplete kitchen or plumbing.

When you go to the next page of this document, you will see the percentages that we're using on each of these and that is poverty is 50 percent, cost of burden is 36 percent, overcrowding is 12 percent and substandard housing is 2 percent.

And with that, I would like to ask Steve Schottman, who is in the Center for Housing Research Planning and Development, to come and answer any questions that the Board might have about our methodology for our regional allocation formula.

And as Steve is coming up, I'll point you to pages 4 of 6 and 5 of 6. You can see for our various funding programs, and we are required to use this regional allocation formula for allocation of housing tax credits for the HOME program and also for the Housing Trust Fund. So we use this formula for those three programs and on pages 4 and 5 we have shown you, based on this proposed 2005 methodology, what those amounts would be per region using this formula.

Mr. Schottman?

MR. SCHOTTMAN: For the record, I'm Steve Schottman and I do work for the Housing Center. I can either answer any questions directly on page 5 of the 6, in your document, it goes through each of the changes -- whichever's your preference.

MR. CONINE: How did you -- Steve, how did you come up with the gross dollars in each of these categories? Projected growth in the tax credits, for instance, and the HOME funds. Tell us how you did that.

MR. SCHOTTMAN: That's correct. Basically, it's based on -- in the state low income housing plan which is what this regional allocation formula is officially -- that's the document it appears in officially. Those are the max amounts that are projected for 2005 to be available and to be distributed to the regional allocation formula.

MR. SALINAS: You're on page 6? Five of the 6?

MR. SCHOTTMAN: On page 4 and 5 is where the charts that show how the money's being distributed.

MR. CONINE: The 40 million and the 26 million.

MS. CARRINGTON: I'll also remind the Board, which I didn't, that we not only allocate, of course, divide it into 13 regions, but with each of those regions, there is this rural funding that you'll see on this chart. And the other pot of money is the urban/exurban part of the money.

So each region does have two separations in allocations of funds.

MR. CONINE: Move approval for the proposed methodology of the 2005 Regional Allocation Formula.

MR. GONZALEZ: Second.

MS. ANDERSON: We have a motion on the floor. I have three people that want to make public comment on item 4 on the agenda but I'm assuming, and I know all of you, I'm assuming it's on 4(d), which is the consolidated plan and not this item. Okay.

I have a question, Steve. On page 6 of 6, there's a reference to the proposed RAF includes a maximum resource funding adjustment limit. Is this something new?

MR. SCHOTTMAN: That is, indeed, something new. Basically, there's three components to the formula. There's the affordable housing need, which is all based on census data. So we kind of look at how the need is distributed across each of the regions based on looking at census data.

The second part of the formula meets the legislative requirement that we look at what available housing resources are currently in those regions to meet that need. So in that case, we look at how was the money distributed last year for a wide variety of programs for things like HUD, USDA, multifamily bond, single-family bond.

Basically we see how was that money distributed and then we compare the two and say, okay, if this is an accurate way of looking at need, and this is how the money was distributed, how does that match up.

We've noticed over time that very few items -- well, not a very few -- most of the significant variances are caused by a few programs. For the most part, it's the multifamily bond program that's causing these big changes.

So if you look at characteristics of that particular funding source, it has some items that maybe you don't want to go ahead and make an over -- an unlimited adjustment to either the amount of funding a region with yet, or the amount of funding that an urban or exurban area within a region would get based purely pretty much on how the bond lottery turns out.

The bond money goes, most of the time, to the large metro areas, so if you start taking big chunks of a region's money because a certain metro area, like Dallas or Houston, got a bunch of bond money, then you're penalizing all the other urban -- all the exurban and urban areas in that region where they really aren't eligible to receive that kind of resource.

And from another practicable point of view, that -- you know, we're talking about distribution of available resources, that's $1.5 billion that we're trying to take $38 million or $26 million of our funding to try to adjust for.

So we're making it difficult to basically fund programs -- fund developments and applications for funds that would meet all the other criteria just great, but because of this sort of strange distribution of all these all other funds, we're making our award not reflect the need distribution in the state, if that makes any sense.

MS. ANDERSON: Okay. Thank you.

I would -- while we have this motion on the floor, I would really be interested in -- during the public comment period, in individual's viewpoints on this funding adjustment limit, because while I can understand and appreciate staff's interest in wanting to, you know, have money go where you think it should go, it is a concern for me that we've got some adjustment that we're making.

And what I would like to see is the exact calculation, because I think that ought to go up on the website because this is sort of a black hole because I can't tell how you're going to adjust, what you're going to adjust and the value judgments inherent in that and so forth.

And so I really challenge the development and all the applicant community to take a serious look at this and give at least this board member some input on that because it does -- it introduces what could be called discretion and we just want to have -- always try to have a very fair, transparent, open process that everybody understands.

So I ask you all to think about this as you all plan to participate in the public comment period.

MR. SCHOTTMAN: As a note, I would like to mention that we -- this year's RAF -- because as you said in the past, it's the development community and the board members, and basically lots of folks have had trouble understanding how the formula works. So we are --

MS. ANDERSON: Already --

MR. SCHOTTMAN: -- publishing --

MS. ANDERSON: -- before we --

MR. SCHOTTMAN: Exactly.

MS. ANDERSON: -- adjust it.

MR. SCHOTTMAN: We're going to publish a very detailed 13-page Excel spreadsheet that shows every single step along the way.

MS. ANDERSON: All right. And that'll go up on the website during the public comment --

MR. SCHOTTMAN: Right.

MS. ANDERSON: -- in time for the public comment period.

MR. SCHOTTMAN: Exactly.

MS. ANDERSON: Great. Thank you, Steve.

I have one other question, and that is two or three more paragraphs down -- well, it's actually the next to the bottom paragraph where we talk about the 2005 draft uses the 2004 state fiscal year distribution to date. All right. And so that's going to mean like up through August or something.

So then my question is, does the 2006 RAF that we will do a year from now, will it include the August '04 through 12/04 numbers, and does this one include the August '03 to 12/03 numbers, or we just count the numbers for the first nine months of every year? Do you follow my question?

MR. SCHOTTMAN: The regional allocation formula, the final version, always includes data that goes -- it follows the state fiscal year, the entire state fiscal year.

MS. ANDERSON: Okay.

MR. SCHOTTMAN: The problem right now is that most agencies that we try to get information for just don't have it right now. So basically we use whatever we used last year, because the Section 8 distribution and multifamily -- USDA shouldn't change much, but we did notice that this multifamily bond portion changes substantially year to year because of this whole lottery distribution system.

So we're using -- for the lottery-based numbers, we're going to use as good a snapshot at what happened during this current year in releasing the draft.

MS. ANDERSON: By current year, you're definition of that started last September 1.

MR. SCHOTTMAN: September 1 through -- right.

MS. ANDERSON: Okay. Good. Thank you.

Nobody else has any questions?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no

(No response.)

MS. ANDERSON: Motion carries.

MR. SCHOTTMAN: Okay.

MS. CARRINGTON: Mr. Schottman, don't go far.

MR. SCHOTTMAN: That's right.

MS. ANDERSON: Now we will go back to item 4(a), which is the affordable housing needs score. Again, this formula is submitted annual for public comment. We use the same data for developing the affordable housing needs score, AHN we call it, as we do for the regional allocation formula.

While the regional allocation formula is legislated by statute, the affordable housing needs score is not a legislative item, it is something that staff developed several years ago because we felt like we needed more defining criteria to help us determine communities within the 13 state service regions that had greater needs than other areas of that service region.

So our formula factors are the same, the percentages on the factors are the same. Again, we also developed these affordable housing needs score for rural areas and for urban/exurban areas. And as I looked in my board material, one of the significant items to me was that we have reduced the points on the affordable housing needs score. This year in the 2004 QAP, it was 20 points and now we are proposing that that be reduced to 6 points.

There are also two portions of the affordable housing needs score that were eliminated. One of them was the 2003 community needs survey points and bonuses provided to places where TDHCA HOME trust fund and ACH awards had not been made during the preceding two program allocation cycles.

And our reason for eliminating those was the reason articulated earlier that as we worked on our qualified allocation plan, we only wanted to provide points to those items that were specifically legislated either in 2306 or in Section 42 of the Code.

You have several charts in your book behind this item, and these charts are provided to you at the place level, which is a census definition that, try as they might -- Mr. Schottman has been over it many times with me to understand exactly what a place is. And then you also have this information by county. So it's sorted first by region and then by county.

And what this does, if you look at the first chart that's by place level, you'll see the small communities around the state and it will tell whether it was rural, urban/exurban and it will also give you the affordable housing needs score.

And if you look at your other data for the HOME program, you would see that these are different scores. The affordable housing needs score is different if you look at the counties or if you look at the places. and that's because -- we back out when we're looking at county data, we do back out the information, the dollars that go into participating jurisdiction.

So we looked at this and recognized that the affordable housing needs scores are different. That's the reason why they are different.

So developers use this, consultants use this information. Of course, we put this on our website, as they're determining where they're going to do a transaction to find our what areas of the state had the greatest affordable housing needs score, because, of course, that helps them be competitive because of the points associated with that.

With that, Mr. Schottman?

MR. CONINE: Where did the population figures come from?

MR. SCHOTTMAN: The population figures are all based on the U.S. Census and in particular, it's a subset of the Census called CHAS data, comprehensive housing --

MS. ANDERSON: Affordability.

MR. SCHOTTMAN: -- I'm sorry -- affordability --

MS. ANDERSON: Survey, I think.

MR. SCHOTTMAN: I always get it wrong.

MS. ANDERSON: Survey or strategy.

MR. SCHOTTMAN: Strategy. And basically HUD releases that data. It's the income level specifics so you can start telling that's person's 80 percent or below with housing issues as opposed to the sort of general census data that includes all income levels. And basically they release that data to help organizations like TDHCA put together their consolidated plans.

So that's where the need data comes from, is from the census data.

MR. CONINE: So the 2000 Census data.

MR. SCHOTTMAN: Right.

MR. CONINE: And what happens as we get closer to the end of the decade when you have huge population shifts in some of the exurban cities? How do we modify that as we go forward? I'm just looking at my hometown as a for instance. It's showing 33,000 people there, and I know the last number I heard was 65,000.

MR. SCHOTTMAN: Right.

MR. CONINE: So how do you move the ball forward from the 2000 Census?

MR. SCHOTTMAN: Currently we haven't been making any adjustments based on estimates or forecasts. I know we've put together a big affordable housing needs report and that we've gotten together with the comptrollers office to do some forecasting for us. Perhaps in the future we can look at doing something like that, but currently we aren't planning on using --

MR. CONINE: There's really no good reliable way to do it based on everything you know about it?

MR. SCHOTTMAN: In that short of time it's maybe something like the annual population change in a place as published by the State Data Center. I mean, you could do something like that, but I'm thinking it's probably going to follow the population growth in general. So I'm not sure it's going to change place to place very much.

MR. SALINAS: Too close in data.

MS. ANDERSON: Any questions?

MR. CONINE: Move approval of the proposed methodology for the 2005 affordable housing needs score.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. SCHOTTMAN: Thank you.

MS. ANDERSON: Thank you, Steve.

The next item for the board's consideration is item 4(c), and this is the 2005 State of Texas low income housing plan and annual report. And this is the draft of the plan, but this will also be going out for public comment on our consolidated hearings.

This document, along with the consolidated plan, which is the next item, will come back to the board in November for finalization. And both of these documents are due to the governor's office and the legislature and the public no later than December 18 of this year.

The SLIHP, as we call it, state low income housing plan, is actually one of three planning documents that this department prepares. We prepare this one, the strategic plan, and then also the consolidated plan. And the SLIHP serves the following capacities for the department: it provides an overview of our housing and housing-related priorities and policies, it outlines our statewide housing needs, it provides TDHCA program funding levels and performance measures, and it also reports on the department's activities for the preceding fiscal year, in this case, September 1, '03 to August '04.

As has previously been mentioned, this plan -- this document at this time does not have the final 2004 performance data, but the final document that the board looks at in November will have the final version.

There are several appendices to the state low income housing plan. Appendix A is the legislation related to the agency; Appendix B describes TDHCA's programs; Appendix C describes TSAHC's programs. And there is some program description in there at this point for TSAHC.

They do plan to participate with us in the consolidated hearings that we'll be going out on, and then their final documentation will also be included in our report that the board looks at in November.

And questions on this would either be addressed to Ms. Anderson or Ms. Hull.

Ms. Hull, you want to come on up in case?

MS. HULL: Brenda Hull, Center for Housing Research, Planning and Communication.

The changes in the SLIHP from 2000 to 2004 SLIHP through the 2005 SLIHP are outlined in the board write-up. We've gone over the data changes based on the 2000 Census data, the regional allocation formula we just discussed, the affordable housing needs score, and then there have been some changes to the HOME program.

Any specific program questions about the HOME program, I will defer to the single-family planning divisions.

MR. CONINE: Can you tell me the process by which TSAHC has been involved in putting this thing together?

MS. HULL: Certainly. We've been in

communication with TSAHC. We've shared with them the plans for the public hearings, the public hearing schedule and the timelines. The draft state low income housing plan annual report contains some updated TSAHC information on program descriptions, but it does not contain as of yet the TSAHC annual action plan.

That will be incorporated into the final document for the December 18 due date, and we also anticipate it will be incorporated into the document for the September 24 through October 25 public comment period.

MR. CONINE: And they're doing it in conjunction with us in order to keep from doing their own, or what's the rationale there? Just refresh my memory.

MS. CARRINGTON: It's legislated.

MR. CONINE: It is legislated.

MS. CARRINGTON: Yes, sir. Yes, sir. The Texas State Affordable Housing Corporation is a subchapter within TDHCA's legislation, and as a result of Senate Bill 264, there were several requirements in there where TSAHC is required to participate, cooperate and work with TDHCA, and this is one of those elements.

MR. CONINE: What we've been through, we've had staff meetings between the two groups and --

MS. HULL: Yes. Communication.

MR. CONINE: Okay. Thank you.

Move for adoption of the low income housing plan for 2005.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

The last planning document for the board's consideration today is the 2005 to 2009 State of Texas consolidated plan. And this is, again, a draft for public comment that will go on the same public comment schedule that we have previously discussed.

This is a document that is required by the Department of Housing and Urban Development, and it is due to HUD on December 18 of this year. And it covers the funding for four programs, and those are: the community development block grant program, which, of course, is administered by ORCA but is still incorporated in this document; housing for people with AIDS, which is a program that is now administered by the new name, the Department of State Health Services.

And then the other two programs are TDHCA-administered programs, and that is the HOME program and the Emergency Shelter Grants program.

So this document does include -- it describes the federal resources for all four of those programs and what we do is coordinate with the other agencies to receive this information and then we are the entity that's responsible for actually producing this document.

On your summary page and on the page after, we outlined for you the overview of the activities that are in the 2005 to 2009 consolidated plan. And then on the second page, we have outlined for you some of the changes in that plan.

For some of you that have good memories, you may remember that the last consolidated plan we had was a three-year plan. You can prepare a plan that goes up to five years, and so we have determined that that would be the best use of our resources around here, is to develop this plan on a five-year basis.

And then on an annual basis, what the board will see is the one-year action plan. So it's basically still using this document as the format and then next year what you will see is the one-year action plan from the department that, again, will include these four funding sources with two of them being the responsibility of TDHCA.

And as you begin to consider this item, I know that there is one correction that needs to be made in the document for the board's information.

So, Ms. Hull, would you go ahead and make that correction, please?

MS. HULL: Certainly. Staff would like to request changes in language to the recapture provision in the HOME action plan. These changes reflect required language that was inadvertently omitted from the online version. And at the same time, staff would like to request the authority to make technical corrections as we go through the public hearing process until the final document is turned in.

I will go ahead and read the language, the requested changes. This is from page 266 of the consolidated plan. It's under the action plans, the HOME section. The title is, Recapture Provisions Under the Homebuyer Assistance Program.

If the participating jurisdiction intends to use HOME funds for homebuyers, the guidelines for resale or recapture must be described as required in 24 C.F.R. Section 92.254(a)(5).

And beginning here are the -- is the changed language, the new language.

The department has elected to utilize the recapture provision under 24 C.F.R. Section 92.254(a)(5)(2) as its method of recapturing HOME funds under any Homebuyer program the state administers.

A. The following method of recapture would be acceptable to the department, and would be identified in the down payment assistance note prior to closing.

1. Recapture the amount of the HOME investment reduced or prorated based on the time the homeowner has owned and occupied the unit measured against the required affordability period. The recaptured amount is subject to available net proceeds.

2. If the net proceeds, i.e., the sales price minus closing costs, any other necessary transaction costs and loan repayment, other than HOME funds and closing costs, are in excess of the amount of the HOME investment that is subject to recapture the net proceeds may be divided proportionately between TDHCA and the homeowner as set forth in the following methodical

formulas.

The formulas will remain the same. Section -- number 3 will be deleted, and then after that there are no changes.

MS. ANDERSON: Section 3 is being deleted?

MS. HULL: Yes.

MS. ANDERSON: Did I hear that right?

MS. HULL: I'd like to point out that these language changes come as a result of working closely with the HUD headquarters in Washington, D.C. We would like to add these language changes and then after the -- or during the public comment period, be in communication with HUD and the people that we worked with before and ensure that this is exactly how the wording is -- should be as required.

MS. ANDERSON: Okay. Are we ready for public comment?

Okay. Thank you.

Jean Langendorf and then John Meinkowsky and Jonas Schwartz.

MS. LANGENDORF: Good afternoon. I'm Jean Langendorf, I'm executive director of United Cerebral Palsy of Texas and we are the lead agency for the Home of Your Own Coalition.

My comments today are related to the proposed plan. In the last 48 hours, since learning that the staff had a consensus recommendation to discontinue the TDHCA participation in the HOYO Coalition, we're concerned and we hope that's not the intent of the board.

I distributed some information. I apologize for those of you that are not familiar with the program. I guess I have to note that some of you may not have heard -- or the last contract that was approved back in May, there may not have been enough explanation about the partnership that has been put in place since 1996 when the department became a partner with HUD, Fannie Mae, Bank One, the DD Council, the Corporation for National Community Service, and many other lenders and realtors around the State of Texas.

The program works. I think we can prove that. I think some of you probably have heard that out in the local communities where it is as active. It has been a successful partnership. In fact, last year TDHCA joined other partners in celebrating our 150th homeowner on the anniversary of the Americans with Disabilities Act at the State Capitol.

We now have over 220 homeowners, about half assisted with TDHCA funding for homes in Smithville, Hockley, DeSoto, Keller, Granbury, Lockhart to name a few.

Since the '95 5 percent legislative direction with the HOME program came into being where they wanted only -- the intent was that 5 percent of the HOME funds go into participating jurisdiction areas, we have honored that and promoted our program with a priority for areas outside of the general urban areas.

We do have a partnership in the City of El Paso to do some home modifications when they utilize their down payment assistance fund because they don't have home modifications available for people with disabilities.

Just a little history of the TDHCA partnership. Again, it was a letter we received back -- it was May of 1996, to become a part of the Coalition. HOME funds have been used since that time for down payment and barrier removal to assist people who are coming through our program.

The program has changed. Originally it was we got a contract and then about four years ago it was decided that as the HOME program became, I have to say, more formalized -- I've been working with the HOME program for eight years, and I probably could tell you a lot more history about than you really would want to know. But in being a contractor with this program, the idea was -- what we were told, we will formalize it -- this partnership, by putting it in the con plan. So four years ago it became a part of the con plan.

We -- this allows us to keep people in the pipeline. Many of the consumers we work with work on home ownership for two years at least. It is a long process. It is something we do a lot of education about, what home ownership means, and all the barriers, and help them with that decision.

If we're not able to have a partnership with TDHCA's funding, it will severely impact the program. I do have to tell you that we would not be able to do the kind of letter commitments that we're able to do with this ongoing relationship and partnership.

The issues that have been raised to me in the last 48 hours since I heard about it being removed as a partnership, the question of the funds need to go into rural areas. I can show you, and you can look online, unless you all have access to our contracts, but it's very clear that we're serving outside of the urban areas, and the urban areas we do partner with, we do have programs -- that in the City of Houston, they have committed down payment assistance money. And the City of Fort Worth, they have committed down payment assistance money.

So we are serving people through a variety of supports. And we're trying to allow people to have the choice to live where they want to and where they can get the services they need. You all have helped us build capacity over the years. We do feel like with our partnerships in all the local areas around Texas that we can serve more people.

We do need the commitment to continue for the partnership. This program just recently has received commitment at the national level from Fannie Mae for $235,000. For our national organization, UCP National, to help promote it using the Texas model. So I really would hate for now to have to say, well, we don't have that kind of commitment. This is not how, in the State of Illinois, if you want to do this, you can, you know, work with your housing finance agency to have a partnership.

So is has been successful. We do want to continue it.

We are listed in your strategic plan on page 80, and 139, strategic plan FY 2005-2009. We are referenced three times in your analysis of impediment for fair housing choices. This has been a partnership. We do think together, by serving people with disabilities and allowing them to have the opportunity for home ownership, it is positive not only for the disability community, but it's positive for the state agency as a whole.

We hope you will continue that partnership. I'm here to answer any questions, and there you have it.

MS. ANDERSON: Thank you.

MS. LANGENDORF: Thank you.

MS. ANDERSON: John Meinkowsky.

MR. MEINKOWSKY: Am I close enough to the mike? All right.

I'm John Meinkowsky representing the Texas Association of Centers for Independent Living.

I apologize for not being in the room when you called me on item 2. I thought you had moved past it at the point I left. I wasn't -- I was paying attention, but apparently not well enough.

We will discuss the issues around the qualified allocation plan with you during the public hearings, I'm sure.

Comments, or more specifically, about the consolidated plan and two pieces of it. One being the HOME set-aside of TBRA for the Olmstead population. The Olmstead population being people with disabilities who are leaving an institution and relocating in the community.

I guess a little background wouldn't help.

About 2,000 people this year, which is a lot, may actually leave nursing homes. And that's just one type of institution, but that is the bulk of the institutionalized population in the state.

That may be as many as 2,000 people this year. Possibly 200 of those people will receive assistance through a Center for Independent Living, or one of the other organizations that are working under a contract with the Texas Department of Human Services. I guess they're no longer DHS. As of this month they're a consolidated agency, DADS.

Of those people, some number will need a housing subsidy. And over the last few years, those things have been getting -- gotten harder to find. You're aware that HUD is providing much less voucher -- Section 8 vouchers, practically no new ones.

Until recently they were dealing with several large communities that were under orders to basically take housing assistance back from people that had previously relied on it. So we're not seeing new vouchers, we're not seeing other avenues providing rent assistance.

We were thrilled that this set-aside of TBRA for this population was created. We thought it was a great idea. And I think, at this point, we can say that the people that are in it, who need to operate this, to put in the applications and manage these funds, are coming around.

The Center for Independent Living here in Austin, who I work for, we just submitted an application and we did the training a few weeks ago, so we're ready to roll. And other organizations are coming in and putting in requests for that money.

I can't be real confident because I can't speak for other people, my understanding of it is that we expect something close to $2 million worth of requests total to be submitted by the end of the year.

Please don't end this because you think there's not an interest or there's not a need. The people that we're helping to get out of institutions now don't have other opportunities to get housing subsidies. They don't have families they can live with, they don't have the option of working for a living, you know.

And that is a good valid point when you talk about rent assistance programs, that you have to be poor to qualify and so you have to stay poor. And people -- some people, they do. They avoid work, work income, to qualify for benefits.

That's not the population we're talking about in this set-aside. Many of these people are very old, all have severe and multiple disabilities. I've met with and worked personally with a number of people who are coming out of nursing homes.

I have met no one that doesn't meet that criteria. Severe disabilities and several disabilities, cognitive problems, physical problems, memory problems, a lot of problems. They need regular daily help with personal care, supervision of medical conditions, but they can, and do, live in the community.

And a portion of these people need rent assistance. And the TBRA set-aside that you created -- that this agency has created is the only option we have now. I would love to have a set-aside of Section 8 vouchers that would be specifically targeted to the this population.

The Project Access vouchers that HUD gave the state was a great idea. That can, and does, work pretty well. Now they're gone. We've been told not to put any more applications in.

So I really hope that we can keep this project alive, that we can keep an amount of money, maybe $2 million a year is more than we need. I don't know yet. We haven't seen the applications come through that will, but this is a really critical urgent need for a population that doesn't have any other options.

Another point, again, I would echo Ms. Langendorf, we work with Centers for Independent Living and disability organizations around the country doing technical assistance, doing different kinds of -- you know, other issues.

People all over this country will ask you about our HOYO program. And they're so impressed about the foresight to create that and how well it works. And that people with disabilities at that lower income level can actually own homes. It is a wonderful national model. I hope that you can see your way to keep your support for that program also.

MS. ANDERSON: Thank you, sir.

MR. MEINKOWSKY: Any questions at all?

MS. ANDERSON: Thank you.

MR. MEINKOWSKY: Thanks for your time.

MS. ANDERSON: Jonas?

MR. SCHWARTZ: Do you not want me to use the microphone?

MS. ANDERSON: Yes. We need it -- Mr. Schwartz, we need it for our court reporter.

MR. SCHWARTZ: Good afternoon. My name is

Jonas Schwartz, and I'm here today representing Advocacy Incorporated, and I'm also the current convener, or chairperson of TDHCA's disability advisory committee. And I'd like to provide some comments on the proposed consolidated plan.

And I'd like to, I guess, break my comments up into two sections. The first section being some specifics about the plan itself. The second part of my comments will have to do somewhat with the process that the version of this plan has gone through.

My comments are these. I ask you to continue to support the Home of Your Own Coalition. Both Jean and John have talked about that program and what it does. The one thing that I'd like to add to that is to say that many of those 220 homeowners that are now homeowners are -- fall in the very low income population of individuals with disabilities who are 30 percent and below.

So that is a great success to have that many homeowners at those low incomes who have been successful in their home ownership ventures. The program has been around since 1996, and to date there are no foreclosures on any of the homes that have been purchased through that program.

I want to echo some of John's comments about the Tenant-Based Rental Assistance set-aside, the $4 million for the Olmstead population. In your consolidated plan, you do make reference to the Olmstead decision and the need for housing for individuals who are coming out of institutions.

And I was disappointed to see that the TBRA commitment to Olmstead is not present in the proposed plan. I understand that you all have concerns about the $4 million and the fact that very little of it has moved to date.

And I'd like to just say that Tenant-Based Rental Assistance is a very difficult program for the organizations who work with people with disabilities to be able to administer, because of the -- because of many factors. And over the last two years, we have really had to work to build capacity out in the communities so that organizations are able to administer these funds and have the necessary resources.

Many of those resources that people have needed to build the infrastructure to be able to apply for those -- these funds, have had to come from other places. Okay.

Many of these resources were not in place until February of this year, and so it's taken us a long time to build the infrastructure in the communities so that disability organizations who want to assist people with disabilities who need housing to be able to administer TBRA appropriately.

And to be able to come up with the funds necessary to administer this program, since you have to expend the funds and wait for reimbursement, when you are a small nonprofit, that's really hard to do.

So I hope that in the final version of this plan, TDHCA will continue its commitment to TBRA, perhaps not at the $4 million level, but at some substantial level.

The other recommendation that I would make is that to have additional housing choice vouchers set aside for people with disabilities who are affected by the Olmstead decision, that we looked at -- look at that idea because the housing choice vouchers are -- that program is set up to more fit the needs of the individuals that we're talking about.

So, in closing, I implore you to determine what your commitment is going to be over the next year for folks coming out of institutions.

Now, about the process that plan has gone through thus far. When I sat down and read the plan, I was very surprised to see that the Home of Your Own Coalition was not referenced in there as a commitment. It's referenced in there as a need, but it's not referenced as a commitment by the department, number one.

Number two, I understand from a business point of view why TBRA is not slated to continue, because the money has not been used. But I was surprised to see that there was no alternative plan in place to continue to participate in providing housing for people coming out of institutions.

Here's what I'll say about the process. You all do have a disability advisory committee. I was really surprised that no one called me or any of the other members to say, you know, Jonas, what we have in here we're thinking about making some changes to, we want to make you aware of it and would like to get some input maybe before the draft plan is put together.

Secondly, when I went to look for this plan to get it from your website, it was extremely difficult to find. And so my recommendation would be, why not have a link on your home page that says, take me to the 2005 proposed consolidated plan. You had to go through four or five pages before you were able to find this plan.

This plan is very significant because it lays out much of the work that the department does and how the department allocates its funds. So please make it easier for people to find on your website. I appreciate that it's on the website, and it's accessible in that manner, but please make it easier.

This concludes my comments. Thank you.

MS. ANDERSON: Thank you.

MS. CARRINGTON: As the board is beginning to consider this item, specifically I would call your attention to page 256 of the consolidated plan of the HOME action plan. And the references that are being made is to the allocation of 2005 HOME funds.

And what we have is a list of activities through set-asides that currently are federally required through the HOME program, or we have determined through legislation that they are required. We start out with 47 million.

It's the discussion we've had as we looked at our HOME program over the last several months, and the number of set-asides that we have, and is that the appropriate way to be approaching and administering our program, or do we need to be looking at other alternatives.

So with that said, the list is those that we are proposing, and I think the two things that you've heard is the elimination of the Olmstead Tenant-Based Rental Assistance and that is -- as Mr. Schwartz has indicated, that has been a program that has not been very actively sought after. TBRA, of course, is Tenant-Based Rental Assistance.

And then the other references you heard, we have had in the past a $500,000 set-aside on an annual basis that has gone to the Home of Your Own Coalition. And what we have done is propose the elimination of that as a set-aside, and in your board write-up, on page 2, what we were recommending is that the disability set-aside be subject to the regional allocation formula and that it would be a competitive process.

So with that said, those are the, I think, the two overarching items, and I would like to say, from a staff and a department standpoint, that we have had over the last several years, I think, very good dialogue and discussion with the disabilities community. That has been one advisory group that has met on a very regular basis.

And, I mean, I'd like to apologize from a staff standpoint, that the disability community found out about this when the consolidated plan was put up as opposed to someone from the staff calling them and talking to them about that. So I would like to issue that apology from the staff of this department.

MR. SALINAS: So you're not doing a set-aside for disability for the HOME program?

MS. CARRINGTON: What we were proposing, Mayor, was that instead of it being a set-aside, that it's an eligible activity, they would be eligible applicants, that the entities could apply to serve persons with disabilities, but would not be a set-aside as it had been in the past.

MR. SALINAS: Why would that be? Why would we not treat it as a set-aside and give them some kind of -- I mean, the HOME program has been, as I hear, has not had any -- I mean, any problems as far as giving any of those HOME loans back, or 100 percent --

MS. ANDERSON: Mr. Mayor, if I may, you know, the testimony we heard this morning was about two things, and I just want to make sure everybody's really clear on this. We are not removing money that's available to the disability community today. We are not saying that UCP can't continue to apply and continue to operate the HOYO program.

I believe what staff is trying to say is that, in the case of HOYO, they had a dedicated set-aside, noncompetitive for three years. It has been wonderful. I don't -- I mean, I certainly want it to continue --

MR. SALINAS: Why not --

MS. ANDERSON: -- but I think there are a lot of other groups in the state that just want, you know, to have competition for the use of those funds, and that we owe it to the other people in the state, you know, not to have a -- you know, we've have a three-year commitment, dedicated commitment, and so, you know, you let everybody apply.

MR. SALINAS: But has it been a successful three-year commitment?

MS. ANDERSON: Absolutely. But I think that, from a governor's perspective, you know, I just -- I happen to think competition's a good thing, and that we shouldn't, on a sustained basis, single out one organization and take, you know -- and continue to do it on a sustained basis. That's the way I -- I mean, that's just the way I feel about it.

MR. SALINAS: When you do your HOME programs and you recap, how much money have you recapped back at the end of the program? How many of those people pay it back? In a regular basis, in -- when you recap -- I just don't think that it's a very successful recapping of that payment at the end of the 30 years, the HOME program -- in my -- they do -- when you do a HOME program or a down payment assistance --

MS. ANDERSON: Right. The testimony on HOYO was that they've got zero defaults.

MR. SALINAS: Well, I understand that. They have zero defaults. That's the testimony that I heard. I happen to know that the HOME program that we operate has a lot of recaps of that money that they're supposed to pay back at the end of the term doesn't really come back at all, because they don't really pay it back. It's just that an incentive you all have for those people to apply.

They get the down payment assistance and sometimes the recap or the loss of those people paying -- or repossessing those homes, what is the percentage?

What I'm saying is, why break something that has been doing fine and put them together with something that has not really worked well in some areas? Of the little bit that I know. Because you said something about recapping some of that money back, how much money have you really recapped back?

I'd just hate to put something that has been working out real well together with something else that -- on a competitive basis. Do I make any sense at all? Or do I -- can somebody tell me --

MS. ANDERSON: Jim, do you want to come up please and talk about what the recapture -- or who had the recapture language?

MS. HULL: I read it.

MS. ANDERSON: Would you come up and explain to -- explain for all of us --

MS. CARRINGTON: Or, Mr. Pike, would you be the more appropriate person?

MS. ANDERSON: Because I think we're talking about two very different things here, Mayor.

MR. SALINAS: Well --

MS. CARRINGTON: Eric Pike is our single-family director, so more appropriate staff to answer that question.

MR. PIKE: Good morning. Eric Pike, director of single family.

On the homebuyer assistance loans, there is a recapture provision. Those are currently 10-year deferred, forgivable loans. So if someone were to receive the down payment and closing cost assistance through that activity, and they lived in the home for 10 years, then they would not be paying TDHCA any funds back.

If they choose to sell that home, then there is a recapture provision in place and they would be required to pay a pro rata share depending upon the number of years that they had lived in that home.

I don't have the --

MR. SALINAS: What is --

MR. PIKE: -- exact figures that the agency -- the amount of money the agency receives, but any money that we do receive through the recapture provision is then reawarded to other projects.

MR. SALINAS: You don't have a percentage?

MR. PIKE: No, I do not.

MR. SALINAS: Okay. But I just don't think it's a good percent.

MR. CONINE: What's the --

MR. SALINAS: And my point is this, and I know maybe there's two subjects here, why go ahead and punish some -- punish a group that has 100 percent such as -- and then put it together with --

MR. PIKE: Well, our thought was certainly not to punish anyone.

MR. SALINAS: Well, I know that.

MR. PIKE: But we -- I think it was last month or a couple of board meetings ago, the board had strongly encouraged the HOME program to sort of look at the way we do business, and put out some suggestions and ideas for public comment to see if we wanted to continue to operate as we have in the past.

My thought is, the removal of the Home of Your Own Coalition was our attempt to put this out for public comment, bring it to the board's attention, to see if the board continued to want to have this relationship. My thought was, there are several new board members who were not around in 1996. I was not around in 1996.

And so -- I mean, I apologize, so to speak, that, you know, we have to have -- we have to get everybody sort of riled up about this, but the attempt was truly to try to have a healthy dialogue and debate about whether this is something the agency wanted to continue to do. And this, unfortunately, is one of our only ways to put this out.

Another thing that we have done at the request of the board is in the owner-occupied activity, housing assistance activity, we have placed language in there that says the department has the ability to make grants or loans. That is something new. That is something I anticipate and expect to get a lot of comment on. But, once again, that was at the direction of the board.

And I, once again, think this is something that we're trying to throw this out there and have everybody talk about it and decide, is this something the board wants to continue to do? And it has certainly been a successful relationship. The Home of Your Own Coalition does an excellent job of serving the persons that they -- or the community that they serve.

MS. CARRINGTON: And I might comment, Eric, that it was the only set-aside that is not legislated, that is not --

MR. PIKE: That's correct.

MS. CARRINGTON: -- either statutorily or federally required for us. So that was our rationale.

MR. PIKE: And in the past, just so you'll understand, the -- we had a -- we did a 5 percent set-aside for persons with disabilities, and the Home of Your Own Coalition's $500,000 award was taken directly out of that.

MR. CONINE: With all due respect, sometimes good ideas do emanate from this board as opposed to the state legislature or the United States Congress. And that being said, we don't necessarily have to do just what we're instructed to do by other folks.

Has this program been oversubscribed over the last three years?

MR. PIKE: That would be a question that would probably be more appropriate for Ms. Langendorf. They --

MS. ANDERSON: Just yes or no.

MR. PIKE: -- have --

MS. ANDERSON: Have they used their money every year?

MR. PIKE: Yes, they have.

MS. ANDERSON: Okay. What about Tenant-Based Rental Assistance, how much of their money -- how much of the $2 million TBRA set-aside has been used? About 20 percent I think.

MR. PIKE: I think. I've got the exact figure, I'll quote it for you. We set aside $2 million last year, in '03, and $2 million in '04. So basically we've had $4 million available. We've made five awards to four different organizations. And those awards have totaled almost $800,000. So we have a balance of $3.2 million available out of the 4 million that we made available.

And I know from conversations with the board in the past, you all have asked us, you know, what type of outreach we've done and what type of notification we have made to -- in technical assistance that we may have provided. And so that's one reason that we're proposing the deletion of that set-aside.

MS. ANDERSON: But all of the people that would be eligible to apply under that set-aside, can they then apply for the approximately $5 million in funds for TBRA that's made available through the regional allocation formula?

MR. PIKE: Absolutely.

MS. ANDERSON: So we got 800 -- well, we have 4 million now, we're going to have 5 million across the state under the RAF --

MR. PIKE: And we're proposing more funds --

MR. CONINE: That's 9 million, right?

MR. PIKE: -- go into --

MS. ANDERSON: It's not the sum.

MR. CONINE: It's not 9 million. They don't sum together.

MS. ANDERSON: No, they don't sum together.

MR. CONINE: So what -- but what you had last year --

MS. ANDERSON: What I'm saying is, we're using about 800 --

MR. CONINE: What you had last year was 9 million, right?

MS. ANDERSON: In TBRA?

MR. CONINE: Four million set aside, plus 5 million around the state? You had 9 million. So now we're cutting 9 to 5.

MS. ANDERSON: In TBRA?

MR. PIKE: We had approximately 5 million in TBRA and then 4 million for --

MS. ANDERSON: For the set-aside, which we've used slightly under a million of.

MR. PIKE: Correct.

MS. ANDERSON: Okay.

MR. CONINE: All right. Again, the time to go through the change her is November, but I'm just trying to get some more information while the subject's hot, and I'm sure you're going to get plenty more lively public discussion on the subject over the next couple of months.

MR. PIKE: I'm sure we will.

MR. CONINE: Has the $500,000 cap -- or has the $500,000 set-aside served as a cap in your opinion on the Home of Your Own initiative, or has the demand been oversubscribed over the 500,000 and we, because of the set-aside, as a department, cut it off at 500,000 over the last three years?

MR. PIKE: My thought is that there's probably more demand potentially than the 500,000, but the department arbitrarily selected 500,000.

MR. CONINE: Okay. So the door's open for them after the 500,000, just last year, let's say, to still go on the regional allocation formula to compete for down payment assistance, which is what the money is being used for, right?

MR. PIKE: That's correct.

MS. CARRINGTON: I might note that maybe the choice of the word "arbitrarily" is maybe not a good word, because for any activity -- or any applicant for any activity in the HOME program, the maximum that they can apply for is 500,000. And that's in our rules.

MR. PIKE: That's correct.

MS. CARRINGTON: So it's not arbitrary. It's in our rules.

MR. PIKE: Right.

MR. CONINE: Okay. So with the new system, we have to have multiple applicants to get more than 500,000?

MR. PIKE: Correct.

MR. CONINE: Multiple subrecipients to administer the program.

MR. PIKE: Well, the way we have written the rules is an organization can apply up to 500,000 per NOFA.

MR. CONINE: Right. Okay. I think you're going to get plenty of good comment on this thing, and I'm all for, you know, competition on a regional allocation formula. I just happen to think people with disabilities don't have quite -- it's not fair competition, and we need to have some soft spot, if you will, to make sure they get taken care of. So I'll be interested to hear the dialogue when we come in November.

MR. PIKE: Okay.

MS. ANDERSON: I have one question about this recapture business.

MR. PIKE: I'll try to answer it.

MS. ANDERSON: Okay. Well, it's a -- it says, underneath the headline, then it says, if the participating jurisdiction intends to use HOME funds, the guidelines, blah, blah, blah. Shouldn't this say nonparticipating jurisdiction? I mean, isn't that who we give the money to? That's my only hang up about that sentence.

MR. PIKE: We are the participating jurisdiction.

MS. ANDERSON: We -- this means --

MS. CARRINGTON: The state

MR. PIKE: The State of Texas --

MS. ANDERSON: -- us.

MR. PIKE: -- is considered --

MS. CARRINGTON: Yes.

MS. ANDERSON: Thank you. I'm sorry.

MR. CONINE: Do we have a motion on the floor? I can't remember, it's been so long.

MS. ANDERSON: I don't think we do.

MR. CONINE: I'll move that we approve the 2005 consolidated plan, one-year action plan.

MR. GONZALEZ: Second.

MR. SALINAS: Would that act as --

MR. CONINE: It's for circulation, Mayor.

MS. ANDERSON: For public comment.

MR. SALINAS: For public comment and then hopefully --

MR. CONINE: It comes back in November.

MR. SALINAS: Hopefully back in November we can go ahead and set aside the 500,000, or whatever they need for disability.

MS. ANDERSON: We'll hear the public comment and then we'll --

MR. CONINE: Comes back in November.

MS. ANDERSON: -- deliberate.

MR. SALINAS: Okay. As long as they understand that they have to do a lot of arguing.

MS. ANDERSON: Is there any more discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

We're going to adjust a couple of things on the agenda. With the board's indulgence, I would now like to take item 7(b) which is TDHCA Section 8 housing assistance program, transfer of Section 8 vouchers to Brazoria County.

And I also want to recognize -- I looked up and I didn't see her earlier, but I also want to recognize Holly Jeffco with Senator Jackson's office who's here with us today.

MR. SALINAS: 7(b).

MS. ANDERSON: And I have some public comment after the staff presentation.

MS. CARRINGTON: Thank you, Madam Chair.

Over the last couple of months, the programs committee has been looking at the Section 8 program, and during that period of time, we have had a request from

Brazoria County to administer the Section 8 vouchers in their area.

Brazoria County right now is a local operator for the department. They have been designated -- the first step was to be designated a public housing authority by HUD. That has happened. And then the next step was for Brazoria County to make a request to the department to administer their vouchers, and that has happened also.

And so what you have in front of you today behind Tab 7(b) is a presentation from staff that is recommending the relinquishment of 576 Section 8 housing choice vouchers, first of all, to the Fort Worth office of the U.S. Department of Housing and Urban Development.

Now you all remember that a couple of three months ago, these vouchers -- our three annual contributions contracts were consolidated into one ACC. They had been with Fort Worth and with San Antonio and with Houston. And obviously the Brazoria County vouchers were administered out of the Houston office.

But now those -- our ACCs have all been consolidated under HUD, under Fort Worth office. So what we're saying is that first we relinquish those vouchers back to the Fort Worth office, and then -- under the condition and the -- requirement -- I don't know if we could like require, but certainly requesting to HUD that they then transfer those 576 vouchers to the Brazoria County public housing agency.

And as you read through -- as you look at your material, you will note that we don't have a timeline for completion of this, although it certainly would be the department's intention to do it as expeditiously as possible.

There are some steps that we will have to take, and that will be to terminate the current local operator contracts, transfer the tenant files from the department to Brazoria County. We have -- and the staff is recommending that this transfer occur, and occur as expeditiously as possible.

We do have three letters that have been submitted to us from various selected officials that are in support of this. One of them is from Representative Glenda Dawson. We have a letter from Representative Dawson and she is supportive of this, and she did call me yesterday afternoon and asked that I would notify the board that she did call and she is supportive of this action.

You also have a letter from Congressman DeLay. Brazoria County is in the 22nd district and Congressman

DeLay is supportive. And then there's also a letter from State Senator Kyle Janek, and he is supportive also.

And it looks like there are more letters from Senator Mike Jackson who covers this Brazoria County area also.

One of the things that the board may remember was that there was a discussion, I think, at the August board meeting about the number of vouchers. And the amount that -- I mean, the number that had been provided was a number that was somewhere in the 600s.

And what staff has allowed Brazoria County to do in the past is to basically overlease. Now, HUD allows that. They've basically been borrowing vouchers from other areas that haven't been utilized, and those vouchers have been utilized in the Brazoria County area.

So the 600 -- 629, the number that's been out there was basically a reflection of them doing a good job and getting the units leased, and basically in overleasing.

Out allocation from HUD for Brazoria County is a total of 576 vouchers, and so that is why the staff is recommending the 576 vouchers.

MR. CONINE: Move for approval of resolution number 04-63.

MR. SALINAS: Second.

MS. ANDERSON: I have public comment on this item. Judge John Willy.

MR. WILLY: Thank you very much, Madam Chair, members and plan director.

The first thing I'd like is -- Diana Kyle with the U.S. Congressman Ron Paul's office had to leave, and she just had a short statement. I'd like to read it if I may.

Good morning, ladies and gentlemen -- this was morning when she was here -- ladies and gentlemen, my name is Diana Kyle and I would -- and I represent U.S. Congressman Ron Paul of the 14th Congressional District of Texas. I am here this morning to advise the Department of Housing and Community Affairs that our congressional office will be available and is willing to assist Brazoria County and Judge Willy with any problems or situations that might arise with HUD or any other federal agency.

I think her point was, a question that came up in the last -- in the committee session, and maybe in the board session in August, comments that the state was better able to help -- or better able to interface with the federal agencies than that of the local agency.

I would argue that since most of the people that we have in our congressional delegation I served with in the legislature and I think we have very good contacts at the federal level.

But let me just very briefly --

MS. ANDERSON: I don't think you heard anybody from the department make those comments. I hate to interrupt you, but there were public comments like that made in August, but I don't think they were from department staff, and certainly not this board.

MR. WILLY: I believe it was department staff, but not to belabor the point. But basically I just want to thank you for letting us again appear before you. I know it's running late and probably everybody's getting pretty hungry.

And I appear before you basically to seek the resolve of the question of the vouchers. And, yes, we -- there is a question of the 200 -- the 603 vouchers per year per your minutes of the last meeting, or your agenda of the last meeting. If that's what it is, then that's what we have to live with.

And I just want to say, I will appreciate your helping us get our agency moving forward. I can assure you that you will look back on our activities and you will be proud of what we do.

There will be a transition period that we must deal with. I've been assured by some of the staff that they're going to do everything possible to help us get through the transition stage. I think we now know, and one of the comments or questions I was going to ask was, who would we be able to interface with. That question has been answered.

I look forward over the next few days, few weeks, and even if this takes years for the bureaucracy and red tape to get done, I look forward to working with you all to try to cut as much of that red tape as we can and get this process over and done with.

But thank you very much, Madam Chair, for letting me be up here again.

MS. ANDERSON: Thank you, Mr. -- Judge.

Jim Wiginton.

MR. WIGINTON: I'll waive, Madam Chair.

MS. ANDERSON: Thank you, sir.

Do we have a motion?

MR. CONINE: Yes.

MS. ANDERSON: I have a question with regard to the -- whether it's 629, 603, 576. What --

MR. WILLY: This has been -- Madam Chair, this has been a very hard question to answer. I know that we have administered up to 629. I have the lists that I can furnish you. Yes, there's been times when the agency has asked us to use some of their vouchers because they needed to fulfill them. Yes, we have done that.

We have -- we did have a waiting list that was transferred, of course, to the department by HUD requirement. And as we would lose a person coming -- either not qualifying or going into some other type of housing, moving away, what have you, we were not allowed to replace that person, as I understand. That --

MS. ANDERSON: Because the voucher, it doesn't sound like, was --

MR. WILLY: -- voucher came back --

MS. ANDERSON: -- it wasn't permanently assigned to your jurisdiction.

MR. WILLY: Well, and I understand that, but, yes, we have administered far more than the 603 that was in your agenda of August. And certainly more than the 587 -- 6 --

MS. CARRINGTON: 576.

MR. WILLY: 576 that you all are transferring. We had asked for 603 because we felt like that was -- would be what we really needed at this point. But that's up to the board, and all I can do is ask.

MS. ANDERSON: Well, I mean, for this board member, I'm a little uncomfortable trying to micromanage you or the department staff about whether it's 603, 602, 589.

And, Ms. Carrington, I would ask, you know, what your thoughts are on how this can be amicably, you know, determined and worked out. I guess I lack the wording of the resolution.

MS. CARRINGTON: I do have a response to that. And that is, HUD will only allow us to transfer the number of vouchers that HUD has allocated to Brazoria County. Now, we believe that's 576. But if in working with HUD on this transfer, they find out that number is more than that, or less than that, then the regional HUD office is only going to allow this department to transfer the number of vouchers that rightfully are Brazoria County's vouchers.

MR. WILLY: And I understand that. And I --

MS. CARRINGTON: So we believe the number is 576. We will certainly be verifying that with HUD.

MS. ANDERSON: And the resolution that the board will adopt is not -- well, no, is specific as to the number. And I would suggest that we get our general counsel's advice on how we might -- you know, can we take that number out of this resolution so that we're not making that decision, we're truly letting HUD make that decision.

Can that number -- can that --

MR. WITTMAYER: Yes.

MR. WILLY: In other words, transferring the allocable vouchers to Brazoria County, more or less in a general language like that is what you're suggesting?

MS. ANDERSON: Well, yes. The resolution states right now 576. And I'm just proposing to take that 576 out and be silent because, you know, it's -- it doesn't just sound -- it's not the department's decision how many vouchers get transferred, it's HUD's decision, if I understand you correctly.

MS. CARRINGTON: Correct.

MS. ANDERSON: So we don't want to be purporting to have --

MR. WILLY: I don't mind rolling the dice with you.

MS. ANDERSON: So I would propose that amendment to the resolution, that we remove the 576 language.

MR. CONINE: Second.

MR. SALINAS: Okay. Well, we had a motion and second. I will -- we need to withdraw our --

MR. CONINE: Well, this is an amendment to the motion.

MR. SALINAS: Oh, that's an amendment to the motion.

MS. ANDERSON: Any other questions for the Judge?

(No response.)

MS. ANDERSON: Thank you, sir.

MR. WILLY: Thank you all again for your help.

And, Madam Director, I look forward to working with you.

MR. CONINE: You want to vote on the amendment?

MS. ANDERSON: Yes.

MR. CONINE: Don't you got a motion on that?

MS. ANDERSON: Yes. I just wanted to -- okay, is there discussion on the amendment?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: And now on the main motion, is there discussion?

MR. CONINE: No more public comment?

MS. ANDERSON: No, there's no more public comment.

Everybody's done on the main motion. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. WILLY: Thank you very much, Madam Chair.

MS. CARRINGTON: Thank you.

I'm going to suggest that we just do this one other. I don't have any public comment on it.

MS. CARRINGTON: Okay. 7(a).

MS. ANDERSON: I know we're kind of jumping around here. We're going to take a lunch break in just a minute. We're going to cover agenda item 7(a) with regard to HOME awards to the City of Bartlett, and then we are going to take only about -- really only 30 minutes today for lunch.

MS. CARRINGTON: Actually two awards that the board is going to be considering, but both under the same item. And the first one is a HOME award to the City of

Bartlett for homebuyer assistance for 150,000, and 6,000 in administrative fees.

This is one that when the staff was processing the applications through the last HOME cycle, was inadvertently left off our list of recommendations. We have determined that staff made an error and we are pulling the funds to make this $150,000 award from item E on our deobligation policy which is other projects, uses as determined by the executive director and board including the next year's funding cycle for each respective program.

So we will be taking this money actually from deobligated funds. We're not taking it from funds from next year. And this was to correct an oversight on the part of staff when we made the HOME awards last month.

MR. CONINE: Move for approval.

MR. SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MS. CARRINGTON: The second one was an appeal from the City of Cotulla. They appealed with the executive director. They were not awarded -- they were actually awarded zero points because we had in our scoring indicated that they had received a previous HOME award, but yet the previous HOME award they had received was for disaster relief. And that does not count against them in applying for HOME funds in a competitive cycle.

So we did award them the 5 points and that would have provided -- that would have made them a competitive scorer, and this, under the deobligation policy, is item A which is successful appeals. And they are doing 11 units owner occupied with special needs. It's 500,000, and it's for 24 percent of administrative, or 20,000. So an award for 520,000 to the City of Cotulla.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MR. SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

We have a 30-minute lunch break.

(Whereupon, at 1:10 p.m., the meeting recessed, to reconvene later this same day, Thursday, September 9, 2004.)

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

1:35 p.m.

MS. ANDERSON: We're going to come back to order here. And the staff has suggested that the board revisit item 2(b). These were the rules on the HOME program. Just one matter, which is the length of time for open cycle, like it -- in the housing trust fund rules.

MR. CONINE: Your 180 days?

MS. ANDERSON: Yes, we went to 180 days, and I know the staff doesn't want to end up with two different lengths of cycles, so they are suggesting that we make that amendment to the HOME rules so that both those sets of rules go out at 180 days for public comment.

MR. CONINE: Move for reconsideration of 2(b). I got to do it legally, you know.

MR. GONZALEZ: Second.

MR. CONINE: Give me a second.

MR. GONZALEZ: You got it.

MS. ANDERSON: All in favor?

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. CONINE: Now we need to move to -- what cycle are we -- the open cycle, move the open cycle to 180 days instead of 330 days as an amendment. I'll make that motion.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: I assume we're ready to vote. All in favor say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries. Thank you.

MR. CONINE: We slipped that one by the Mayor pretty good.

MS. ANDERSON: All right. Item -- we have a series of financial items now.

Ms. Carrington.

MS. CARRINGTON: Item 5(a), bond trustees for multifamily. We have an open RFQ for trustees for multifamily. We issued it last year, and we have periodically been receiving proposals from various entities that want to provide trust services in the multifamily area.

We have an application for Union Bank of

California to serve as a trustee. The department is not recommending Union Bank of California due to the fact that they have no experience with Texas multifamily transactions, and they do no have any offices located in Texas.

We have provided for you the list of the current four trustees that are serving on our approved list, Wells Fargo, Wachovia, J.P. Morgan Chase, and Bank of New York.

And staff is recommending that the board not approve the addition of Union Bank of California to our list of multifamily trustees.

MR. GONZALEZ: So move.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: All those in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item 5(b), bond underwriters for multifamily. Again, as with the trustees, we have an open request for qualifications to receive proposals from investment banking firms to serve on either the manager or co-manager list for underwriting for multifamily transactions.

We've had an application from Merrill Lynch in New York to be added to the approved list. They were on our list previously. That basically lasts for two years if they don't update their information.

We are requesting that they do be added back to the list and if they be in the form of a senior manager for multifamily transactions and we currently have 15 senior managers and four co-managers in the multifamily area, and we do have the list attached for your information.

MR. GONZALEZ: So move.

MR. CONINE: Second.

MS. ANDERSON: All those in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item for the board's consideration as we begin our discussion of a variety of single-family items. The first is the consideration at 6(a) and this is of an interest rate swap policy.

The board will remember that earlier this year, in March, we did our first variable rate demand, bonds that have variable rate demand bonds, has a hedge facility with it, and this hedge is called an interest rate swap.

And the department has been operating under a procedure that's been in an informal procedure that's basically been administered by our chief of agency administration, Bill Dally, and Byron Jones, who's -- Byron Johnson, who's our director of bond finance.

MR. CONINE: See, you're never around them.

MS. ANDERSON: Knows you well, doesn't she.

MS. CARRINGTON: Sorry, Byron. He's my next door neighbor. In the office.

MR. CONINE: If you'd hang around a little bit, she'd know who you are.

MS. CARRINGTON: And what we are doing is formalizing this interest rate swap policy that basically tells the public and sets parameters and guidelines on how, and under what conditions we will do swaps. We did work with both Dain Rauscher and Standard and Poors in putting this swap policy together.

And we are recommending that the board do approve this policy. We will be reviewing it annually. We, on a staff perspective, and if there are amendments or changes that we are recommending made to the policy, we will bring that back to the board on an annual basis.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All those in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item is the final approval of our single-family mortgage revenue bond, 2004 Series C; 2004 Series D, which is the variable rate demand portion; Series E, which is the refunding portion; and Series F is the COB, collateralized obligation --

MR. JOHNSON: Convertible option --

MS. CARRINGTON: Convertible option bond. Thank you, Mr. Johnson. I'm just blank on that.

This is our 165 million that the department is receiving through -- for 2004 for our single-family program. And this is the amount that we received from the bond review board this year. And you looked last month at the proposed structure of this transaction.

And staff has been working with advisors and our investment banking firms on finalizing the structure of this transaction. And we have a schedule and we are ready to go with it, so we're looking for your final approval.

There will be 45 million in the Series C that will be issued as fixed rate bonds. There'll be 35 million in Series D that would be the variable rate demand bonds. Eleven million fixed rate, and that's the refunding of the 1994 -- the 1993 transaction. And then 91 million in convertible option bonds that basically allows us to preserve our volume cap and roll that into next year for mortgages for '05.

We are providing for you not only a schedule on page 2 of the timing. Pricing, I understand, for this transaction, is scheduled about the 4th and 5th of October in Minneapolis. We are looking at interest rates to be approximately 499 to 530. This money would be unassisted mortgages.

And we've also provided you, for your information, the existing programs that the department has right now and the amount of volume -- the amount of mortgage authority or mortgage ability that the department has under existing programs.

The one that might stand out to you is 57(a) which shows about 66.6 million in uncommitted allocation. But that's the one that the board may remember we restructured a month or so ago, and we're just making that money available as 499 and we feel like that we will originate that very quickly.

MR. CONINE: Can I ask a question.

MS. ANDERSON: Certainly.

MR. CONINE: Mr. Johnson, is it?

MR. JOHNSON: Byron Johnson, director of bond finance, a.k.a. Mr. Jones.

MR. CONINE: When we saw this item -- I think -- was it last month, or the month before where we saw this item?

MS. CARRINGTON: Last month.

MR. CONINE: I know the bond finance department, along with our investment bankers and financial advisors had the range of where we thought these mortgages would fall, at the 499 to 530 range. And my perception is the market has receded since then. Can we get a little more aggressive, in your opinion, on what these ultimate mortgage products will look like?

MR. JOHNSON: Our target is 499, sub 5. And our reception to program 57(a) has been very well. We all average doing about reserving $1 to $2 million a day. We released those funds on August 25 and we've originated, or reserved, about 12 million.

So we're thinking if we can get 499 or better, we'll be in the market and the money.

MR. CONINE: And, again, my -- back 20 -- 30 days ago -- the market's dropped 20 basis points in the last 30 days. So if though 499 was achievable then, you -- why wouldn't 479 be achievable now, I guess is my question.

MR. JOHNSON: The tax exempt market doesn't necessarily move in concert with the taxable market.

MR. CONINE: Well, I'm just talking about 10-year Treasuries.

MR. JOHNSON: Right.

MR. CONINE: More than --

MR. JOHNSON: Ten-year Treasuries have declined to as low as 416 recently. But --

MR. CONINE: Last I checked, those were tax exempt, I think, right?

MR. JOHNSON: Pardon?

MR. CONINE: Ten year treasuries, are they tax exempt?

MR. JOHNSON: Taxable.

MR. CONINE: Taxable. Oh.

MR. JOHNSON: Yes. But the tax exempt market has not responded in kind. I can bring Gary Mecheck [phonetic] up to discuss the --

MR. CONINE: No, I just -- it's not necessary. I just wanted to make sure we were as aggressive as we possibly can be.

MR. JOHNSON: We are. We're trying to get the lowest rate we can, keeping in mind that we do have other 499 monies out there. So we are -- we've put the range in, in the event, you know, rates did go up. But we're looking to get the lowest rate, that being sub 5.

MR. CONINE: And we're talking about pricing this in the first part of October, is that right?

MR. JOHNSON: Yes, sir.

MS. CARRINGTON: Yes, 4th and 5th of October. And the team for this transaction is the last page of this tab. The co-senior managers are Piper Jaffrey and Bear Stearns. And the co-managers are A.G. Edwards, First Southwest, Goldman Sachs, and Samuel Ramirez.

And Goldman Sachs is also going to be provide the swap. So they're in the role of swap provider for this transaction. So those are our professionals on the team, along with RBC Dain Rauscher.

MR. CONINE: Move approval of the resolution for single-family mortgage revenue bonds whatever -- program 62, resolution number 04-067.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item for your consideration is to approve a resolution authorizing a revision of the down payment assistance terms for single-family mortgage revenue bonds, 2004 A, B, C and -- which is program 61. That was the program that we did earlier this year.

You all may remember that the terms of that down payment assistance were in the form of a nonforgivable second lien loan. And what we have found is that is not a competitive structure for the current environment, and we are recommending that that non-forgivable second lien loan be converted to a grant.

I'd be happy to answer any questions.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next two items relate to the extension of a certificate purchase period on two different programs that we have available right now. On 5(c) we would be requesting to extend the certificate purchase program which terminates right now in December of '04, and extend that out to November of '05.

And basically the certificate purchase program is that period of time when our servicer buys the loans and converts them into certificates backed by a variety of multiple loans. And we are -- the result of not doing this would be that bonds would be called on the particular transactions.

We do believe that in having this amount of money available, that we can originate -- as Mr. Johnson has just said, we're originating between -- our lenders are originating between one and two million a day at this interest rate, which we restructured down to 499. And this is program 57(a).

So extend the certificate purchase period out to November of next year so that we can utilize all of the bond proceeds.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 6(e) is the same type of request. This is for program 59 A, which currently has a certificate purchase period that would terminate in December of this year. We're requesting that this be extended out to December of next year.

The amount of the proceeds that we have available in this particular program pretty much amount to targeted area funds which have to say set aside for a year. That set-aside for targeted area funds will go away in February of next year.

The mortgage rate on this particular program is 599, but it does have a grant for 4 percent tied with it, so grant, not a loan, and so we are requesting that the board approve this extension of this certificate purchase period also.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last item is item 6(f) which is the sale of mortgage certificates from single-family mortgage revenue bonds, which was a 1994 A and B program, Series A, B and C. And on this one, I am just going to turn it right over to Mr. Johnson to explain.

MR. JOHNSON: We issued a series of single-family bonds approximately 10 years ago. Most of these bonds carry a 10-year call option. And what the indenture allows you to do is take the Ginnie Mae -- or the securities backing those bonds and sell them, and then use the proceeds to call the bonds.

The call dates on this series of bonds will be approaching very soon, the beginning of '05, towards the middle of '05. Since interest rates are low at this time, and the mortgage rates on these old loans are considerably higher, we can sell those Ginnie Mae's at a premium, and obtain enough funds to call the old bonds and pay, you know, all the fees and pay the call premium to the holders of the bonds.

Why do we want to do it now as opposed to waiting until the date that the bonds are callable? Well, it is a very low interest rate environment, we don't know in six to eight months where we will be in terms of interest rates. We may move out of the market, or move above the levels where we can execute a sale of the securities, or even refund or refinance the bonds.

So we're thinking -- also it makes sense because these mortgage loans are prepaying; they're very fast rate. And if there's someone out there now who's willing to buy them from us, given that condition, then why not go ahead and, for lack of better words, take the money and run.

MS. ANDERSON: Oh, that'll look great in the transcript.

MR. JOHNSON: Okay. But we're doing it to optimize our economic position.

MS. ANDERSON: Excellent. Thank you.

MS. CARRINGTON: And utilize the excess for other affordable housing initiatives.

MR. JOHNSON: Yes, ma'am.

MR. CONINE: I was getting ready to say, how many -- how much excess you think we'll generate, just basing your --

MR. JOHNSON: We're thinking at a minimum of about 500,000. But it could be greater depending upon how we invest the funds up to the time the bonds are called.

MR. CONINE: And what size? Was it 19-1/2 million, or 20 --

MR. JOHNSON: Approximately 20 million in bonds and 19 million in certificates.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Questions? I just have one question. George K. Baum, were they selected in a competitive process, in a self-serve process --

MR. JOHNSON: They brought the proposal to us.

MS. ANDERSON: Okay. All right. Thank you.

MR. CONINE: I want to amend my motion to include resolution number 04-073.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor of the amendment, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Now the vote on the main motion. All in favor of the main motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: Thank you.

MS. ANDERSON: You just keep on rolling.

MS. CARRINGTON: Item 8 --

MR. CONINE: Yes, just keep going.

MS. CARRINGTON: Okay.

MR. CONINE: Seven.

MS. CARRINGTON: Well, seven we've done.

MS. ANDERSON: We skip seven -- we did seven before lunch.

MR. CONINE: Oh, that's right.

MS. CARRINGTON: We've completed seven.

MR. CONINE: Never mind.

MS. CARRINGTON: Item 8 will be the approval of the withdrawal of the 2004 emergency tax credit QAP, and concurrent final adoption of the '04 housing tax credit allocation plan.

And this is behind Tab 8(a), and the board will remember that on July 8 that you adopted an emergency amendment to the QAP to comply with the Attorney General opinion. And then July 28, we withdrew that first emergency amendment and we adopted an emergency amendment with an expanded preamble. The document itself had the same language, but we did do an expanded preamble.

We've completed a 30 days' comment period. We did have one comment, and that is referenced for you in the board write-up. However, that comment did not relate to anything in the AG opinion, and so staff felt like that this was not the appropriate venue to incorporate any other changes in the QAP.

So what we're ready to do, and what we're asking you all to do with this action today, is to adopt the final 2004 qualified allocation plan.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 8(b) also relates to tax credits. And this is the issuance of commitment notices for 2004 housing tax credits from the -- from additional funds in the 2004 credit ceiling. And we really have two different -- actually probably three different parts to this presentation. The first one, AIMCO, received an allocation for a property names Copperwood Apartments. And that is -- it was an at risk set-aside, and it's in Region 6.

They had two applications in the at risk set-aside, both of them scored the same. And the staff had chosen to issue the credits to the Copperwood Apartments in the amount of $1,057,335.

AIMCO has come back and requested of the department to basically transfer, to substitute their second property, which was Tamarac Pines Apartments, credit allocation of 911,404 because the Tamarac Apartments had more immediate need, they have a HUD inspection that is coming up, and from a priority standpoint, wanted to proceed with Tamarac as opposed to Copperwood.

Again, they were in the same region, they were in the same set-aside, and they scored the same. So if the board approves this action by replacing these two developments, we actually will have $145,531 of credits that will return. Then we are eligible for the national pool because we allocated substantially all of our credits in 2004. We are eligible for $572,331 in the national pool.

And we also have an amount of credits, about 1.3 million -- actually 1.4 million that was a result of the difference between the requested amount of credits and the underwritten amount of credits.

So all of this together amounts to a little bit over $2 million that needs to be allocated out of the 2004 credit ceiling.

And this is the staff's recommendation. If you'll turn your memo over to page 2. The first thing that we did in determining how we would allocate this newfound credit ceiling to -- was to ensure that all of the federally -- or the state set-asides were satisfied.

So we looked to see if the nonprofit set-aside was satisfied, and indeed it was. And then we looked at the USDA and the at risk set-aside, and we found that it was -- that those two set-asides were satisfied, with two exceptions. And we noted those two exceptions.

One of them is in Region 6, it's a USDA, and that was a set-aside that had not been fully funded, and we are requesting that that be allocated credits for $84,339.

The next is in Region 9, and this was an at risk set-aside. And that at risk set-aside was underfunded, and the next transaction on the list for Region 9 for at risk would be Las Palmas, and that is $639,786.

With that, we still had some remaining allocation to go, and so then we took a look using our most harmed, or most under, most over, a scenario that we've used for the last several years.

And we've provided you a chart. R stands for rural, UE stands for urban/exurban, and we've provided you a chart in descending order of the set-asides in these particular -- or these regions that were most undersubscribed -- not most undersubscribed -- most --

MS. BOSTON: Underfunded.

MS. CARRINGTON: -- underfunded. Thank you.

And the first one you'll see is 3(e), so that's three rural. And you can see that that particular set-aside, although we called it an allocation, not a set-aside, was underfunded at 64.4 percent.

So if you'll look on the next page, page 3, you'll see that we are recommending that the three rural, Churchill at Commerce be allocated credits of $727,212. The next one was Region 13, urban/exurban. There were no more eligible transactions in this region, so we skipped over that.

And then the next we went to was 9 rural, and this was underfunded by 22 percent, so over, again, the chart on page 3, we are recommending that Friendship Place in 9 rural be allocated credits, and that is $473,144.

Should the board take these recommendations, that still leaves us a balance of $118,135 of credits. We have -- the next development on the list, highest score would be Tyler Senior Apartments which were requesting over $600,000 in credits.

And the department is recommending -- or staff is recommending that this 118,000 be basically saved to see if anything else comes back this year, and if not, it will be rolled into next year's allocation.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Oh, I'm moving so fast I'm having a hard time keeping up.

Okay. 8(c), we have three, not four, tax exempt bond transactions for your consideration. The last one on your list, 04-437, Holiday Place in Houston, has withdrawn. So the first one for your consideration is Sagewood Apartments located in San Antonio.

This is an acquisition rehab. The issuer is the Bexar County Housing Finance Corporation. It's a priority 1A transaction. Fifty percent of the units with rents capped at 30 percent of 50 percent, and 50 percent of them capped with rents capped at 30 percent of 60 percent.

It's an older property built in 1978. It's in the northwest area of San Antonio. About $26,000 a unit rehab, not including the acquisition. With acquisition it's about $55,000 a unit. A lot of layered financing on this transaction with the City of San Antonio, bonds, tax credits and also a developer loan.

There is a letter of support from Senator Leticia Van de Putte, District 26. No opposition to this transaction, no unusual requirements on the part of staff, or conditions. And we are recommending approval.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next one for the board's consideration is Rosemont at Acme in San Antonio. The Bexar County Housing Finance Corporation is the issuer on this transaction. This is a new construction transaction, and it is family.

This is a priority 2 transaction. And the set-aside requirements or restrictions on priority 2 is 100 percent of the units have rents capped at 30 percent of 60 percent of AMFI.

And there is a provision in the bond review board legislation that says, as of August 15 of every year, if there are transactions that are in areas whose median income is lower than the statewide average median income, that those transaction can move up. And so basically that is the situation with this particular transaction.

There were no letters of support or opposition on this transaction. And, again, no unusual kinds of requirements or restrictions, other than the standard ones that the staff has.

MS. ANDERSON: Just for the record, if I may, there are letters of support for this development that have come in now from Councilman Enrique Barrera in San Antonio, State Representative Joaquin Castro, I think you said Senator Van de Putte, Congressman Charles Gonzalez, and two letters, one from the superintendent and one from the chairman of the housing committee of the Edgewood School District.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last one for the board's consideration is 04-448, Artisan at Willow Springs, again, in San Antonio. And this transaction is also a priority 2 transaction again with 100 percent of the units with rents capped at 30 percent of 60 percent.

And this transaction is family also. The issuer is the San Antonio Housing Finance Corporation. It is located in central San Antonio.

No notice of either opposition or support, at least on this transaction at the time that we went to print with the board book, and, again, no particular issues related to the transaction.

And one of the things I just realized I have not done, Mr. Conine, is read into the record the amount of credits that we are recommending.

MR. CONINE: It's okay with me since it's written in the board book substantially.

MS. CARRINGTON: Okay.

MR. CONINE: If that's all right with you.

Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: As I stated, Holiday Place in Houston has been withdrawn. The next item for the board's consideration is item 8(d), and these are three extension requests that are being requested to close the construction loan.

The first two, Village at Kaufman, located in Kaufman, and Fox Run Apartments, are the same rationale, the same justification for needing the extension. Both of these transactions are involved in the mark to market program with HUD. And they are waiting on -- both of them -- the issuance of a restructuring commitment.

And they have received one extension. They're requesting a second extension based on HUD's continued review under the mark to market program. Staff is recommending for both Village at Kaufman Apartments and for the Fox Run Apartments, that the extensions be granted, and both of those new extension dates would be December 9, 2004.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: And the last one for your consideration on the extension for the close of the construction loan is the Desert Breeze Apartments. This is located in Horizon City, and this was an '03 allocation of tax credits.

And after the allocation was received, Horizon City has annexed this area, and has imposed some incompatible zoning requirements, and then they placed a moratorium on development. The moratorium has been lifted --

MR. CONINE: That's one way to kill it.

MS. CARRINGTON: -- but they are still working through their zoning issues. And both the investor and the lender and the developer are asking for an extension to October 9, 2004 for this particular transaction.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All those in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 8(e), tax credit applications involving material changes. The first one is Heritage Pointe Apartments. This is located in Austin and this was a 2003 allocation. They received a forward commitment.

And what the applicant is requesting to do is change out some of the amenities that were originally selected. They were going to put ceramic tile in the entries, in the kitchens and the bathrooms. This is a development for the elderly and what they have determined is that ceramic tile is very slippery and that vinyl would be a safer alternative for elderly rather than ceramic tile.

They also had proposed heat lamps in the bathrooms, and are requesting that those heat lamps be traded out for masonry. Their application actually takes them up -- this would take them up from 50 percent to 75 percent masonry, and what we've done is look at the point structure on each of these items and we're now even on points.

So they're basically where they would have been when they applied based on the these substitutions on these amenities. And staff is recommending that this request be approved.

MR. CONINE: Just one question. If they're afraid that the tile was going to be too slippery, were they afraid the heat lamps would be too hot?

MS. CARRINGTON: I asked that question, and would you like to know the response I got?

MR. CONINE: Sure.

MS. CARRINGTON: Okay. The response that I received was that the heat lamps were less appealing than masonry, that the curb appeal of driving up to a property that had 75 percent masonry as opposed to 50 percent masonry, was more of a marketing plus than having heat lamps in the bathrooms.

MR. CONINE: Move for --

MS. CARRINGTON: Like it or not, that's the answer I got.

MR. CONINE: Move for approval.

MS. CARRINGTON: Thank you.

MR. GONZALEZ: Second.

MS. ANDERSON: All those in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last item for your action is Wright Senior Apartments, and this is located in Grand Prairie, and this is an '03 transaction.

In their application, they had said that they would have covered parking spaces and that there would be 158 of those covered parking spaces. And they are proposing to reduce that down to 130. They would still would have been recommended for an award.

And what they are proposing to do to replace those 28 parking spaces would be to substitute a swimming pool for the covered parking. And staff is recommending approval.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: All in favor, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last item for the board's information is item 8(f) and this is a description of the ownership changes within our tax credit and tax credit and bond developments. This is an activity that staff performs administratively.

And we have been asked to go back and take a look at the changes that we've approved over the last year so that the board could get an idea of what the nature of these general partner changes are.

And you will see that some of them do truly relate to a change-out in the general partner at the request of the syndicator or a lender. Some of them relate to adding an entity into the general partner. Also changing the name of the general partner so that the entity -- the individuals involved may be the same, but there was a reason for a name change.

So we have provided this for the board's information and will be happy to answer any questions that you might have. And this is a report that we can provide to you all on a monthly basis, and just show you the updates during that month.

MR. CONINE: There seems to be quite a few here. Of course, this is since the first of this year, I guess.

MS. CARRINGTON: Yes, sir.

MR. CONINE: And this is just something that, when we go into these projects and think we have certain sponsorship and general partners in place, I'm just curious to see what kind of volatility we were having. And I appreciate you sharing this information. If we have specific questions, or if I do, I can come to you individually.

MS. CARRINGTON: Yes, sir, you can. And we do have a process in place at the department, we have a standard operating procedure of how a change, a reconfiguration in a partnership has to occur with supporting documentation that is presented to us. And ultimately I am the one that signs that approval or not approval of the change.

MS. ANDERSON: That's a report item, right?

MS. CARRINGTON: Yes, ma'am.

MS. ANDERSON: Okay.

MR. CONINE: Executive director's report.

MS. ANDERSON: Is it -- are we ready for the executive director's report?

MS. CARRINGTON: We are. Thank you.

And I have, I think six items. The first is that we have a community action agency that participates in our programs. It is the Community Action Council of South Texas. And they have won a very prestigious national award.

They are one of two community action agencies around the country that have won an award called the Community Action Partnership Award. They were recognized in Washington a couple of weeks ago at a conference. There's 40 quality standards that community action agencies have to address to be recognized for this award.

And we are very, very proud of the Community Action Council of South Texas. They are located in Rio Grande City and they do participate in our HOME program also, but they receive funding through a community affairs area of our department. So we wanted to announce that.

The department's outreach -- thank you -- it's a big deal.

The next is the department outreach activities, and I believe it's for both July and August, yes, thank you, and what -- the reason we are providing this for the board, information item only, so that you all can see where we're going and what we're doing, conferences we attend, places we're asked to speak, roundtables that we hold, various meetings that we go to, and felt like that this would be a good informational document for the board to see if you all think we're getting out there enough, and, you know, what kinds of activities we're conducting.

We also -- we're doing a very, very good job of attending many of the groundbreakings and open houses. We get multiple invitations through here, and we attend as many of those as we possibly can.

The next item, at the Community Affairs Executive Director's Conference that was held in July in San Antonio, there were two awards to our staff that were given in recognition for excellent service that they have performed at the community affairs division.

And one of those is Ann Reynolds who is our deputy general counsel. And then the second one was given to Ricardo Medina in the information systems area, who mainly is responsible for supporting the system at the community affairs division.

Mr. Dally has already mentioned to you that we have our first hearing beginning of this new legislative session, and that's on September 23 and it's with the legislative budget board in the Governor's budget office.

And what we will be reporting on -- I think there's four agencies that are up that day. It's a two-hour hearing and I think they've said we're going to have about half an hour -- and we will be reporting on justifying kind of like your dissertation. You know, we're going to be justifying and explaining our legislative appropriation request.

We also have a hearing on the 5th of October which will be before the next board meeting and that is the hearing in front of the Senate Finance Committee. And then as Mr. Dally mentioned earlier, we have received a letter from Representative Pickett who chairs the general government subcommittee and that's our committee that we go in front of.

There's also a staff meeting on September 14 and this is going to be with Intergovernmental Relations, and they're going to be discussing charge two and this is related to urban/exurban.

And then the last award, which did not make it on your all's list, but this is the award that we were notified of by HUD about a week and a half ago, two weeks ago, I guess, that our Colonia self-help centers, which is funded by the 2.5 percent of CDBG funds that comes from ORCA to this agency is one of 14 awards nationwide that's being given by HUD for innovative use of CDBG funds.

And so that award is going to be awarded next week in Washington at a conference where they're celebrating the 40th year of the Community Development Block Grant program.

That's it. Thank you.

MS. ANDERSON: I believe that concludes our agenda.

Do I have a motion to --

MR. CONINE: Adjourn.

MR. GONZALEZ: Second.

MS. ANDERSON: We stand adjourned.

(Whereupon, at 1:20 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: September 9, 2004

I do hereby certify that the foregoing pages, numbers 1 through 219, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

09/17/2004
(Transcriber) (Date)

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