TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Thursday, July 14, 2005
Waller Creek Office Building
507 Sabine Street, Room 437
Austin, Texas

BOARD MEMBERS PRESENT:

BETH ANDERSON, Chair
SHADRICK BOGANY
C. KENT CONINE
VIDAL GONZALEZ
PATRICK GORDON

STAFF PRESENT:

EDWINA CARRINGTON, Executive Director
DELORES GRONECK

I N D E X

SPEAKERS

P R O C E E D I N G S

MS. ANDERSON: Good morning, and I want to welcome everyone here to the July 14 board meeting of the Texas Department of Housing and Community Affairs. We appreciate you being with us this morning. We will call the meeting to order and call the roll. Vice-Chairman Conine?

MR. CONINE: I'm here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: I'm here.

MS. ANDERSON: Mr. Gonzalez?

MR. GONZALEZ: Here.

MS. ANDERSON: Mr. Gordon?

MR. GORDON: Here.

MS. ANDERSON: Mayor Salinas is in Mexico with the Governor today, so we are sorry to miss him, but understand his absence. We have five members present. We do have a quorum.

MR. CONINE: That is probably an excused absence.

MS. ANDERSON: So noted for the record.

MS. ANDERSON: Okay. As is our custom, we encourage public comment at the Department and we take public comment at the beginning of the board meeting, and then also, or the witness has an opportunity to make public comment at the time that the agenda item comes up after the presentation is made by Department and motion is made by the Board.

So the first item of business this morning is to take public comment. And the first witness is Mr. Robert Lester.

MR. LESTER: I will wait until --

MS. ANDERSON: You want to wait until the agenda item? Okay, sir. Thank you. Ronnie Hodges?

MS. HODGES: Thank you. Good morning, Madam Chairman, members of the Board and Ms. Carrington.

MR. CONINE: Good morning.

MS. ANDERSON: Good morning.

MS. HODGES: My name is Ronni Hodges, and I am here regarding 2005 QAP 05-178, And that is Tuscan Court Townhomes. I was here last board meeting, and outlined some of the problems that I had had in this construction of this. And I felt like I had left you with kind of a negative report. And I wanted to give you a good report to start off your morning.

We do have currently 76 units under construction. We have 43 families living there. And they report that this is the best home they have ever had in their lives. We have disabled teachers helping the resident children raise their grade levels.

We have residents trying to grow their own grass in 105 degree temperatures in Hondo, Texas. We also have a group of elderly residents who are trying to grow their own food in a little community garden that they have built. So I wanted to just kind of start off that way, because I felt like, you know, sometimes we get just bogged down in the details.

And I realize that you as the Board have an awesome responsibility to allocate these tax credits this year, $40 million. And it is primarily to help these poor and disadvantaged people. So I am here to report that you are doing the job.

However, in Tuscany, the reason I came up was at staff's suggestion, at TDHCA's staff's suggestion that I request additional credits for problems that occurred during construction that were not foreseen and were not able to be under control. So I would like to request you to consider this request for 58,000 -- a small amount of tax credits.

And if we do receive the tax credits, you know, we really need to pay off some city expenses that we have had to absorb, because the City was unable to fulfill its requirements that it had committed to prior to us starting. We also need to build a drainage system to keep some of the apartments from flooding. We need to finish the leasing, but we have to finish repairing the flooded apartments.

So in order to -- and I explained this last time in detail, about how that happened. And then, it would be nice to have a fence to keep out the thieves from the surrounding area. We are not in a real safe area of town. And lastly, we would like to have some grass and landscaping. Maybe some outdoor play equipment for our children.

We currently have 60 children in 43 apartments. But after we -- hopefully, when we get finally finished, we should have over 100 children. So we would like to be able to finish the project in such a way that it would be a credit to TDHCA and its tax credit allocation process, if that is possible. Thank you very much.

MR. CONINE: Thank you.

MS. ANDERSON: Thank you.

MS. HODGES: And if you have any questions, I would be glad.

MS. ANDERSON: Thank you, Ms. Hodges. Chris Rhodes. Mr. Chris Rhodes, concerning Hereford Central

Place?

MR. RHODES: I'd give my time to Mr. Brown.

MS. ANDERSON: Okay. Mr. Brown.

MR. BROWN: Who takes the handouts?

MS. ANDERSON: Rick, take them.

MR. BROWN: Madam Chairman, members of the Board, thank you for the opportunity to speak before you. I am here in regards to Hereford Central Place, application 05-020, this year. Early in the cycle application process, we looked at methods of getting points, as everyone does, and a local financial support.

One item was housing finance corporations. And I have worked with the housing finance corporation in Hereford, Texas before. I had existing apartments that I financed with them.

There is a picture on the second page of the handout, of one of my existing ones that I own to the State. Financed in 1985, with that group. Mike Carr, who is the executive director, I have known for 25 years, and he is a personal friend.

So obviously we want to try that. We asked early on if we could do that, and received and on the last page, written e-mails from Chris Whitmire telling us that no, the housing finance corporation is not an eligible entity. So if that is not eligible, we couldn't use them.

We looked at other sources, and in our community, the town and county said that they didn't have sufficient resources that we thought we could claim the points, so we didn't. Later, we were surprised when we found out that other projects in our region and around the state had used housing finance corporation funds, and got credits, and got the points.

So we contacted staff when we found this out, which was late; way after applications were in and they were online and so forth. And when we contacted staff, we said guys, we asked you, and you said we couldn't do this. And so staff was very responsive.

We appreciate that very much. And at last board meeting, I believe Ms. Carrington brought this to your all attention. There was a statement, and I also attached that to this handout regarding this issue. And after that last board meeting, we didn't know we were going to be discussed, so we weren't here. I apologize. But we are here today.

We did go ahead, in order to make you aware that this wasn't just a hypothetical situation, we did contact the housing finance corporation and gave them a loan request letter. They received it on July 5. Mike

Carr called an emergency board meeting. And on July 6, we got our funds. One day; that is pretty fast. And that commitment letter is also attached.

So we are here to say that we definitely could have done that, would have done that, but we were told not to by staff, and apparently that position changed during the application cycle, whether or not you could use housing finance corporations, without our knowledge. So we are here. We understand that honest mistakes happen. We did what we were told to do, and we would like to give the Board the opportunity to correct this situation.

MS. ANDERSON: Any questions for Mr. Brown?

(No response.)

MS. ANDERSON: Ms. Carrington, theoretically speaking, if the Board wanted to discuss and debate this, what would be the proper -- it is not on the agenda today, so we can't take any action, or really there is not even an item for discussion on the agenda today. But how would that be approached? Would it be put on the next Board agenda?

MS. CARRINGTON: Yes. The Board could direct us to put this on the next agenda.

MS. REYNOLDS: It could be covered under allegations.

MS. ANDERSON: Would you just scoot over? Thank you, sir.

MS. REYNOLDS: Excuse me. Anne Reynolds, General Counsel.

MR. BROWN: Am I done here?

MS. ANDERSON: I don't think we have any questions for you. Yes, sir. Thank you very much.

MS. REYNOLDS: We have an agenda item, if I could find it.

MS. ANDERSON: Yes, we do.

MS. CARRINGTON: It is agenda item 1(c). And it is on that table. Yes.

MS. REYNOLDS: Presentation of Research on Allegations Made about 2005 Housing Tax Credit Applications. This falls within that category. We did research concerning that complaining and made a statement last session, asked him to come during public comment for this board meeting, which he has done. I think we have got to let --

MS. CARRINGTON: But it is not posted as an action item. It is posted as a discussion.

MS. REYNOLDS: Well, it says presentation, discussion and possible approval of housing tax credit items. That is specifically listed various within those allegations. We could also, you know, act on it at the next board meeting to ratify your action.

MS. ANDERSON: Okay. So we could take -- we could have this discussion today and then if on reflection, if you think we need to put a formal agenda, I mean if the Board were to have the notion --

MS. REYNOLDS: Do it on the 27th to make sure everything is on the up and up.

MS. ANDERSON: Okay. Thank you, Ms. Reynolds. Okay. That is the end, I believe, of the public comment for this portion of the board meeting.

So we are ready to proceed then, with our agenda. We will take additional public comment as the agenda items come up. The first item is presentation, discussion and possible approval of housing tax credit items. Ms. Carrington.

MS. CARRINGTON: Thank you, Madam Chair. The first two items for the Board's consideration; one of them is a request for an extension on the start of substantial construction, and the second one is the request for an extension on a close of a construction loan.

The first one, on commencing substantial construction, this is actually a 2003 tax credit application that has faced a number of significant challenges through the development of this particular transaction. It is a small number of units. It is 28 units.

They have had issues with the title company not willing to provide title insurance for a period of two years. This is a USDA development and when they did find a title company that was willing to provide title insurance, then they had some timing issues with USDA. The Board did grant an extension in December of '04 related to the start of substantial construction in this particular transaction.

What they are asking is a new deadline of September 9, 2005 for the start of substantial construction. They will have to be in service by the end of this year.

But since it is 28 units, and it is an experienced developer and experienced construction company, staff does feel that they have the capacity to complete the development by the end of the year. And we are recommending that the Board grant this extension.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: We do have public comment on this item. Mr. Hoover, do you wish to comment?

MR. HOOVER: Not unless someone has got a question.

MS. ANDERSON: Thank you, sir. Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The second item for the Board consideration is an extension of a close of construction loan. This is a 2004 tax credit development. Stratton Oaks. They are requesting a new construction loan closing deadline of October 1 of '05.

Last month, the Board did approve the change of location of the buildings on the site, actually in May of this year, not last month. The Board did approve an amendment to the change of the location of the buildings.

And with those changes, then there was additional time that was needed by the City of Seguin to review the plans, look at the permits and if they have some engineering and drainage issues that they are currently addressing. And staff is recommending an extension of this deadline to October 1 of 2005.

MR. CONINE: Move for approval.

MR. GONZALEZ: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item on the agenda is Item 1(b) and this would have been appeals related to the 2005 tax credit cycle. And we do not have any items under that agenda item. So there are no appeals under Item 1(b) for the Board to consider today.

MS. BOSTON: They were in your -- it should be in the book.

MR. CONINE: Nothing.

MR. BOGANY: I have got some appeals on mine. I have got two.

MR. CONINE: Well, I have got --

MS. ANDERSON: I didn't see an addendum to the agenda when I went in and looked for it on Monday, that would have indicated someone had come in on Friday --

MS. CARRINGTON: Actually, I think perhaps our agenda is wrong, because they were in the book. I am sorry. It looks like our agenda may not track.

MR. CONINE: I have got one.

MS. CARRINGTON: Actually, Key West Village.

MS. BOSTON: Right.

MS. CARRINGTON: Key West Village is one. And then the other one is Greenbriar.

MS. BOSTON: Because they were -- yes.

MS. CARRINGTON: So would they fall then under other agenda items timely filed?

MS. BOSTON: Yes.

MS. CARRINGTON: Which would be 1(b), the second paragraph, consistent with 49.17(b)(4)(B) -- any other appeals timely filed. Okay. I apologize. Okay, thank you. The first one is Key West Village. Key West Village is --

(Pause.)

MS. CARRINGTON: Okay, 1(b), and then you have got a blank sheet that says any if timely filed. And then you have a yellow page.

MR. CONINE: Right.

MS. CARRINGTON: And then you have a yellow page, and it should be right behind the yellow page, Mr. Conine.

MS. ANDERSON: I don't have a yellow page.

MR. CONINE: It is the second and not the first. It is the second yellow page.

(Pause.)

MS. CARRINGTON: Thank you all, and sorry for the confusion. All right. Key West Village. This particular transaction is located in Odessa. It is a 2005 application for tax credits. And staff originally awarded 24 points to this application for the letter for the scoring of quantifiable community participation. It was pointed out to the staff, and this is also one of the developments that is discussed in the allegation discussion, which will be Item 1(c). It was brought to staff's attention that according to the letter of support from the neighborhood organization that they listed, they had three members in the organization, and that all three of those members were actually directors of the organization.

And there is a section of the QAP that states neighborhood organizations do not include organizations that have no members other than board members. So it was determined that since all three of those members were directors, that rather than getting the full 24 points, that their score was reduced on that item from 24 down to 12, which you will remember is the neutral point for those letters for quantifiable community participation. So staff did reduce those points. They did appeal to the Executive Director. The Executive Director did deny the appeal. And so now, they are appealing to the Board on this item.

MR. CONINE: Any public comment?

MS. ANDERSON: No. There is no public comment, is there -- yes, sir?

MR. ALLGEIER: I have public comment, but can I --

MS. ANDERSON: Did you complete a witness affirmation form?

MR. ALLGEIER: Yes. I just haven't given it -- my name is Dan Allgeier to speak about this. Glenna gave you the information here. The letter from the Board was mistaken. There is 20 or 30 something members to this homeowners' association.

I provided yesterday that the secretary of the organization had been on vacation, and didn't get in until yesterday. And I faxed a copy of a list, which I hope is in the board packet of members of the association. They have good attendance at meetings, usually 20 or more. They have 22 dues-paying members, because they do collect dues. That is who is on the list.

It has got addresses there too, if you want to check those, they are within the area. They have real meetings. They discuss stuff besides this project. They discussed last time -- she said they discussed crime issues, and drainage in the area.

And we ask that these points be reinstated, because there are more members than there are board members in the association. Twelve points is critical. Obviously, it takes us from being something that staff recommended last time, to out of the scoring.

This is a phase two of a project that the housing authority is one of the partner. Phase 1 has been very successful. It has a waiting list. And basically, these units are rented as soon as they are finished.

MS. ANDERSON: Questions for Mr. Allgeier?

(No response.)

MS. ANDERSON: Thank you, sir. I think maybe we need to hear a little -- thank you. Does staff have the documents that were faxed yesterday, or other comments to make?

MS. BOSTON: It wasn't in the board book because he didn't send it to us until yesterday. But we do have it. And I would just like to point out that the only documentation we have from the neighborhood, whose points these are, is a letter from the neighborhood saying the organization has three members. And then elsewhere indicating that those individuals are the officers.

The letter that came in with the list of 20 plus members comes directly from the applicant. There is nothing that shows us at least that it is from the neighborhood. The neighborhood hasn't corroborated that or contacted us in any way.

So I feel like based on the evidence, we would still need to go based on the only thing that we have from the neighborhood which is unfortunately, that all the members are directors. And therefore it is ineligible.

MR. ALLGEIER: Just a couple of points. One, it came from us, because the neighborhood association -- I am sorry. The secretary -- it didn't arrive until yesterday because the secretary was gone, and I don't have the list. She has the list.

Secondly, they are a fairly informal neighborhood association. They don't have a fax machine.

They sent it to me to fax. And they sent it to an attorney, who sent it to me and e-mailed it to me, and I turned around and faxed it.

This is their list. This isn't my list. I don't know any of these people.

MS. ANDERSON: I don't think -- we have had another situation where an applicant allowed the neighborhood association to use their fax machine. I don't think that is the issue here.

I think the point that Brooke is making that the correspondence is not from the neighborhood association and the applicants, based on my reading of the QAP are not to provide material or substitute their correspondence for the correspondence of the neighborhood organization.

MS. BOSTON: And I also would just like to add, we don't know when those members were added. I mean, at the time the letter came in to us, they told us themselves they only had three members. So maybe they do now have more members. That may be true.

But at the time the letter came in, and they had to tell us the information, they believed they had three members. So I think that timing is kind of an issue, not knowing when any of those people were added.

MR. CONINE: Move for approval of staff recommendation to deny.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next appeal for your consideration is Greenbriar Village Apartments. And this is behind, it should be another yellow sheet in the book. And this is the --

MS. ANDERSON: If you could please be seated, sir, while the staff is making their presentation? Thank you so much.

MS. CARRINGTON: Staff has disqualified a 2005 application based on information we received, and information that we researched, related to Greenbriar Village Apartments. And it concerns the information related to HUB.

And in this particular development application, the applicant requested two points under a particular section of the QAP. And that section of the QAP allows for two points for a HUB, if a HUB does not have a certain amount of experience. They did request the two points, and staff did award those two points.

It was later pointed out to us that a principal, that Randy Stevenson was acting as a principal in this development, and that he had indeed received three sets of 8609s. Which, as the Board knows, those are actually the IRS documents that grant the credits. And that is how we determine the experience.

So that he had received three sets of 8609s, so was not eligible to receive those HUB points. We looked into this further, and used Section 49.5(b)(1) of the QAP, which says that the provision of fraudulent information, knowingly false documentation, or other intentional or negligent material representation in the application warrants the application being disqualified from the round.

So staff has taken the position that Mr. Stevenson should have known how many sets of 8609s he had received, and violated that section of the QAP, and so the staff did disqualify this particular application.

And the staff is recommending that the Board not grant the appeal. They did appeal first to the agency, to the Executive Director, and I denied the appeal, and now they are appealing to the Board.

MS. ANDERSON: Board, would you like to hear the public comment, before we -- Mr. Stevenson.

MR. STEVENSON: I appreciate the opportunity to come before the Board, Madam Chairman and staff. What I am bringing to you is a couple of things. One is a copy of the Qualified Allocation Plan, and the other is my experience certification of the previous projects.

I received notification of termination, accused of misrepresentation, after the last board meeting of June 27, at which time we were on the approved list by the staff. I think what we have got here is an honest mistake. What we were homed into here is our interpretation.

We thought that principal as it related to the HUB entity meant owner and not an officer or a manager. This is a new rule this year. We should have known that. We did not. And I might also add that at the time of our pre-app, which we didn't know we had done anything wrong anyway, we had not received our second 8609. So I am not a professional consultant, and I did not turn in a perfect application. But an honest mistake was made.

Our application was turned in on February 28, 2005, after nearly four months review, we were accused of misrepresentation and terminated from the application process for 2005. During the four months of review by several levels of staff, approval, this was not brought up, and approval was received.

In fact, our project was recommended to the Board for approval on the June 27 meeting. The only avenue at this date and time is that this board meeting right now, it would have happened during a deficiency notification, we would have had time to pause to rectify it. And once again, an honest mistake was made. There are several things here about this misrepresentation.

If you carry this to the ultimate, where the application would be terminated, anyone -- if an applicant turned in a project based voucher, and then could not produce the voucher, they are going to have points taken away from them, or would they be terminated. If the four amenities, another example of this, it was over one mile, if the projects amenities were less than a mile, is it going to be terminated.

We received a commitment for local funding from the North Texas Housing Finance Corp. We received an e-mail from TDHCA staff indicated that this would not be considered acceptable local funding. After two trips to Wichita Falls, I acquired project-based vouchers.

Now we see that the funds from the housing finance corp are now being accepted by the staff. Maybe another mistake was made. However, albeit, an honest mistake.

And the one thing in here, I really do not understand, and I have got a copy of this QAP 49.17(b)(2) or (1) which states; the applicant may not appeal a decision -- that says decision -- made regarding an application filed by another applicant. If the Board allows this to happen, it seems as though the applicant with the largest legal team, that dissects the applications of the higher scores in front of them will receive the allocation.

Is that what the Board wants. We are opening up Pandora's box here, it appears to me, after four months of review, unknowingly to me, we had done something wrong, and didn't know it at the time. And someone else evidently appealed this decision, and this is the result of it. There is not a perfect application, nor is there a perfect analysis of this application by the staff.

And I feel that a true injustice has been done.

Nothing was intentional. I feel as though reinstating the project 05-058 and the possibility of funding or a forward permit is in order. Do you have any questions?

MS. ANDERSON: Thank you.

(Pause.)

MS. ANDERSON: My, such a quiet group this morning.

MR. BOGANY: I move that we accept staff's recommendation.

MR. GONZALEZ: Staff's recommendation was to deny.

MS. ANDERSON: Okay. We have a motion.

MR. GORDON: I have a question.

MS. ANDERSON: And a second. Is there discussion. Yes, sir?

MR. GORDON: I have a question for staff. Is there anything in this application where he misrepresented who he was or anything? The issue is, he was just an officer, right? And that is technically a principal?

MS. BOSTON: Correct, he definitely showed throughout the application that he was involved. His name shows up in all the places that it is supposed to. That wasn't hidden.

MR. GORDON: So there wasn't -- I mean, it wasn't -- I guess you get into fraudulent, and then you said that you misrepresented if you were involved in the deal. That is where I am kind of going here. I don't think there is any question he was a principal under the QAP.

MS. BOSTON: Correct.

MR. CONINE: Do we define principal?

MS. BOSTON: Yes, we do.

MR. CONINE: Would you read it to me?

MS. BOSTON: Sure. The term principal is defined as persons that will exercise control over a partnership, corporation, limited liability company, trust or any other private entity. And then they go on to say, in the case of partnerships, principals include LGPs, special LPS and principals with at least 10 percent ownership interest.

And regarding it says what it is for a corporation and what it is for an LLC. Do you want me to keep reading?

MR. CONINE: Well, in his case, is he a -- what is he? What is a GP entity? Let's get specific to his case.

MS. CARRINGTON: It is an LLC.

MS. BOSTON: And so in that case, it is

principals include all managing members, members having a 10 percent or more interest in the LLC or any officer acting on behalf of the LLC.

MR. CONINE: Okay.

MS. BOSTON: And so --

MR. CONINE: That is where it picks it up then, the officer.

MS. BOSTON: Yes.

MR. GORDON: I guess where I draw a little bit of distinction here is -- and I think this is a very important provision of the QAP. And if I am laboring here, it is very thin. And I just want to make sure we are not opening a door.

But I kind of view as fraudulent as somebody that knew something and didn't submit an application in like. And I don't think that happened here. I think he was very open as to who he was.

I mean, I think I think there is an issue of whether or not he was a principal or not. But that is where I am kind of a little bit in disagreement with staff, maybe. I want to make sure that this is a very thin exception.

MS. BOSTON: Yes. And even Mr. Stevenson concurs that they are ineligible for the point. So he is not appealing that at all.

MR. GORDON: There is no question about the points.

MS. BOSTON: There is agreement about that. So it is just as to whether --

MR. GORDON: You could draw this as to where you submitted the wrong square footage in your application, and technically, the way you that you applied this --

MS. ANDERSON: Well, I think it is a little different -- I mean, I see it a little different, when the topic is the definition of the entity or the applicant, rather than whether it is 50,000 square feet or 51,000.

MR. GORDON: Yes.

MS. ANDERSON: It is not a mathematical error.

MR. GORDON: The materiality, yes.

MS. ANDERSON: Yes.

MR. CONINE: Does the phrase negligent material misrepresentation, is that were we are headed here?

MS. BOSTON: Yes. And I think we were hinging on the knowingly false documentation. And you know, they do turn in a certification indicating that they are eligible for these points.

MS. ANDERSON: And hearing no further

discussion, I assume we are ready to vote. All in favor of the motion, please say aye.

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Before we move on, I would just like to welcome a couple of guests to our meeting this morning.

Standing next to each other in the back of the room, Mr. Mike Gerber from the Governor's Office, and Mr. Jason Smith from the House Urban Affairs Committee. Welcome to you both. Thanks for being here. Okay.

MS. CARRINGTON: The next item for the Board's consideration is Item 1(c). And this is a presentation of research on allegations made concerning 2005 tax credit applications. The Board has a matrix that staff has put together, outlining the details of these transactions.

There are actually 15 allegations that involve 14 applications that are in our cycle this year. And this is all of the information that the Department had received up to July 6 of this year that had been made against the 2005 application cycle. And of course, the magic on that date was that this is when we prepared this material for the Board's consideration.

And our process this year, as has been our process in other years, is to research the allegations that have been made to staff. And staff does receive allegations anonymously. We also receive allegations where people have signed the e-mail and signed the letters. It does not make any difference to us whether they are anonymous or non-anonymous.

We do research all of those. And then we take the appropriate action. To the extent that we find no justification for the allegation, then what we do is to respond back to the person who had brought the allegation to our attention. If it was signed; if we knew who that person was. And then we also put a notice in the file that we found no justification for that.

If we do find that there has been justification for the allegations, then we take one of a couple of actions. And that is, either points are reduced, if that is the appropriate action. Or the application is terminated.

We do follow up with all of these and we respond back to the person or the entity who brought the information to us, along with putting a memo in the file on that particular application. So that is the process we used this year. It is very much the process we have used in years past, because we have, in years past, received these kinds of allegations against particular tax credit applications.

So we have prepared a chart for the Board, I think, that is a four page chart. And it identifies for the Board the project number, the name of the project, who the allegation was made by, the date that we received it. We have summarized, obviously, what the allegation was.

And then over on the right hand column, provided what the resolution on that particular allegation was. Some of these are older. Some of these, we had received earlier in the cycle. Some of them are fairly recent.

There was information that was provided at the last board meeting, that the staff has researched. And some of that, we are still in some pending and putting memos to the files, and actually closing the loop on some of those.

So I think what I would like to do is just you know, this is the memo. This is the matrix for the Board's information. And if you all have particular questions you would like to ask staff, then we would be happy to answer those questions for you.

MR. CONINE: Ms. Carrington, I would like to commend the staff for putting together this matrix, actually. This is the first time I have seen it presented in this format.

It makes it a lot easier for us, and I am sure it makes it a lot easier for staff to track. And I just appreciate the effort.

MS. ANDERSON: I guess I would be interested in knowing if any of the board members want to have any discussion about Hereford Central Place which was the development that Mr. Brown spoke to us about a few minutes ago.

MS. ANDERSON: On page 3.

MS. CARRINGTON: Second from the bottom, 05-020.

MR. CONINE: Staff's still working -- it says pending here. So staff is still working on it, and I assume we can -- my preference would to be let staff finish their work on it, and come back at the next board meeting.

MS. BOSTON: Well, and for clarification on that one, it is on the allegation list for other allegations that were made regarding concepts of money laundering in two other communities. The actual exact issue being raised by Rick Brown is not a specific allegation on this table.

And discussions with our counsel, we believed that you could take action on their deal relating to that issue if you chose to, although it is not the exact specific issue stated here. And the research on this issue has indeed been finalized. The only part pending was that we, at the time we produced this, we still were drafting the memo for the file. But our resolution regarding any concept of money laundering is that our research does not confirm that.

MS. ANDERSON: On this allegation.

MS. BOSTON: Correct.

MS. ANDERSON: Which is different from what Mr. Brown is speaking of.

MS. BOSTON: Correct.

MS. REYNOLDS: Counsel actually believes that it would better to wait until the next board meeting to take action on that specific issue.

MR. CONINE: Wow, having an attorney agree with me.

MS. CARRINGTON: And me.

MR. CONINE: That is rare.

MS. ANDERSON: What is the Board's pleasure on this? Would you like to ask, do we want to ask the staff to put this on the agenda for discussion and possible action on July 27?

MR. CONINE: I would prefer if there is any pending issues related to this list in total, that if there is anything we need to take issue with, we do it at the next meeting.

MS. ANDERSON: Is that clear to everybody? Okay. I did have public comment on this item. So I think I will just call these witnesses to see if they want to speak. Ms. Bast?

MS. BAST: No, thank you.

MS. ANDERSON: Eduardo Magaloni?

MR. MAGALONI: I will be available in response if that would be okay.

MS. ANDERSON: Mr. Raymond Lucas.

MR. LUCAS: Only in response.

MS. ANDERSON: Okay. Thank you, sir. Okay. So I think we are ready now to go to Item 1(d).

MS. CARRINGTON: Item 1(d) has been pulled from the agenda.

MS. ANDERSON: Okay. Item 2 is presentation, discussion and possible approval of multi-family bond program. The first topic is an inducement resolution. Ms. Carrington?

MS. CARRINGTON: Thank you, Madam Chair. There are three applications for private activity bonds and 4 percent credits for inducement. Inducement to go on the waiting list for 2005, over to the Bond Review Board. The three applications are requesting a total of $39,600,000.

On your summary page, on the board action request, we have provided you information about these three developments. The first one is Brookwood Apartments. This particular transaction would be located in Houston.

And the Department has received numerous e-mails and letters in opposition to this application, including local, state and U.S. elected officials. The Brookwood Apartments would be a priority two application over to the Bond Review Board.

The next you are considering for inducement is the Rolling Creek Apartments. This transaction would also be located in Houston. This application is a 1(c) application, and in priority with the Bond Review Board.

And then the third one for your consideration for inducement is Ennis Senior Estates. And this is a priority 1(a) application, and would be located in Ennis, Texas.

We have provided a chart for you, which is two pages back behind your board action request that does provide information on the address of the developer. Whether the development is proposed to be general, i.e. family, or elderly. How many units, and also what the proposed bond issuance amount would be on these three transactions.

And at the end of this section, you also have a brief summary of the financial information on each particular transaction. And this is inducement only. Should a reservation come available, the Bond Review Board will of course, the Board would -- this would come back to the Board for full consideration and evaluation.

MS. ANDERSON: We have quite a bit of public comment, and visitors here regarding the Brookwood Apartments application. You might want to hear that first, if you all are agreeable to that. Okay, Mr. Robert Lester.

MR. CONINE: I wish the Mayor was here.

MR. LESTER: Thank you for giving us the opportunity to express our concerns about this particular project. My name is Robert Lester. I am the president of the Brookwoods Estates Civic Club in Houston, Texas.

And the project we are talking about is the Brookwood Apartments, and your development number is 2005-

040. And we are a small, 180 unit single dwelling residential area.

And surrounding us are 24 already low-income median income apartment units. And those units, as of July 12, 2005 had 322 vacancies. And the addition of 250 more units would only further deteriorate the housing development and a lot of public issues there.

We have invited many of our public officials from the Governor all the way down to local officials. And everyone that we contacted sent either themselves or representatives from their office out to look at our situation. And every one of them wrote this agency expressing their concern, and asking you to disapprove this bond allotment or whatever you call it.

And even Sheila Jackson Lee which you all know as a proponent of low-income housing is on our side. She wrote a letter along with the Governor, our state senator John Whitmire, and other public officials. Everyone agreed with us that this project is inappropriate for the location.

We are not opposed to low-income housing or what you are proposing to approve here. But the location is not appropriate. And we have many people here with me today that would like to speak on this issue.

Would you like to stand now, and so recognize the people from Brookwood Estate that are here in opposition. And so, I would like to conclude my time, with offering my time to these people to speak on their specific issues. Thank you very much.

MS. ANDERSON: Thank you, sir. Questions.

(No response.)

MS. ANDERSON: Jim McLaughlin?

MR. MCLAUGHLIN: Good morning.

MS. ANDERSON: Good morning.

MR. MCLAUGHLIN: Thank you for allowing me to speak on this issue. And I am just a concerned neighbor. I just wanted to let you know, we have a lot of seniors in our neighborhood. And that being said, me walking on Sixth Street with my wife last night, they thought I was a senior as well. I got more sirs than Carter has pills.

But I am worried about their safety. I am really worried about them getting raped, robbed, murdered. And that is really my biggest concern with this project.

Our police protection in the neighborhood has decreased. In other words, I had read an article in the Chronicle recently that basically, they have reduced the number of police officers in our area. So that is a concern.

We already have prostitutes in the neighborhood. And I actually stopped and asked a policeman to do something about it recently, and he said he was working a sting operation in the apartments right next to our neighborhood, and he needed to be available in case gun shots broke out. So we do have crime problems in our neighborhood right now.

We frequently hear gun shots in our neighborhood. As a matter of fact, I have three bullet holes in my roof. Which was unique, when you get a leaking roof on a new roof, and the roofer comes out and says you have bullet holes in your roof.

We have flooding problems already in our neighborhood. And I am very concerned that we might increase, or have more flooding problems with the building of this project.

Also the numbers that were submitted to you, we had a realtor check those vacancy rates and check those numbers. And to the best of my knowledge, they are not correct. So they need to be re-looked at again, in my opinion.

And basically, we are just very proud of our neighborhood. We are one of the first neighborhoods in Texas to get deed restrictions reinstated back into our neighborhood. So we are really trying to improve our neighborhood.

And I am not opposed to low-income housing but we already have so much in our neighborhood, I just worry that it is going to be a crime problem. Thank you very much.

MS. ANDERSON: Thank you, sir. Patricia Lester.

MS. LESTER: Ms. Anderson and board members, we thank you very much for letting us come and speak to you about this concern of ours. I have lived in Brookwoods Estates 38 years. I was on the committee who regained the single-family residential deed restrictions ten years ago.

My husband and I have been involved with our two children in the neighborhood public schools. And this is the issue I would like to speak to, and that is our school situation. I am a member of a Texas, a life member of the Parent Teachers Association, and I would like to join with our superintendent, Abelardo Saavedra, and our school board president Diane Johnson in opposing the funding of Brookwood Apartments for the following two reasons.

Our neighborhood schools are near or at capacity of intake. Stevens Elementary has 705 students, with a capacity for 790. Black Middle School has 700 students with a limit of 1,100. And Waltrip Senior High has 1,751 and closeout at 2,200.

The other neighborhood schools our son attended for two years, Wainwright Elementary is at capacity and cannot accept transfers. From the HID website we learned that in 2004, Stevens Elementary had 96 percent of their students on free lunches. Wainwright had 96 percent also. Black Middle School, and that is the middle school, had 89 percent and Waltrip High School had 65 percent.

To quote our superintendent, it is the Houston Independent School District's responsibility to serve the children of the community where the proposed Brookwood Apartments would be located. Considering the dense population of the proposed area, as well as the large number of underutilized apartment complexes currently existing, HISD is concerned that the capacity of the existing elementary schools will not be sufficient to provide quality education to the large student increase the development might bring.

We ask that you please consider the impact of this new multi-family development would have on the existing educational infrastructure, as HISD serves to provide a quality education for all students. Thank you for considering these points.

MS. ANDERSON: Thank you.

MR. GONZALEZ: Excuse me.

MS. ANDERSON: Yes, go ahead.

MR. GONZALEZ: I had a question. Can you explain to me what the free lunches, the percentage there, what impact that has?

MS. LESTER: That signifies that a vast majority of the students come from low-income families already, and we are proposing to put in low-income apartments to add to that population.

MS. ANDERSON: Louise Connell.

MS. CONNELL: Yes.

MS. ANDERSON: Ms. Groneck -- and I advised Mr. Lester that I was probably going to do this -- we are going to ask that these witnesses be limited to two minutes each because we have so many of them. Okay? Thank you.

MS. CONNELL: Good morning.

MS. ANDERSON: Good morning.

MS. CONNELL: My name is Louise Connell. I live at 4210 Ascot Lane, and that is in Brookwoods Estates. This has been my home since 1966. We have raised three children there. And we are really proud of what we have done in our neighborhood in keeping it up and everything.

And as someone else said there, right now, it is so much traffic going through these little streets, that it is dangerous. We don't have sidewalks and cars move down in there. And we know if there is any more traffic, if that apartment is built, that the streets will really be dangerous.

And in our area, which is a lot of senior citizens, they do walk for exercise. They walk around these blocks, and walk their pets and children. And we don't have sidewalks.

So we have to be in the street, and it is very dangerous. And so this morning, I would just ask you to really consider the impact this would have on our neighborhood and on our way of life. Thank you.

MS. ANDERSON: Thank you, ma'am. Monica Faulkner from Representative Jessica Farrar's office.

MS. FAULKNER: Hello. My name is Monica Faulkner. I am from Representative Jessica Farrar's office. And I don't want to take up a lot of your time. I have brought you the letter of opposition that she had written.

And basically, she feels that it is just an issue of density. She is very supportive of affordable housing issues. But there is just too many apartment complexes in this very small area. And so that was her concern, and that is why she is opposing it.

And you can read from her letter. If you have any questions, I would be happy to answer them. But otherwise, I know that the residents from the community drove a long way. So thank you very much.

MS. ANDERSON: Thank you. Thank you very much. Julie Freeland. And the next person will be Jan Droegemeyer.

MS. FREELAND: Hello. My name is Julie Freeland, and I live at 3818 Ascot. I was basically raised in Brookwoods Estates. And my mother still lives on Ascot too, about three and a half years ago, I was fortunate enough to be able to buy a house of my own in there, which I never thought I was going to be able to do. Brookwoods is a small community where basically the people, once they move in, they never move out. So that is one reason I didn't think I would get a house. Many of our neighbors who aren't here today have lived there for 40 and 50 years. I am opposing the Brookwood Apartments due to several issues. One of the issues is the traffic issue. Right now, if we put another 250 families in this small, it is basically like a three block area. Our streets are already seeing a lot of traffic. We have two major arteries on the east and west of our community where people are already cutting through trying to see if they can get a better route. With having these apartments down there, I think it is just going to -- I mean, I can't even imagine, even if it is just another 250 cars that come through there a day. And it is dangerous. We have a lot of neighbors, elderly neighbors. I have an 87 year old neighbor who likes to walk. Also, I strongly believe that the apartment complex is going to lower our property values. These homes are a lot of our major investments. I mean, to some people, it is really all they have in there. And we have put a lot of time and money into these homes. I just don't think it is a good ratio to try to better the lives of 250 families while basically decreasing the quality of life for 180 and possibly, no telling what it is going to do to the property values. So I am strongly opposing the apartment complex, and I hope you all take these issues into consideration and thank you all for your all time.

MR. CONINE: Ms. Freeland?

MS. FREELAND: Yes.

MR. CONINE: Is this kind of the last remaining block of land in this three block area that -- can you talk into the microphone. Talk into the mic.

MS. FREELAND: For the residential part?

MR. CONINE: Talk into the microphone so everyone can hear you. Yes.

MS. FREELAND: Yes. Well, actually what it is, it is about three blocks, and then there is a lot of apartments on one street, I guess. And then there is more residents on the other side. It is a different community.

MR. CONINE: So how many other vacant --

MS. FREELAND: They are also opposing it, too.

MR. CONINE: Since you grew up there, how many other vacant land tracts are there, in there?

MS. FREELAND: Oh, vacant land?

MR. CONINE: Uh-huh.

MS. FREELAND: Vacant land right around there. There is one on TC Jester, I think. Vacant land.

VOICE: I can answer that for you.

MS. FREELAND: And again, she has studied all --

MS. ANDERSON: We will ask you to do that when you testify.

MR. CONINE: Okay. Yes.

MS. FREELAND: That is kind of one of those questions -- off the cuff there, I don't know.

MR. CONINE: All right.

MS. ANDERSON: Yes. Mr. Bogany has a question for you also, Ms. Freeman.

MS. FREELAND: Okay.

MR. BOGANY: I don't think I have so much a question as just a comment.

MS. FREELAND: Okay.

MR. BOGANY: There is no evidence that low-to-moderate income apartments bring property values down. And I am a realtor. I am in Houston. I have driven by the project, the area.

MS. FREELAND: Uh-huh.

MR. BOGANY: And I saw it. But I just can't sit here and let that statement be said, because there is no evidence of that. And you can lose your property value if you determine it is worth less now. And that can affect it. But it in evidence that if you put too many in one spot that it will begin to have a deterioration.

MS. FREELAND: Well, and that is what I mean.

MR. BOGANY: Okay. I just wanted to --

MS. FREELAND: It is not so much that, as that we already have a lot of apartments around us. I mean, it is this side, this side, and now it would be this side.

MR. BOGANY: Okay.

MS. FREELAND: And then over here, is businesses, you know. So we would totally be surrounded.

MR. BOGANY: Okay.

MS. ANDERSON: Thank you.

MS. FREELAND: Thank you.

MS. ANDERSON: Mr. Droegemeyer. Sorry.

MR. DROEGEMEYER: I am Jan Droegemeyer and thank you for letting us come to voice our opposition to this proposed apartment -- low-income housing project to be located in the backyard of Brookwoods Estates. My family has lived in the neighborhood for the past 49 years, and I have recently moved back.

And now, as the sub-division is undergoing gentrification, our very way of life is threatened with a milk and seed project that can very negatively impact the area. The very thought of five five-story apartment buildings at the end of the street boggles the mind.

If I may read from a letter that was sent to this Department from our Council member Gordon Kwan, this letter is to alert you of my opposition to the proposed 215 unit low-income apartment complex development to be located at 4210 Brookwood Drive. A member of my staff has personally driven the area and reviewed the targeted site.

In addition, my office has heard not only from residents in the area, but business owners as well who opposed the proposed development. I have been informed that the Brookwood community is currently inundated with low-income apartment complexes that continue to remain below tenant occupancy.

I believe this development would put additional strain on what has been an ongoing problem of drainage and the potential for increased crime in the area. And Gordon Kwan is the Council member-at-large Position 2, also the Chairman of Housing, Neighborhoods and Redevelopment.

And as your mission states, to help Texans achieve an improved quality of life through the development of better communities is not served when it at the expense of others. So please deny this application. Thank you.

MS. ANDERSON: Thank you, sir. Bobby Hendrix? And the next person will be Karen Townsend.

MR. HENDRIX: Thank you, Madam Chairman. Vice-Chairman and members of the Board. I am Bobby Hendrix. I have been a resident of Brookwoods Estates for 27 years. In that time, we have experienced quite a bit of flooding and real close in the area. Recently, in the last few years, we have had a couple of homes that actually took on water on the eastern edge, next to West TC Jester.

This proposed project would dominate the western entry to the sub-division. It is basically served by an east and west entry, two streets actually on West TC Jester and on Mangum. I think it would change the character and the impression that one would get as they were either visiting or coming home, or whatever, to have these units out there.

But what really concerns me is the potential additional potential for flooding. I mentioned that we have had some 23 inches of rain over a three day period. And when we had Tropical Storm Allison came through a few years ago, we have had regular unnamed storms that threatened us. I have had occasion to witness water within four inches of coming into my home.

I would like to suggest that based on my viewpoint, as a resident, this is a project that is not necessary. I applaud your mission. I applaud the good work that you do.

But please consider, there is some things that would speak against this. And as witnessed by the volume of data that you have. But as one who has lived there for 27 years, it would worry me that it is going to adversely affect our quality of life through our infrastructure.

MS. ANDERSON: I have to ask you to wrap us, sir. Your two minutes are up. I need to ask you to wrap up.

MR. HENDRIX: Oh, well, I can't add too much except this is just my opinion, and I am asking you to consider it. Thank you very much.

MS. ANDERSON: Thank you, sir. Ms. Townsend.

MS. TOWNSEND: I want to take just a moment to explain about the book we gave you. We found out from the staff members that you would not be given copies of any of the opposition letters, and we were kind of appalled at that, because we worked very hard to obtain them and to educate the officials.

Many of these officials were not interested in hearing our case at the beginning. We truly had to show them what we are dealing with. So if you will look at your map, this is a picture of our sub-division. It is a very small sub-division, less than one square mile.

Every one of the black apartments already exists in our subdivision. The blue is the proposed new apartment complex. The orange are condominiums and townhouses. Our sub-division is from the 50s. We are blessed with beautiful trees.

If you go back to the very last section in your sub-division in this book, we have given you some photos, because we know that you have a variety of things to consider, and that you are not going to be able to really go on site, like many of the other staff officials have done. But this is our home and this is where we live. And it matters immensely to us.

We did provide you with copies of the opposition letters. I know it is too much for you to read. We did provide you with a section of key quotes from the opposition letters that were received by us and by TDHCA. I believe all these are on file here.

I have been given a couple of other people's time, and I will try not to take it. But I want to read a statement just real quick.

I have been a resident of this area since 1988. When I moved to Shepherd Forest as a single parent with my son. In 1999, my husband, son and I moved to Brookwoods Estates. We love this neighborhood.

It is a close in neighborhood. It is wonderful that we don't have to fight the traffic. That is one of the reasons that developers are beginning to look at it. I want to point out that the vacancy is only there because their owner tore down a church.

This was the site of a church, and it was the home of a church for a long time. The church outgrew its building, and moved further out. And the owner of the property tore down the church and put it up for sale for commercial.

That is why it is available. It is a part of our sub-division, but because deed restrictions lapsed in the 80s, the owner of that property opted out of deed restrictions. So we don't have any control over what he does.

However, we plead our case to you that this is not an appropriate location. I did a door to door survey when we received news of this. I went to every apartment complex. I asked them, how many units do you have. What are your rents. What are your vacancies.

And I found that the rents are going to be far lower than Mr. Henson's proposed rents. They have vacancies in April in 309. This has increased to 322. That is about an average of 11 percent vacancy. This is despite many move-in specials.

MS. ANDERSON: Will someone yield time to Ms. --

MS. HUTH: Sigrid Huth.

MS. ANDERSON: Thank you.

MS. TOWNSEND: I will wrap this up. There are 24 apartment complexes within one square mile of the proposed site. These complexes have over 2,800 units.

Over the time that I have been in Houston, I have watched apartment complexes be abandoned and closed down, I have watched them become hotbeds of crime as abandoned properties. I have a feeling that when Mr. Henson, he is allowed to build this, what will happen is many of the existing apartment complexes will be abandoned by economics.

And then we will have the crime that is associated with abandoned buildings. It takes years for those properties to be razed. I watched it happen on 34th Street before.

And we don't need -- it is a terrible burden to the neighborhood. He may think that it is inevitable, but I don't. I believe those apartments can be rehabbed. And I would appeal to you not to let this project go forward. Thank you for your time.

MS. ANDERSON: Thank you. Samantha Townsend, and the next person is Sandra Jacobs.

MS. TOWNSEND: Good afternoon. I'm Samantha Townsend, and I first want to thank you for this opportunity; what a great opportunity it is to be able to participate in something that we believe could so negatively impact our community. My situation is a little different from most of the residents in Brookwoods.

My husband and I recently moved our family into the neighborhood just less than three months ago. We were made aware of this situation, but after taking everything into consideration, we felt comfortable that it is not something that would be approved, just given the saturation of it. I did a little research on my own.

I won't belabor the points of how many complexes we have in the existing vacancies that exist today. Or the fact that the proposed site would have much higher rental rates than what already exists. I won't belabor those points.

But I did want to just -- okay, now, I spent some time looking at the TDHCA website and trying to understand what your goal is, what your purpose is. And of course, that your mission, that it is to help Texas achieve an improved quality of life through development of better communities.

I checked this out of recent -- of available vacancies in affordable housing in our area. And what I did is limited it to those that fall within our police beat. Because we all know that there are issues just throughout the City with the police coverage that we currently have, with the existing residents. Residential neighborhoods as well as apartment complexes.

I found that there are twelve multi-family complexes that are already available that have occupancy rates. They have at least a 20 percent occupancy rate. There are 1,300 units, affordable housing units available between a one to four mile radius of the proposed site. And that may be -- again, that is based on the information that I got directly from your website, and is not -- is all limited to our police beat.

It may be information you already have available to you, but I just thought it was something that would really, I think, after considering that, it just shows that approval of such a program with inconsistent with the mission of the TDHCA, given the saturation that already exists. Thank you.

MS. ANDERSON: Mr. Jacobs? And the next witness will be Paul Antonsen.

MR. JACOBS: Good morning. My name is Sam Jacobs. I appreciate being allowed to appear this morning. I won't belabor the same facts, or I hope not to. But I do want to reiterate them somewhat.

I want to start with just reading the very first line in your mission, and that is to help Texans achieve an improved quality of life. On my way over here this morning from Houston, after I left Brenham, the next three towns were Burton, Carmine and Leadbetter. That is really not pertinent here except the population that you are looking to put at the end of my street is greater than all those towns combined. And you are asking to drive down my street.

I have got to tell you, what I do for a living, is I build homes. And I have gone into old sub-divisions, in existing situations. And I have never done it without somebody opposing it. And I have always felt an obligation that it was my responsibility to go in and explain it to people and try to quell any opposition. And then do a good job, so that people would be happy when I left. And every time, I managed to accomplish that.

But it is making an effort not to be a wart on a community. An oddball, or a jerk. And I use those terms, and I realize that they are kind of strong. But I will point out that the developer of this project has not approached this sub-division one time. He has refused to come to meetings. He has communicated only once with a very sarcastic letter.

And it is kind of a bully boy attitude. And he only gets it because you are willing to fund it. That is not nice. There are ways, in my humble opinion that he could achieve his goal here and not crush our community. But he is -- so far, he has not mentioned a one of them. He has certainly not approached the community and asked if there is any way they would get on board with him.

And I think the very least you could do is send him back to school, and tell him when you get your act together, then come back and talk to us. You don't have to turn him down. Just make him responsible. And that is not an unfair request.

MS. ANDERSON: Would someone like to yield time to Mr. Jacobs.

MR. HILL: I will.

MS. ANDERSON: Thank you. Go ahead, sir.

MR. JACOBS: These matters, I realize that many times housing, for example, like this cannot be built without some assistance. Lenders don't want to make loans. Developers don't want to take the risk. That is great. I am in favor of this sort of thing.

But it is kind of like putting in a pipeline. You know, I get the State that says we are going to let you condemn the land and put in a pipeline, and we are even going to limit how much the people can charge you when you buy the land. But they don't tell me that if I put in a pipeline that I can go out there and tear the farmer's land up, rip his fences down and diminish his place.

They tell me I have got to put it back better than when I got there. And if something goes wrong -- my ditch caves in, or it washes out, I have got to go back and repair that. I can't just be a jerk.

And I think that is where we need to start here, before we start approving things and sending them off. We first need to start with is there a way to work within the community. So our sub-division isn't diminished. And perhaps maybe the developer can have what he wants and you folks can have another project to be proud of. I thank you for your time.

MS. ANDERSON: Thank you, sir. May I ask the name of the woman who stood up and yielded time to Mr. Jacobs. Could you tell me your name again?

MS. HILL: Neavis Hill.

MS. ANDERSON: Thank you. Mr. Paul Antonsen. And the next person will be Jim Kennedy.

MR. ANTONSEN: Hi. My name is Paul Antonsen and I am a six year resident of Brookwoods. And I just want to go on record as being opposed to the proposed

Brookwood Apartments. And I have two letters to read to you. And you have them in your packet, but I just feel there is some points to be stressed.

One is from our Mayor, Bill White. And he says: thank you for your notice advising the City of Houston of the application referenced above. Brookwood Apartments would be a 250 unit multi-complex. And the address is wrong, but it is located on Brookwoods Drive.

Our preliminary evaluation of this proposal suggests that your close scrutiny of the impact on the surrounding neighborhood is fully warranted, and we request your agency to do so. This is an area in northwest Houston that already has an extremely high concentration of multi-family complexes.

The Brookwoods Estates Civic Club has expressed strong opposition to another multi-family complex in their neighborhood. The civic club has received support from local and state elected officials in their opposition. We are strong advocates of the affordable multi-family housing needs.

However, we seek developments that are compatible with the community and do not are not adverse to local neighborhoods. Your close attention to this matter would be appreciated. And then just one paragraph from Jerry Ebersole, our Commissioner from Precinct 4.

The Brownwood permit, the construction of the low-income housing project known as Brookwood Apartments, the residential community is adamantly opposed to the proposed location of the project on Brookwoods Drive in Harris County, Precinct 4.

Please note that low-income housing developers should labor more diligently in their research and work with surrounding communities to locate areas where communities will not oppose them. Thank you for your time.

MS. ANDERSON: Mr. Kennedy. And the next witness will be Billy Townsend.

MR. KENNEDY: My name is Jim Kennedy. I am a homeowner in Brookwoods Estates, a sub-division. I am going to first thank you for your service to the communities of the State of Texas and especially for your concern and your service to the low-income families of these communities.

I myself served for 20 years in the -- to low-income families of the inner city of Houston. I operated a baseball program for inner city kids, until the City finally ran us off the City ballfields.

At the conclusion of 20 years of this service, I was almost 60 years of age. I realized I only had a few more productive years of my life to set aside any kind of retirement funds. My first inclination was to buy a home. Up to this time, we had lived in apartments in the inner city. We had no retirement. We had no home.

We went to Brookwoods Estates and bought a home. We didn't have a $3 million development fee to work with. We had no down payment. We had to finance 100 percent of our house. We had to pay a high interest rate.

And also, as a result of this 20 years of working with inner city kids, I wound up with a shoulder impairment, and I had to have surgery finally to get it repaired. This surgery required a lot of medical cost and expense. It required me to be off work for six months. Consequently, we wound up having to put our house up for sale.

If you really want to know what your home and your neighborhood look like, just put a for sale sign in your front yard. The prospective buyers come by. They notice all of the apartment complexes that surround our sub-division.

They informed me -- I wasn't aware of it -- that crime was on the increase in that area, and that police protection was decreasing. And then their realtors tell them that there is a new development and another 250 units going in, just two blocks down the street. Thank you for your time.

MS. ANDERSON: Thank you, sir. Billy Townsend, and the next witness will be Richard Lettice.

MR. TOWNSEND: Good morning, and thanks for having us today. I am Bill Townsend, and I have been living in Brookwoods Estates for two and a half months now. And I would like to read a letter from Florence Newmeyer, who was unable to attend due to chemotherapy.

Her letter states: I have been a resident of Brookwoods Estates for 44 years. We built our home in 1961, and since that time, many changes have occurred within the neighborhood and in the surrounding area. Some changes were improvements, and some were not welcome. But that goes with living in a growing city. Through it all, we have been good citizens and good neighbors.

As the saying goes, the straw that broke the camel's back came when we learned that a 250 unit affordable housing project was being proposed at 4610 Brookwoods Drive, the entrance to our small neighborhood of 180 homes. Such a development would bring 600 to 1,000 people into an area already in need of better city services, including water system, drainage and police protection. Not to mention our elementary schools which are already at capacity.

We felt justified in opposing the project, because our neighborhood is surrounded by some 2,800 units of affordable housing with over 300 vacant units. Our civic club received a letter from Mr. William Henson, dated March 20, 2005, in which he outlined the proposed housing project. Our civic club president Bob Lester responded in opposition, stating our reasons, and sending a copy to Ms. Robbye Meyer of the TDHCA.

The neighborhood then set about gathering facts and doing research to present to public officials as we contacted them for support in opposing Brookwood Apartments. Compiling data to justify our opposition to the project was no small task. Our public officials were no pushovers. They did their own investigations and verified our research.

They, and their staff members spent much time evaluating our concerns and we were impressed and appreciative of their involvement. After all their research was completed, and all the data evaluated, all 17 officials when we sought help joined the Brookwood Civic Club in opposition to the project. Each sent a letter to the TDHCA stating their opposition to Brookwood

Apartments.

I am going to cut this short. I now ask the Board to deny Brookwood Apartments, LP the request inducement on funding the project at 4610 Brookwoods Drive at Mangum Road. Overwhelming opposition by residents and public officials has demonstrated justifiable reasons and documentation. Thank you.

MS. ANDERSON: Thank you, sir. Mr. Lettice, and the next witness will be Richard Moseley.

MR. LETTICE: Lettice is fine. It might have been Lettice at one point, but not in Houston schools. I want to thank Ms. Anderson and all of you. I know your side of the podium must get boring.

MR. CONINE: No.

MR. LETTICE: No. I am a retired real estate appraiser. I work for the Veterans Administration. I am still a broker, a commercial broker. I put deals together similar to this. Not really apartments, but -- I want to speak on health and safety issues.

We have heard why the neighborhood doesn't want mid-rise apartments. But we are going to put 250 units two and three bedrooms. Half or more of those units are going to have two kids. Where are these kids going to play?

Mangum has 80,000 cars a day. 290 has 270 cars a day. Brookwoods has no sidewalks. Where are these kids going to ride their bicycles? In the street? Is somebody going to get hurt.

Plus, in a garden apartment, the typical solution that you approve daily, a working mother, or a mother home with the baby can open the door and watch the kids play. Can supervise their children. These aren't rich people. There is no nanny. A lot of times these people are the nanny.

In a high rise, she has got a little baby. She is doing the dishes. You can't keep a six and seven year old in. They have got to get outside and play. There are no parks. There are no close by schools.

This developer is going to offer a recreation room. A recreation room for 250 children. It is not going to cut it. They have got a green area. It looks good on the drawing. It is going to be mud after those kids play on it.

What about the elevator? You want your five year old getting on an elevator, throwing his hand in there? Poking around on it. It is not safe. It is not safe to have kids in a midrise. It is good for singles. It is good for the elderly.

Where do the children play when it rains? Up north, they ride their bikes up and down the halls. A midrise is not safe for a child. The mother cannot --

MS. ANDERSON: Excuse me, sir. Would someone like to yield time to Mr. Lettice? I just need you to wind up.

MR. LETTICE: Okay. A mother cannot control her child from the third floor. These kids are going to be under the influence of other kids. They are going to be under the influence of drugs. They can be sexually preyed upon because there is no direct control.

I think the safety and health of the tenants is as important as the other issues that were brought up here today. And I think if you consider that, you know, the developer is not even going to run the project. He is going to build it and turn it over to somebody else. Are twelve year olds going to mark up the elevator?

MS. ANDERSON: I need to ask you to wind up, sir.

MR. LETTICE: I am out of here.

MS. ANDERSON: Thank you very much, Mr. Lettice. Mr. Moseley, and then the last witness I have is Victoria Frayser.

MR. MOSELEY: My name is Richard Moseley. I live on Ascot Lane in Brookwoods Estates. I bought two and a half years ago. But my neighbors don't know it, but 28 years ago, I was a single father with custody of my daughter, and she was raised for two years in an apartment complex on Mangum, on your map.

I am an inner city person. She taught at HISD. She is now 30 years old, and a school teacher. She taught four years in the 5th Ward before she got transferred to Alaska. Our family is here. Our love is here. Brookwood is a fine neighborhood; a great caring community.

My next door neighbor is 87 years old, and his wife is also in bad health. They couldn't make it today, or they would have been here too. And you don't want him speaking to you. Because he has got opinions of his own.

At the same time, I am not opposed to row housing but lots of points have been brought up, and lots of issues. But there is still a lot of apartments that are empty over there. And they are renting at less than what these are.

I don't understand it. I can't figure it out. I am the layman. I am a cabinet maker. I don't understand big business and high rise, because I do residential homes.

But the main thing I want to bring up is the flooding issue. If you have ever been to Houston when it rained four inches in an afternoon shower -- it floods. I bought a diesel truck so I could get past a lot of it. But this area has never flooded.

Try buying a home in Houston area that you can get affordable flood insurance. This project will enhance the drainage problem of 50 year old pipes. I don't care what anybody says or they can do about it.

I have got a letter from our State Representative Dwayne Bohac that you all have a copy of. It says residences are serially flooding concerns. This is an older Houston neighborhood having water pipes that are over 50 years old. And this neighborhood is on a minimum two year waiting list for replacement.

The addition of 600 plus people to the neighborhood raises questions about the ability and the capacity of the street, sewage and water supply. There has been flooding on both ends of the neighborhood in the past. The addition of a five story building apartment complex and a large concrete parking lot would greatly exacerbate this problem.

MS. ANDERSON: I need to ask you to wind up, sir.

MR. MOSELEY: Thank you very much for listening to us, and we'll see you next time. Thank you.

MS. ANDERSON: And Victoria Frayser.

MS. FRAYSER: Hi. Thank you for listening to all of us. I am Victoria Frayser. I grew up on Ascot Lane, and after my mother's death, my husband and I purchased the house. Six of my other neighbors also purchased the house that they grew up in. So this gives you a sense of our community. It is very strong. We have been there a long time. And we work very hard. We have a good relationship with the apartment complexes on Sherwood Lane. We have developed this relationship over many years, because Sherwood Lane has 2,800 units. As I have a degree in accounting, I will speak to the numbers. Please note there should be a correction to the background information supplied by the staff. The number of rental units is 2,815. Staff had told you that it was 2,116. Mr. Henson sent a letter in April of 2005 to the Brookwoods Civic Club president. He begins by apologizing for being so late with the response, since this project is scheduled so far in the future, it has slipped underneath the radar. Mr. Henson says the property will only be 233 units instead of the 250 in the notice. I note his application to the Board still states 250 units. In his letter, Mr. Henson states the current demand is for two and three bedroom units. I note his application has 60 one bedroom units. The density of 250 units on four acres, four stories tall is not only unnecessary, it is un-Texan. That level of density may be okay for the East Coast; it is not okay for the Gulf Coast.

To me, the density has more to do with justifying the $3,126,000 of the development fee. I know there is not enough applicants for the monies allotted this period. That is not my neighborhood's problem. Upon reading Mr. Henson's letter in April, several apartment managers and owners had these comments. These are the apartment complexes that are on Sherwood Lane. This is a comment. His comment was: I read Mr. Henson's opinions about the redevelopment of Sherwood Lane. In it, he states, the current apartment owners in your community have no need or desire to improve the property or the quality of the residents. I strongly disagree with this man's opinion. To suggest that Sherwood Lane is a lost cause, that the only way to improve it is to force new construction is extremely arrogant. Instead of building new construction around the corner from Sherwood Lane, Sherwood Lane is nothing but apartments, why not rehab one of the properties he speaks of in his letter. That is from Canterbury Court.

MS. ANDERSON: I need to ask you to wind up.

MS. FRAYSER: Okay. From One Pines Apartments, this apartment complex says, We are struggling to keep our units rented. Why not assist in maintenance and rehab of our existing apartments? From Innsbrook apartment complex: We have worked with the residents and adjacent civic club. We have worked on many projects together.

We are proud of the relationship we have with our neighbors. So I think this demonstrates that we are not opposed to apartments. We work very well with Sherwood Lane and the 2,800 units that are over there, in a relationship. What we are saying is we don't need the density of 250 at the very corner in new construction.

MS. ANDERSON: I need to ask you to wind up.

MS. FRAYSER: If anything, Sherwood needs to have redevelopment done.

MS. ANDERSON: Thank you.

MS. FRAYSER: Thank you.

MS. ANDERSON: Mr. Bob -- this is --

MS. FRAYSER: I am sorry. I do need to add one thing. I do say that we had the owner of property had two houses that opted out of our deed restrictions, but he forgot to opt out one house. There was a settlement made.

I believe that one of those properties, when he does sell the property, that lot is going to revert back into the deed restrictions of opting in, into our deed restrictions. And that is one issue that I would like to have researched, because I believe that there will be an issue at title.

MS. ANDERSON: Thank you. That is all the public comment that I have on Brookwood. I do have additional public comment on this agenda item. Mr. Bob Cole?

(No response.)

MS. ANDERSON: Mr. Mark Bower?

MR. BOWER: We are here on Rolling Creek, if there are any questions from the Board.

MS. ANDERSON: I will have some when we get to that point. Thank you. That is all the public comment on this item. Yes, Mr. Bogany?

MR. BOGANY: I would like to hear from the developer on some of the statements that were made, and what is his thoughts on this project.

MR. FORD: I haven't filled out a witness affirmation form, but I will do that.

MS. ANDERSON: I am sure you will. Thank you.

MR. FORD: My name is Steve Ford. And

normally, I am not used to having opposition before I submit an app. And pretty much, that is what happened here. I am sure there is somebody that is not opposed to this, but they are certainly not an elected official or anybody that I can find that is not opposed to it.

But I will address some of the issues. The properties on Sherwood Lane, the 2,800 units they are talking about were built literally prior to 1972. Houston has a problem in that they have got about 200,000 units that were built pre-'83. But these were actually built pre-'72.

Half of the units are one bedrooms. The square footage is quite small. They have eight foot ceilings. There is extremely high density. The problem that exists is these, in my opinion, these properties cannot be effectively rehabilitated to the standards that apartment dwellers today would like.

And for that reason, the rents are $150 to $170 per unit below the tax credit rents. In effect, these are not my target market. The people that are paying $150 less than I am charging can't afford to live in my apartment. I mean, that is a lot of rent.

So this is a median income group that is probably somewhere in the 40 percent to 50 percent of median that is servicing that area now. The occupancies I have read are about 90 percent. They are a lot lower in the one bedrooms than they are in the twos and threes.

They addressed our fact that we have got 60 one bedrooms. We put 60 one bedrooms in, not because we would like to have more bedrooms. We just think the property needs to have more conventional unit mix. And you need to have some ones, because it cuts down on the density of the property.

The flooding issue we have addressed before. Right now, if you develop in Harris County, the detention requirements are such that the property undeveloped is more of a risk to create flooding than it is to develop, whether it is me, Wal-Mart. Whether it is a retail project -- actually, even residential, because they are not going to require a single family to create detention.

So if you put 100 townhomes or 80 townhomes on this property, there will be no detention, because each one will be built individually, whereas, I have to provide detention. The area, actually this end of that sub-division area is higher than the end they are talking about. The TC Jester side is a lot more higher at risk.

(Several voices simultaneously.)

MS. ANDERSON: Now, you all, he heard you, so let's honor -- let's hear him out. Okay.

MR. FORD: For the last hour and a half, by the way. The traffic is a problem, and especially a problem on Sherwood. Now, I don't know what the solution to that is, but it is a problem now, whether I come in or not.

I suggest that there is two things, and one the City could do is create a number of stop signs. There is no stop sign that I could find between TC Jester and Mangum. And it is a cut through street. What happens is, instead of going to 34th Street, all these people decide to cut through Sherwood, and it creates a problem.

I think we could have stop signs. They have done speed bumps on Burkwood. So there is no traffic, there is no cut through traffic with the speed bumps. But my tenants will go essentially, 90 percent of my traffic is going to move out on Mangum and go north or south on Mangum to 290, or straight across Mangum to the primary employment areas, which are HISD, Northwest Mall, and up and down 290.

But you know, this is not the first project I have had opposition on. The projects that you all have heard opposition on before now, where we are leasing them up, and they are not creating near the problem that everybody said.

I don't believe in the crime issue. I don't believe that I am going to bring any crime to the neighborhood. I don't think there is any evidence that we bring crime to the neighborhood.

I think that the property value issue has been discussed and analyzed, and I don't believe that we actually are going to bring it down. This is a $26 million property. This will be the largest dollar tax credit property built in Houston.

And it is a four story. It is around a wrap around drive. It is the kind of quality product that is going in to the Galleria area right now. It is certainly not going to hurt the -- well, I am not going to say hurt the area. I don't know that. Aesthetics are kind of a personal thing.

But I think this will be the prettiest four story project in the City of Houston. Because the density is not what we could do. I mean, I could do 400 units on that site. But our program restricts us to 250 and 233 is how this came out.

She mentioned the schools. I don't know with the exception of the elementary school that she mentioned that any of the schools were at capacity. The numbers I have got say they aren't, but I haven't researched them in enough detail.

If this project were to get approved today, I don't know when it would get hit, or if it would get hit this year for bonds. But I mean, the project would be coming online essentially sometime in 2008. So that any impact is about that far out. So now I am ready to address whatever you all have.

MR. BOGANY: I have a question, Mr. Ford. Some of the residents made a statement that you guys didn't work with them. And then a couple of residents made a statement that you had sent a letter to the Civic Club. What kind of outreach did you do?

MR. FORD: Well, we're pretty -- I am guilty as charged. Because again normally, we have this discussion once I have been induced, and then once I have received a number. Neither of those have happened.

So we are obligated now under the new rules to put signs up. You know about the same day you think you might go talk to the owner about buying the property. So once that sign goes up, you have triggered the whole mechanism.

So it is hard for me, other than from a preliminary basis to get excited about spending a ton of money and, I might add, alerting everybody to the problems ahead of time. I did write a letter.

We wrote a letter a month after we received the letter from them. I did ask to meet with them in the letter. I suppose they have a copy. Nobody then responded back.

And I assumed that we would have a lot of meetings. I did not assume that we would have every, like I said, every politician in Harris County and the state in opposition before I even got it induced, though.

MS. ANDERSON: Other questions for Mr. Ford?

MR. CONINE: Mr. Ford, do you own the land today?

MR. FORD: No.

MR. CONINE: Okay. Thank you.

MR. BOGANY: Have the residents saw what I am looking at there?

MR. FORD: I think we sent out the preliminary package on it, but I mean, now I have got a project site plan down in the car, I just didn't know what the --

MS. ANDERSON: Okay. The question is, have the neighborhood associations seen them?

MR. FORD: We sent out a preliminary site plan and drawings, yes.

VOICE: When did we get them?

MR. FORD: I don't know. I mailed it to you.

MS. TOWNSEND: We received a three page notice letter.

MR. FORD: And you didn't get this?

MS. TOWNSEND: No, sir.

MR. FORD: Well, then I have to do that.

MS. ANDERSON: Any other questions for Mr. Ford?

(No response.)

MS. ANDERSON: Thank you. Do we want to -- there is an inducement resolution. Is it the Board's pleasure that we vote on these? There are three potential deals that we take them singly, or at least take this one singly?

MR. BOGANY: I would like to take each one singly. Take each one individually. I do have a question for staff, if you could explain to me, what basically, by voting on this today what that gets going. Do you have public hearings and all that good stuff?

I heard Mr. Ford say this started rolling before he even got it out of the chute. And he doesn't own the land. And I assume he has got an option of some sort on it. But could you kind of explain what we are doing today by voting on this?

MS. MEYER: Yes, sir. My name is Robbye Meyer. I am the manager of Multi-family Finance. At this point, what the Board is doing, is allowing staff to submit the application to the Bond Review Board.

If an allocation is available, once the application gets there, they will receive a reservation of allocation. There is a 150 day window. Public hearings will be held during that time. That is when the money starts being spent.

And that is where public contact would come into order. That way, the Board would also have full opportunity to see the market study and all that. You will have more information at that time than you do at this particular point in time.

MR. BOGANY: Okay. So all we are doing is just -- they may not ever even get an allocation?

MS. MEYER: That is true. That could happen.

MR. BOGANY: They are going on a waiting list.

MS. MEYER: That is correct.

MR. BOGANY: Okay.

MS. MEYER: And that is for all three of the applications.

MR. BOGANY: All three. Okay.

MS. ANDERSON: Thank you.

MS. TOWNSEND: Can we rebut at all?

MS. ANDERSON: No, ma'am. The time for public comment on this item is completed. Thank you.

MS. TOWNSEND: He is not giving accurate information.

MS. ANDERSON: Let's -- thank you.

MR. BOGANY: I guess my concern is the heavy concentration of units being put in one particular area, regardless of what part of town it is. But I truly, I mean, I drove this area. I am intrigued with Mr. Ford's project, because it is different.

It is something new. Something that we have not been presented before. And I have seen his projects, and he does do a fine project, and he does really good work. And the units, after they have been leased, they look good, and they are being managed well.

But I do share some of the concerns of the residents that they have got so many already there. I was thinking okay. These are so nice, you know, the people that live in the ones that are not being well maintained will leave them and move to his. So I don't think he is going to have a problem leasing them up.

But I also know Houston apartment market is extremely soft. And I am concerned long term what we are doing to Houston in regards to having so many units there at this particular time. I just think this project is out of the box. I think it is innovative. I think it is different.

And I am kind of to a point where this does not say that this project will ever come to fruition, because it is not, it is just going in for inducement. And that is why I wanted staff to explain what that meant to us, as we vote on these projects. And that is my comment.

MS. ANDERSON: Mr. Bogany, I agree with you about that innovation of the product. I just don't think it is the right piece of land to put it on. And I don't know why we would encourage the applicant to spend money, if we induce it now, and they spend more money, and then we are used to having them come to us and saying oh, we have already got so much money in these deals, you have got to vote it, and let it go through.

And I was intrigued when I read the board book last weekend, and the staff's writeup on this census tract, which has an AMFI of under $32,000. A total population of 7,000. 77.9 percent minority.

28 percent of the residents in the census tract live below the poverty line. Owner occupied units is 408, and renter units, depending on who you -- what number you

want to cite is somewhere between 21.16 and 28.15.

I mean, this is exactly what we say we don't want to do, which is concentrate multi-family affordable housing. And so there is no motion on the floor at this stage. But I have probably telegraphed how I feel about this.

MR. BOGANY: I would like to make a motion that we deny this project.

MR. GORDON: I second that motion.

MS. ANDERSON: More discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Okay, the next one is -- yes.

VOICE: Thank you.

MS. ANDERSON: Thank you all for being here. The next item on the agenda is Rolling Creek. Ms. Carrington, did we -- we already talked about all three of them? Okay. I do have public comment on Rolling Creek.

Would the Board like to hear that. Would the Board like to have a little --

MR. CONINE: I already did.

MS. ANDERSON: So shall we proceed and just take breaks at our leisure?

MR. CONINE: Fine with me.

MS. ANDERSON: Okay. So there is public comment from the applicant on this item. Would you like to hear that before we proceed? Mr. Bob Coe. Or were you all just here to answer questions if the Board had questions?

MR. BOWER: If the Board has any. Bob might as well take it on market analysis for us, and rule studies and that type of impact, so if the Board has questions --

MS. ANDERSON: Would you like to speak to the Board?

MR. COE: A quick update on the market, and then answer any questions you all have. My name is Bob Coe with O'Connor and Associates. As Mark said, I updated the market study we had done on this project, effective the 7th of July. The capture rate came in at 12.76 percent.

There is only one existing HTC property in the PMA. It is a 2003 project, which is at 94 percent occupancy. The occupancy in this particular sub-market is very good for the ANB product. It is almost 93 percent.

There are about nine projects that are older and very inferior condition that bring the overall occupancy in the sub-market down to a little under 89 percent. It appears there is sufficient demand for the 250 units that they plan on building.

MS. ANDERSON: Questions for Mr. Coe?

MR. BOGANY: How many units are surrounding this particular complex? I went out and visited also, this complex. I know it is a residential new homes coming up next to it.

MR. COE: Right. What is the -- once again, I am just kind of looking at apartment complexes as generally in Houston. And we have got a lot up there. I didn't really see a lot around this particular unit. What is the concentration there? Are there any other tax credit programs in the area?

MR. COE: There is only one tax credit. It is right at two miles away from it. It is called the Park at Woodwind Lakes. That was built in 2003. It has a current occupancy of 94 percent. It stays, every time I have ever checked it, at 94 and above.

MR. BOGANY: All right.

MS. ANDERSON: Thank you. Any questions? I have one question for Mr. Bower.

MR. BOWER: Yes, ma'am.

MS. ANDERSON: And it is about the road going into your development.

MR. BOWER: Yes, ma'am.

MS. ANDERSON: And there has been some -- I mean that, whether you were going to use the neighborhood road, or whether you were going to build a road. You know the issue I am talking about in the platting of the city? What is your current position on that, on how people are going access your property?

MR. BOWER: Well, the City, one for vigilance, it is a big rectangular piece of property. And there is two roads of stubble on each side of it.

The City is absolutely requiring us to join those two roads, and that is not an option. And so we have to connect the two roads from each neighborhood. So theoretically, people could drive from either neighborhood, through either neighborhood but that is a --

MS. ANDERSON: Well, what about the big piece of blank land that is on the -- if you look at the map, it is on the left.

MR. BOWER: Yes. It is on the left. It is basically a commercial tract. We will have a drive going into there. We will have a private driveway coming from the road to there to encourage -- logically, people would come that way. It would be the straightest way.

MS. ANDERSON: Right. So, I mean, they could come through the neighborhood. I mean, that is where your opposition is going to come from, is from those residential neighborhoods on either side. But so what you are saying is, obviously, they could come in.

MR. BOWER: Yes, ma'am.

MS. ANDERSON: But that you also will have a road.

MR. BOWER: Directly in front of the place. There will be a road directly in front of it.

MS. ANDERSON: Okay. I will be looking for that when we see you again.

MR. BOWER: Yes, ma'am.

MS. ANDERSON: Thank you. Any more questions. Does anybody else have any questions?

MR. BOGANY: I move that we induce this particular Rolling Creek Apartments, 2005-039.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The third development is Ennis Senior Estates. There is no public comment.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: I guess we need to -- I think -- move for an overall resolution of 05-052 as amended, which means as we take Brookwood off of it.

MR. BOGANY: Second.

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item for the Board's consideration is Item 2(b). And these are two tax credit developments, I am sorry. Two 4 percent bond transactions with TDHCA as the issuer. So it is a discussion of the issuance of tax-exempt bonds and also the application amount for the low-income housing tax credits.

The first one is the Park Manor Senior Community. And this would be located in Sherman, Texas. The building type is single story garden type buildings. There would be 80 one bedrooms, 116 two bedrooms. This is a senior community.

And the bond amount on this transaction would be $10,400,000. All of that in the tax-exempt series. And staff is recommending a credit allocation of $492,922. The transcript of the public hearing is behind Item 9 of your board packet. And this particular public hearing, no one did come to the public hearing to testify, either for or against the property. The underwriting analysis does include --

MR. CONINE: A colored map?

MS. CARRINGTON: Yes, sir. You always have your colored map. I was looking at the conditions on the underwriting analysis to make sure that there were no unusual conditions on this particular transaction.

And I do not see that there were any unusual conditions, other than the ones that we normally mention to you about the social services that has to be executed. And then, should the terms of the debt change, that has to come back to us for underwriting and for our approval to move forward.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next one, with TDHCA as the issuer is the St. Augustine Estate Apartments. And this would be located in Dallas.

MR. CONINE: Can I stop you there for just a second? Did you mention the resolution number on that last one?

MS. CARRINGTON: No, sir. We did not.

MR. CONINE: So we get it on the record, that was 05-051, I think.

MS. ANDERSON: Thank you.

MS. CARRINGTON: Thank you. The St. Augustine Apartments, to be located in Dallas. This is 150 units. It would be 150 units of elderly. The building type is two large buildings that would be three stories and would have elevators. The amount of the bonds on this particular transaction would be $10 million in tax-exempt bonds and the allocation of credits that the staff is recommending is $559,841.

There were some issues related to the environmental on this particular transaction. And in the writeup, on both the credit and the bonds. We make a note that we would be looking for, prior to closing, documentation from a third party environmental engineer, which indicates that no issues of environmental concern exists with regard to this site.

MR. CONINE: Move for approval of Resolution 05-050.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last for the Board's consideration is Item 2(c). And this is the issuance of the determination notice on tax-exempt bond transactions, and an allocation of credits with an issuer other than TDHCA. And this particular transaction is called the Clark Pointe Apartments.

MR. CONINE: I noticed that.

MS. CARRINGTON: It would be located in San Antonio. And the issuer for this particular transaction is the San Antonio Housing Facilities Corporation, unlike what your agenda says; it says San Antonio Housing Finance Corporation.

It is San Antonio Housing Facilities Corporation, which is a subsidiary of the San Antonio Housing Authority. And should the Board move forward with this allocation of credits, we not only need the approval for the credits, but we also need an approval of the Board waiver of the 60 day rule regarding submissions to us.

Because we did ask for an additional environmental analysis that did come in after the 60 days had passed on this particular transaction. The amount of credit allocation that staff is recommending is $955,191.

MR. CONINE: Move for approval with the appropriate conditions as well as the 60 day waiver.

MR. BOGANY: Second.

MS. ANDERSON: I have just one question for staff before we vote. The underwriting report on page 7 said that the applicant didn't include rent-up or operating replacement reserves. You know, they expect rapid lease-up because it is a housing authority related property. I understand that.

But why would the fact that the housing authority is involved in this mean that we wouldn't need replacement reserves? This is the top of page 7 of the underwriting report.

MR. GOURIS: Tom Gouris, director of Real

Estate Analysis. I think there are two types of reserves. They are going to set aside reserves on an ongoing basis, reserve for replacements. And that is in the operating budget. That is in the budget.

In the construction budget, there is an item that also called reserves. It is typically lease up reserves. And that is the portion that they are not -- they have indicated no reserves there. What typically happens is that if there are funds that are needed, those are just a wash from the developer fee.

MS. ANDERSON: Yes. I understand that. It says, the applicant included no rent-up, operating or replacement reserves.

MR. GOURIS: Yes.

MS. ANDERSON: So do we just have a typo in the report?

MR. GOURIS: Yes. I think we probably needed to explain that a little bit better. In the construction budget.

MS. ANDERSON: Okay, fine. Thank you, Tom. Mr. Conine?

MR. CONINE: I'll tell you what. I'll amend my motion to make sure it includes replacement reserves.

MR. BOGANY: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Just to give you -- those of us -- those of you all in the audience a heads up. We are going to have an executive session today. And we are going to have lunch while we have our executive session. So we are sort of in the process of ordering lunch.

We are going to continue to go on with a couple of more agenda items, to give our great staff time to go get our lunch. And then we will take an executive session, and then we may -- I mean, we are making reasonable progress, so we will just -- we are going to take a lunch break/executive session here before long. Probably in about half an hour.

The other thing I wanted to say, because I didn't say it earlier, subsequent to my welcoming Mr. Gerber and Mr. Smith, we were joined by the esteemed Scott

Sims from the Speakers Office. And so I wanted to welcome Mr. Smith to our meeting.

MR. CONINE: He looks a little hot back there. Oh, you mean esteemed. Okay.

MS. ANDERSON: Thank you for being here, Scott. Okay, so Ms. Carrington, we are now ready, I guess for Item 3 on the programmatic items.

MS. CARRINGTON: Item 3(a) has been pulled from the agenda. So the next item for the Board's consideration is Item 3(b). And this item is recommendations from Department staff regarding HOME awards to community housing development organizations.

And as we do in our tax credit program, what you see listed on your agendas for Items (b), (c) and (d) are actually all of the applications that we have received related to this particular item. But then your board writeup provides you information and a chart on the ones that staff is recommending.

We do have -- we have had an open NOFA cycle. That NOFA was posted on our website on January 2005. And this open NOFA was for both single-family and multi-family developments. And we had approximately $13 million in that NOFA. That is a federally mandated set-aside for community housing development organizations.

So they were the only eligible applicants under this particular NOFA. We actually received ten applications under that NOFA. Again, it is an open cycle, so we processed them as we received them in.

So it is on a first-come, first-served basis. We are recommending two today. Three out of that list of ten that we originally received. And we still have two that staff is currently processing. In the middle of your board action request, you will note three bullets. This is the backup information we have.

And that is, we first have a report reflecting only those applications that are being recommended for an award. The next is a report reflecting the status of all active applications. And then the third is the individual report for each application that is being recommended.

The total of what is being recommended to you today is $2,022,650 plus $50,000 in CHDO operating funds. You will note by looking at the chart that two out of three of these particular applications are also applying for 9 percent tax credits. The other one is applying for Housing Trust Fund.

So your last paragraph, and this paragraph is on all three of these writeups. To the extent that any application is not funded, due to non-competitive housing tax credit applications, or recommended for an award of tax credits on July 27, a recommendation of HOME funds will also be made at that meeting.

So obviously, what we have here are HOME fund recommendations that are tied with the 9 percents and with Housing Trust Fund. So if one doesn't work, then the other doesn't work. And then if someone does come off the list that wasn't originally anticipated for 9 percents and did apply for HOME funds, then we will also be bringing those back to you.

So what we are recommending to you is Spring Garden V which is located in Springtown. And that amount is $600,000 with $50,000 for CHDO operating funds.

Hearthside, which is located in Austin. And that request is $1,250,000. And they also have a request later on in the agenda for Housing Trust funds. And this of course, is eligible in Austin, because it would be serving individuals with disabilities.

And then Hacienda Santa Barbara Apartments, that recommendation is $231,362, with $57,851 in CHDO operating funds. And that is a 9 percent transaction that is located in Socorro. And staff is recommending the award of these three on the CHDO operating funds, with more to come that we are still working on.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Questions? Discussion? I have a comment and a question. The proposed award to Spring -- for the development in Springtown, I asked the staff about this, and I got comfortable with it.

But I want to go on the record with this. That this is the second award to Affordable Housing of Parker County in less than six months. And they are a very small -- you know, they are a fairly small organization, although they have a track record, a good track record of building things, these are CHDO HOME funds.

You know, they are very onerous compliance kinds of things from HUD in terms of proper use of the HOME funds and so forth. So that if when things go south, then the Department is on the hook to HUD to repay out of federal funds. So this is not a risk free program. And so I am going to support this award today, because I have staff's commitment that they are going to keep a very close eye on this as it proceeds. Because I think we are giving these people, they ought to do very good work in their community.

But we are giving them a lot of money in a very short period of time. And we should use appropriate monitoring in line with the fact that we just have given them two awards, significant awards in less than six months. Thank you for your patience with my comment.

Now, my question is about Hearthside in Austin. And again, I asked the staff about this, and I am not as comfortable with this answer. And my question was that the writeup said that the maximum allowable HOME amount, because it is in a participating jurisdiction is $786,000 and yet the staff -- and there was some reference in one of the writeups to a clause in 2306.

And the staff is recommending $1.25 million, a half a million dollars more. And so, I would like the staff to explain to me the thinking about why that award amount is okay.

MS. BOSTON: In short, we are permitted to go up to the 221(b)(3) limits on all of -- per unit, for any HOME application. And in this case, the calculation of 18 percent off of the development costs and dividing it out proportionally would come up with the number referred to in the underwriting report. However, if you look at the amount we are allowed to go up to per unit, then we are permitted to award the amount that we are recommending.

MS. ANDERSON: Well, when we have two conflicting sets of rules, why do we make the determination that one supercedes another? Why does the 221 thing supercede that whatever that you just said?

MS. BOSTON: They aren't in conflict. The rule is that you can't -- hold on. Let me get David to explain it better. He is more articulate on the HOME regs.

MR. DANENFELZER: Hi. David Danenfelzer, administrator with Multi-family Program. In the Hearthside recommendation, the difference here between 2306 and the statutory 2306 requirement is that the Department cannot fund any PJs -- any units that are not set aside for persons with disabilities.

So in the case of Hearthside Development, 18 percent of the units -- which meets the integrated housing standard for the Department -- will be HOME assisted units by the Department. The remaining units within this property are going to be funded by local funds from the City of Austin, most likely HOME funds from the City of Austin, the Federal Home Loan Bank and a number of other funding sources.

Now, in looking at the percentage of funding, the way we looked at it was that the total amount we can actually provide to each individual unit, for the 18 percent that we have, the maximum that we can provide in subsidy is our 221(b)(3) limit. If we look at that limit, it is approximately $70,000. These units are coming at around 30 -- probably a little bit more for the units for persons with disabilities.

And we determined that it was reasonable for us to assume that because these units would cost more for persons with disabilities, we could go above the per unit as a strictly proportional from the underwriting estimate and so recommend more than just 18 percent.

It is confusing because that 18 percent is really just the number of units which we can provide; it does not actually cap the percentage of funds which we can put into a development for those units.

MS. ANDERSON: Well, the legislation is pretty clear, that we can't spend more than 95 percent of our HOME fund -- I mean, the 5 percent of the HOME funds that can go into PJs have to go to persons with disabilities. I mean, I am sorry. I am just still not comfortable.

And the last thing I want to do, is get crosswise with something in 2306. So somebody else needs to come talk to me, and get me comfortable, or we need to table this.

MS. BOSTON: To clarify, we also can, because we still have Housing Trust funds available, that is not under these regulations. And we kind of were under-subscribed in our under-allocating in two of the items from now.

We also had brought up that potentially, you could cover the difference, since the deal needs the money, we could put the difference into the HTF fund, and increase the recommendation on two items from now. So that hopefully, we could still make the deal feasible. Could I mention two other things about this item? It is not this specific request though.

MS. ANDERSON: Yes. Go ahead, sure.

MS. BOSTON: Okay. One is that the awards are contingent upon approval by portfolio management, and compliance. At this point, they have not had their review, so we will of course make sure of that. And that is not written up your report, so I just wanted to clarify that is an additional condition.

And then the award for Hacienda Santa Barbara that was read into the record was the wrong recommendation amount. The column, I think, that was read in was the requested, which is the $231,362. And indeed the recommendation from staff is $57,851. So I just wanted to make sure the right thing is read in.

MR. CONINE: I am not sure you ever got an answer.

MS. ANDERSON: Well, no, I think we got -- I think I got an alternative option.

MR. CONINE: Yes.

MS. ANDERSON: That I am comfortable with, which is if we can do it with the -- I mean, I am not comfortable around the difference in 786 and $1.25 million on the HOME funds. And maybe I am just dense.

But the one thing I know, is I don't want to run afoul of 2306 on what it says we can use HOME funds for. And so, the alternative, to be able to take less of the HOME funds, and more from the Housing Trust Fund, I like that option.

MR. CONINE: What would those numbers be, if we were to do that, Ms. Boston?

MS. BOSTON: $464,000 would be reduced out of the $1.2 million currently referred to here, and then we would increase the other one.

MR. CONINE: Somebody do the math, so we can have specific numbers to make in a recommendation.

MS. BOSTON: Definitely. Got a calculator?

MR. CONINE: Yes. Whoever has got the calculator.

(Pause.)

MS. ANDERSON: Mr. Conine, if I might, in just sort of looking forward to 3(d), the amount that we have available in the Housing Trust Fund, because it was under-subscribed. We do run it concurrently.

It was a competitive cycle. We ran it concurrently, as our statute requires us to do with the 9 percent tax credit round. And the amount that we are not -- that is unrequested at this point is $1,017,580.

MR. CONINE: Look at it. Nobody brought a calculator. Oh, Gouris did.

MS. ANDERSON: Oh, of course he did.

MR. GOURIS: The amount of the Housing -- Tom Gouris, director of Real Estate Analysis. The amount of the Housing Trust Fund loan would go up to 682,010 -- and ten dollars.

MS. ANDERSON: And then the --

MR. CONINE: It would go down to?

MR. GOURIS: No, the Housing Trust Fund loan would go up to that, and the HOME loan would go down to this --

MS. ANDERSON: 786, whatever it was.

MR. CONINE: What is it?

MR. GOURIS: I am sorry. It is --

MS. ANDERSON: It is in the book. It is 786 -- well, it is whatever was in the writeup.

MR. CONINE: I have got the new number. I need the revision down.

MS. ANDERSON: Oh, here it is. It is on page 8 of the underwriting report, I think. 786,446.28.

MR. GOURIS: That's the number. I am sorry. We need an electronic board book right here. I think that would be helpful.

MS. ANDERSON: I hope we don't have to do these things.

MR. CONINE: Is there a motion on the floor, Madam Chairman? I can't remember. I think there is.

MS. ANDERSON: You think there is? Yes. Maybe there is.

MR. CONINE: Did I move to approve or not. So I need to amend my motion to approve on Hearthside, to reduce it from $1,250,000 down to $786,446.28.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Thank you. Okay, 3(c).

MS. CARRINGTON: 3(c) is consideration of awards for the 2005 --

MS. ANDERSON: No, I think I -- oh, that is right.

MR. CONINE: Yes. You were right.

MS. ANDERSON: Okay. Sorry. Excuse me. I am sorry to interrupt. Yes. Okay.

MS. CARRINGTON: For the 2005 HOME Rental Development program. This was again, an open NOFA cycle. We did run it concurrently with our 9 percent round. This NOFA has approximately $5 million available in it. It was for rental development. And there was a portion of that, 2 million that was set-aside for at-risk preservation developments. The Department received 15 applications for this particular open cycle. At this point, that we are bringing eight of those to you today for a total of $3,091,609. Again, as Ms. Boston said minutes ago, these are indeed all subject to portfolio management and compliance review. Again, we have 3 charts for you. The first chart is the one that outlines the eight that we are recommending to you. The second chart is all of those that are active applications and then the last one is the underwriting report on each of these applications. Again, we have boxes that show you whether they are applying for 9 percent credits, or whether they are applying for Housing Trust Fund. And of the eight, seven of the eight are layering with 9 percent tax credits. And so that chart begins right behind your writeup and starts with East Texas Apartments. It does go over to the second page that shows the at-risk preservation. Recommended for funding is $899,435. And that is of the $2 million that was available. And then $2,192,174 non-preservation that was recommended. And that was out of the $3 million that we had available.

MR. CONINE: Any of these run afoul of 2306 by chance?

MS. ANDERSON: No, I have a question on one of them, because I think we are implicitly making a policy chance. But nothing about 2306 on this set.

MR. BOGANY: So moved. Can we go ahead and move?

MS. ANDERSON: Yes.

MR. CONINE: Yes.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Discussion? I have a question for the staff, because it struck me as unusual. On the second item, which is Villas at Henderson Place, it is a 4 percent deal in Cleburne, which has got to be the first 4 percent deal in Cleburne, Texas in modern history.

And there is a significant slug of Housing Trust Fund money that is going into this, which I assume is the subsidy that makes a 4 percent deal work in Cleburne. And maybe -- I guess I just need some help from the staff. Have we done this kind of -- I am sorry.

MR. CONINE: I don't see Cleburne on here.

MS. ANDERSON: This is the rental development which is (c). I am behind 3(c). On the second page behind 3(c). I am sorry. Page one of two. Yes. Well, of course, my page says --

MS. CARRINGTON: Maybe I put these books back together wrong.

MR. CONINE: This is the HOME.

MS. CARRINGTON: I am sorry. Either that, or we have the wrong --

MR. CONINE: We are still at the HOME. We haven't gone to the trust fund yet.

MS. ANDERSON: Well, that is what is in my book here.

MS. CARRINGTON: It is eight that are rental development awards.

MS. ANDERSON: Okay.

MS. CARRINGTON: Seven of eight of them tie in with 9 percents.

MS. ANDERSON: So I will wait my turn.

MR. CONINE: Never mind.

MS. ANDERSON: Did we not just do Housing Trust Fund?

MR. CONINE: We do two of them. We do a CHDO thing and we do a rental. Correction thing.

MS. ANDERSON: All right. I stand correct. I apologize to everyone.

MR. CONINE: Quite all right. There is a motion on the floor, Madam.

MS. ANDERSON: Discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Next, Madam Chair, we will do 3(d), which is Housing Trust Fund.

MS. ANDERSON: My 3(d) says HOME rental development. And I am the only one that got a hard copy board book on the day I got it, so --

MS. CARRINGTON: We have made a mistake. We apologize.

MR. CONINE: You got the early version.

MS. CARRINGTON: Item 3(d) is approval of recommendations of Department staff for Housing Trust Fund rental development awards for the following list of applications. As was stated just a couple of minutes ago, the Housing Trust Fund was a competitive NOFA, while the other two that you have just considered under the HOME program were all open cycle NOFAs.

The Housing Trust Fund dollars in the amount of $4 million was through a competitive cycle that we ran concurrently with our 9 percent tax credit transaction. We have received 15 applications. We are recommending for your consideration today ten applications that would total $2,982,420. However, that has just changed based on the action that you took two items ago.

So, I guess, Mr. Gouris, if you would take that $2,982,420 and add to it what we are going to take out of additional out of trust fund. Six of these are layered with the 9 percent credits. One of them is layered with 4 percent credits and bonds. It will leave a remainder in the Housing Trust Fund, something less than that $1 million that was indicated in your board book.

And again, the same note down on the bottom, that says that if any application is recommended on July 27 that have requested trust funds that is not included as part of this, that they will be considered for a trust fund award. So we do have the chart behind this agenda item that outlines the nine that we are recommending for your consideration today.

MR. CONINE: I am going to move for approval with the adjustment of 052-58 Hearthside moving from $218,457 up to $682,010.

MR. BOGANY: Second.

MS. ANDERSON: Discussion. May I re-pose my question about Villas at Henderson Place in Cleburne?

MR. CONINE: Yes, you can, Madam Chair.

MS. ANDERSON: And whoever wants to come talk about this -- I mean, is the answer that it is not prohibited by the rules; it is an eligible activity, and so it is not, from your perspective, not a policy change? And then we will debate the wisdom of using Housing Trust

Funds like this.

MS. BOSTON: With bond deals?

MS. ANDERSON: Uh-huh.

MS. BOSTON: Yes. It is within the rules. It is within the NOFA. Again, it is a small community, so it is harder to make the deal successful.

MS. ANDERSON: That is why we do 9 percents.

MS. BOSTON: And in this case, because of the NOFA -- the closed NOFA, the applicant didn't have the opportunity to wait until we were further along to ask for it.

MS. ANDERSON: Where are we in the bond cycle with this development. Do we know? I mean, has it applied for bonds, or is it not applying until September? I mean, is it in the pipeline?

MS. MEYER: It is getting there. It was in the pipeline, and they have redone a few things in the unit mix and changed a few things around. So they withdrew their waiting list application, and they will be back, either you will see it for inducement in the next couple of months.

MS. ANDERSON: Okay. I don't have any other questions about this, but I will just tell the staff that as we look at the Housing Trust Fund rules for next year, that this is a policy discussion that I will certainly make sure that we all get to have. Any other questions or discussion?

(No response.)

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

(Chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next agenda item for the Board's consideration would be 4(a), which is a 2006 draft operating budget for the Department.

MS. ANDERSON: Do we want to do this before lunch? It is certainly up to you. I guess we can.

MR. DALLY: Good afternoon Madam Chair, Ms. Carrington and board members. What you have behind Tab 4(a) is the draft of the 2006 operating budget, and it is up today for discussion and for your comment.

We will bring it back at the August 19 meeting for final approval. There are still some adjustments that will need to be made into this budget, but I wanted to bring your presentation and hear your comments on it, and then we'll bring you back the final in August. And I realize that I am butting up against rank, but I am going to have a brief set of comments --

MS. ANDERSON: Maybe you will get off easier.

MR. DALLY: I want to set some context for this particular operating budget. Now I am going to turn over some of the detailed presentation to David Cervantes. But this is the first year of the General Appropriations Act that will start in 2006 and 2007.

And I want to rise and say a good word for the 79th Legislature Regular Session. Because they did pass a state budget in regular session. And as such, we can now have this derivative operating budget to move forward come September. The highlights are within this General Appropriations Act, is we have a --

MS. ANDERSON: In comparison to the U.S. Congress or did we all miss your point?

MR. DALLY: Well, they have been much maligned for things they didn't get done in the Regular Session and I wanted to rise and say good work for --

MS. ANDERSON: I am sure they all appreciate that.

MR. DALLY: Our FTE cap is set in this

particular bill, and it is now 298. That is a reduction from 313 from the previous biennium. A reduction of about 15. We also got our Peoplesoft implementation money in the capital budget to the tune of about $600,000. And that was the one particular item that we got above the LBB recommendation for our budget, as an addition.

The Bond Review Board fees, which we had discussions with them during this session was not appropriated, neither to the Bond Review Board, or to this Department for those market studies and things. System Benefit Fund was not included in this appropriation.

And this operating budget is at about -- just a shade under $21 million. And that is a subset of the overall $159 billion that we have in appropriations for 2006. So the budget that is before you today is about 13 percent for that operating budget.

And what it essentially does is lay out the resources that each of the departments, and working groups within the Department are going to work with, their number of FTEs and their dollars. A lot of what they have in plans for professional fees and some of those issues. But with that, I am going to turn it over to David Cervantes to give you a brief on that budget. And answer questions you might have later.

MR. BOGANY: I have one question.

MS. ANDERSON: You want to ask Bill a question?

MR. BOGANY: Yes, I do. Where in here, Bill, is the marketing arm of the bond programs and things of that nature. Did we put money in that part of the budget so we can market the programs that we have?

MR. DALLY: It is in two places, Mr. Bogany. It is -- there are some dollars within this budget, in the professional fee item. But it is also part of each cost of issuance of a single-family issue.

MR. BOGANY: Okay.

MR. DALLY: So it is part of that cost of marketing that program. So it is in both places.

MR. BOGANY: Okay. Thank you.

MR. CERVANTES: Good afternoon, Madam Chair, members of the Board, Ms. Carrington. I am David Cervantes. I am the director of Financial Administration. And as Bill noted, we are here today to present a draft for discussion of the proposed 2006 operating budget.

And what I would like to do just briefly, is just kind of walk you through Tab 4(a) and 4(b). So if I could call your attention to page 1 under Tab 4(a), just very briefly, this particular schedule is a comparison by division of our agency's proposed operating budget.

And if you go down to Column B for instance, at the bottom. Bill alluded to the fact that we are bringing a draft, which is a $21.7 million budget that we are proposing today. It is about $991,000 increase from last year's budget, or a 4.8 percent increase, okay. And I will go over a couple of the reasons why there is this shift in just a few moments.

The other item that I would touch base on is at the bottom of this page here. And of course, the question of course, is how are we going to pay for this upcoming budget. And down at the bottom, and as you flip to page 2, you find a chart that we have included in this presentation.

And it gives you a breakdown of the methods of finance that we are looking to use to fund this upcoming budget. And included in those methods of finance, as you can see, it's pretty much dominated by appropriated receipts at $11.6 million, and we also have federal funds that are running at about 7.5.

And then you do get a mixture of general revenue, earned federal funds and interagency contracts that are flowing into this upcoming budget. And those are the methods of finance that we are entertaining for this proposed budget.

As we move to the next page, which is page 3, as I mentioned, there is this particular schedule is a comparison by expense object. So this gives you a little different twist in the sense and now you see the categories in terms of where we believe we'll be spending our budget this upcoming year. And as you look there, once again, there is a 4.8 percent increase.

And I guess I would just like to note that there are probably three central reasons for the shift, and the increase. And number one, as Bill noted to your session, one of the items that passed this year was a 4 percent increase for state employees.

MS. ANDERSON: Well deserved.

MR. CERVANTES: And so, that is one of the items that we have included in this draft. And then probably two other pockets. Professional fees have risen slightly.

And the other item has to do with the impending move of our Agency. We are planning to relocate during this fiscal year. So there is impact in this budget that is driving some one time expenses, so that we can relocate to our new location. And that is to the tune of about $525,000. That is included in this operating budget.

So I think pages 1 through 3 pretty much highlight the proposed budget that we are bringing to you today. There are additional schedules, such as on page 4, which gives you a listing by division, by section of the FTEs of our agency.

The other pages 5 and 6 give you some information on our capital budget. And what I will note on the capital budget is that we have three main initiatives that we are trying to take on as an agency.

One has to do with our Peoplesoft upgrade for our agency. And we also have a community affairs energy assistance initiative, in terms of some software applications that we are trying to put in place there. And then potentially, the possibility of a Section 8 application that we are also exploring. Okay.

And then on page 7, I mentioned the move. We have included the schedule in this draft here, which is a breakdown of some of the move-related costs that we are anticipating. And as I said, if you just look at the far end of the scale on this schedule here, you will notice that again, it is $525,000.

It is basically for temporary help, for furniture and equipment type expenses and maintenance and repair that we are blending into this budget here. And this, in combination with some funding that will come from our Manufactured Housing Division as well. There is about $87,000 that we are blending in here, to be able to incur these one-time expenses. Okay.

And I think from pages 8 through the rest of the thing are just the division budgets that are there for your referral so that you can glance at the individual budgets by division, by section. And that is it on Tab 4(a).

There is Tab 4(b). And of course, under Government Code Chapter 2306, we are also required to bring to you a draft of a housing finance annual operating budget. And so, under Tab 4(b), what you find is a housing finance budget, and it is an $11.6 million submission.

And as you can see on this schedule, it breaks down by sector the executive office, the agency administration division, housing programs, and housing operations. And again, our proposed budget at $11.6 million. This $11.6 million will correlate to that 11.6 that you saw earlier in that chart that we presented in 4(a).

And I think that pretty much are the highlights of our submission today. Again, we are here for discussion, and to see if there is anything that you would like us to entertain for the August meeting, to bring before you at that time.

MR. CONINE: Mr. Cervantes, I will ask you the same question I generally ask Mr. Dally. Do we have any money in the bank?

MR. CERVANTES: We do have money in the bank.

MR. CONINE: Okay. That is good.

MR. CERVANTES: It is looking very well, as we move into 2006.

MR. CONINE: My concern is the move being generally out of normal procedure around here, especially from an accountant's viewpoint. And I would like some discussion, or at least some input from you on how you arrived at the numbers on page 7, and if you sought outside help to be able to help you formulate those particular budgets. Because it is an extraordinary item for us. And I just want to make sure that --

MR. CERVANTES: Yes, it is.

MR. CONINE: I want to understand the thought process you went through in developing page 7.

MR. CERVANTES: Well, it has been a joint effort, because we have been in many discussions with the Building and Procurement Commission for instance, who is the chief operating agents in terms of getting us, finding us space, and of course, working with us in terms of estimations. In terms of what it will take to relocate us. So we have been working externally with the Building and Procurement Commission.

We also have been working internally with our facilities group, who really deserves the credit in terms of working the details and the mechanics of it all, and trying to translate it, and put it in numbers for us. Because we have been trying to get an idea of what kind of expenses are going to come around, and how we would blend them in and try to finance that.

And so, to answer your question, I think it has been a joint effort internally between finance, our facilities group and then externally with the Building and Procurement Commission. And of course the Department of Economic Development currently is on the fourth floor of the building that we are planning to move into. So there also has been coordination with them in terms of coexisting with them, and coming together as a unit overall within that building.

So with that in mind, that type of information, we have been trying to bring together to get what you find on page 7 today, and try to crunch the numbers and see if it appears that you know, those would be reasonable estimates for us to entertain. Things like I said, furniture and equipment, or the help that it will require for us to move our operations and physically get over there. And you know, items of that nature.

MR. CONINE: Okay. I just would hope that you are comfortable with the thought process and methodology that has gone on here. And that in January or February you can report a pleasant surprise as opposed to an unpleasant surprise when it comes to that issue.

MR. CERVANTES: Yes. It currently is evolving, so we again, when we re-approach you in August, we hope to have even better information.

MR. CONINE: Okay.

MR. CERVANTES: And in terms of it being a favorable situation as we move forward and complete the move, we certainly hope that we can report back that we actually moved into a more favorable situation, in terms of coming in under cost and that type of thing.

MR. CONINE: One more question, and then I'll let my colleagues step in. On page 4, on the FTE list. I noticed that it is 290 FTEs and Department is allocated or appropriated 298. Can you tell me where those folks are?

MR. CERVANTES: Yes, I can.

MR. CONINE: Five people, I guess?

MR. CERVANTES: Yes. We have five FTEs that have been allotted for their -- we have a contract where we do an affordable housing disposition program. We do inspection outsourcing right there. But there are provisions within our temporary help provisions in Code that says that if we entertain that type of outsourcing, we have to come up with an equivalent number of FTEs as if we were doing it internally.

MR. CONINE: Okay.

MR. CERVANTES: And a determination has been made that five FTEs is what we would require to do so. So the additional five FTEs are those five FTEs that we have under MDSI.

MR. CONINE: Thank you very much.

MS. ANDERSON: Other questions?

MR. GORDON: Why are your professional fees up 23 percent?

MR. CERVANTES: Why are they up?

MR. CONINE: Sorry attorneys.

MR. GORDON: Yes. We are just curious. It is just a big leap.

MR. CERVANTES: No. That is fine.

MR. CONINE: I am sure its not accountants. It is just attorneys, right?

MR. CERVANTES: No.

MS. ANDERSON: I think it is IT people.

MS. CARRINGTON: I don't even think, it is not even attorneys.

MR. CERVANTES: Professional fees, they are up 23 percent. And the main reasons are, the main reason is our capital budget. Because we have an increase in there of about $250,000. And of course, blended in there is that Peoplesoft application, which is one of our major initiatives.

MR. CONINE: Okay.

MR. CERVANTES: And that probably is the main item that is driving it up.

MR. GORDON: So it is not attorneys, then.

MR. CERVANTES: No. Those are stable.

(Pause.)

MR. CERVANTES: Okay. Any other questions?

MR. CONINE: Could be that J.C. is the problem back there. I don't know.

MS. ANDERSON: I have three things for consideration as you go between now and when we see the next draft in August. Number one is that House Bill 1582, this is Representative Chavez's bill about a study on mortgage foreclosure rates. And I couldn't identify in the budget any funds that were set aside for that.

And then I read that the fiscal note on that bill was zero. But in spite of that fact, the Department staff at some point in time this spring had estimated a little over $50,000 to conduct that study. And so, we have got to find the money for that.

And Michael Lytle provided this number to me. And it is a little north. And Elena can give it to you Bill and David, but it is a little north of $50,000. So it isn't going to be, regardless of what the fiscal note says, no offense intended Jason, but we need to make sure that we have made provisions to fund this study, and that has got to be in the budget.

The second thing, and Bill, we had some conversation about this earlier in the week. But I asked our accounting and finance leaders about money for market studies.

We have had a lot of discussion among ourselves about having the Department hire market analysts to do some market studies in certain metro areas, including the sub-markets in those metro areas, so that we could get some objective information. Which I think would be very helpful to us, and I hope would be helpful to the developers in those major areas. And if I understand right, we now have 25 in the budget for that.

MR. CERVANTES: That is correct.

MS. ANDERSON: and I would like for us to look to see if we can double that. You know, from time to time we have neighborhoods that give up their day of work. And I just think we would be in a better position if we had good objective market study data for a couple of key markets. And so I would like for us to try to double that.

And then the third thing, as I discussed with Bill and David earlier this week is, I want, and I guess we are going to talk about this this afternoon. But I want to tell everyone in the Department and this Board and Ms. Carrington that this Peoplesoft upgrade is a major project.

And we would be serving employees very poorly if we under-invest in the training needed for a successful -- I mean, this is -- we are going from a very old version to the current Peoplesoft 8.8. It's a very complex project. It is going to need the support of the people and, I expect, the support of the department heads in the Department, because finance can't do this.

It is a huge change for all of you all. The functional leads from throughout the Department are going to have to be involved in this. And so I want -- I think we have low-balled. And we'll talk about this this afternoon. But I think we have low-balled the training expense and the travel expense to do this right. And that would be a very costly place to shortchange. So I just ask that as we go between now and the next month, that we would be looking at all three of those things.

MR. CONINE: We don't need to take any action.

MR. CERVANTES: No action today.

MS. ANDERSON: As usual, you all have done a very good job of putting the numbers together.

MR. CERVANTES: Thank you.

MS. ANDERSON: Yes, ma'am.

MS. CARRINGTON: I would like to thank not only David Cervantes group with the Financial Services area, but also the staff who started working. I guess we got budget sheets out before the legislative session was over, saying that it is time to begin thinking about this again.

And so I would like to thank the staff who really does juggle multiple things, and get information to the Financial Services folks, so that they can produce a document like this. And so, thank you all.

MR. CERVANTES: Yes. And if I may take a moment, I would like to also extend and acknowledge our budget manager's contributions to this project, which is Mr. David Aldrich. David is the one that brings it all together so that we can have this discussion today. Okay. Thank you very much.

MR. CONINE: Thank you.

MS. ANDERSON: Shall we just go ahead and finish the agenda?

MS. CARRINGTON: We actually only have one more item on the agenda. Item 4(c) has been pulled from the agenda. Item 4(d) is the last agenda item for your consideration. We have been visiting with the Board, you may remember, probably over about the last nine months, related to creating and the delivery of a market rate program.

And this is a program that would not involve the issuance of bonds, either taxable bonds or tax-exempt bonds. This is a program basically where we would be using warehouse line that is being made available to us by CitiMortgage.

The program would be available to non-first-time homebuyers. It would be available up to families with 150 percent -- whose incomes are no more than 115 percent of AMFI. And we really look at rolling this program out in three phases.

And this first phase is to make basically this market rate program available. It has up to 8 percent amount for down payment assistance that is provided through Fannie Mae, through the My Community Program. And the reason Fannie Mae needs us, and we need them, is because they only offer that My Community program through either a non-profit or housing finance agency.

So basically, it is another component of products that we would be looking at to reach a little bit different home buyer. That would be the first part of this program. And when you look at your terms sheet, basically the way -- you will see that there is not a maximum dollar amount on the program.

But where there is, is a maximum dollar amount in the down payment assistance second loans. And that amount is $22,500,000. So that is basically the 8 percent. And so you would have loans and obviously a much larger amount than that where this would be equivalent to the 8 percent.

The other couple of phases -- so, we want to try this out. I mean, this is new for us. We want to try it out, about six months or so. We would like to start addressing a refinance, have a re-finance component of this program, which we cannot do now, of course, with our traditional tax-exempt programs. We can't do refinance.

And then we are also very interested perhaps in the third phase, doing refinance of loans of borrowers that are either very high interest rate or would be in predatory lending situations that do not necessarily need to be in a predatory lending situation. So we have provided a term sheet for you. And we are looking. We are still working out some of the details with CitiMortgage.

When you look at your term sheet, which is pages 1 and 2 behind this, we are anticipating that we would begin identifying lenders about August 1. So that is very close. That is within the next two or three weeks, for us. There are some fees that have not been totally determined yet.

If you look over on the second page of this. Some we do know. There is an $89 tax service contract fee, and $10 life of loan flood monitoring contract fee, but then there is a TDHCA fee that we say to be determined.

What we do anticipate is this fee would be anywhere from a half a percent to 1 ½ percent. And that would be dependent upon the service release premium that we are able to negotiate. Which we are still working with

CitiMortgage on.

And also, whether we will be including a fee in the loan itself, or whether we will just be charging a fee when we close the loan. So there certainly are some details that still need to be worked out.

You will notice on that same page on purchase price limits, while we haven't recommended any purchase price limits, what we are saying is that the industry standard is that the borrower pays more than 2 ½ times their income for rent. And so basically, that would be what would cap the amount of the home purchase price. So we are asking for the authorization from the Board today to move forward with the market rate program, and begin to engage our lenders.

MR. BOGANY: I have one question.

MS. CARRINGTON: Yes, sir. I might ask Mr. Johnson to come on up.

MR. BOGANY: In the refinancing package of this, is this going to allow people maybe on contract for deeds to be able to come in and try to do a refinance their contract for deed at all. Or is this strictly -- well, I guess, how does the refinance work, sir?

MR. JOHNSON: Byron Johnson, director of Bond Finance. To be honest, we have not considered contract for deeds, and we will include that in the analysis as we move forward. We were envisioning refinancing of course, regular mortgage loans. People who may have some sort of sub-prime loan that would qualify for a lower rate, you know, because they have improved their credit.

And if there were prepayment penalties involved, which there usually are with those type of loans, we use the second lien to pay those prepayment penalties and take out the first lien sub-prime loan. But we have not considered contract for deed, and I will bring that to the attention of CitiMortgage and see if we can work that in or just what the parameters are.

MR. BOGANY: Would you think contract for deed would be something that we might want to look at if we could do it?

MR. JOHNSON: Yes. If we can do it, we will definitely try to include it.

MR. BOGANY: Okay.

MS. ANDERSON: I think, if I might, Mr. Bogany, I think probably the one I think we absolutely want to include them. I think probably the one consideration or the one difficulty might be is that they might have difficulty being in conforming a Fannie Mae loan.

Some may. But I would think that there would also be a great number of them that perhaps would not be conforming. And these would have to conform to Fannie Mae guidelines and requirements.

MR. BOGANY: Okay. And I guess, when I was reading through, and I must have missed it, would this particular -- I see it right now, that this does not have to be a first time home buyer program.

MR. JOHNSON: No, sir.

MR. BOGANY: Okay. Great.

MR. CONINE: Mr. Johnson, I like your tie. That is a good looking tie you have got on there. I am supportive of this particular program, as you probably know.

I am uncomfortable though with the final fees and negotiation with CitiMortgage not being done as it is presented to the Board. Can you enlighten us as to maybe a reason why, and when that might be done.

MR. JOHNSON: We focused more on trying to put the program together. We know that the range will be about half the points, a point and a half. So if we take the 8 percent, the 22 and a half million, divide that by .08, we know we are going to do about --

MR. CONINE: $275 million.

MR. JOHNSON: About $281 million.

MR. CONINE: Okay.

MR. JOHNSON: Okay.

MR. CONINE: It is close enough.

MR. JOHNSON: We take that an multiply it by the half a point to a point and a half, we are going to range up to maybe $4 ½ million in fees. Since this is new for us, we are not certain whether we want to include the fee in the mortgage rate, or if we want to just charge a flat out fee, and we are capturing the service release premium. We still have to plan to pay the lenders a point.

MR. CONINE: All right.

MR. JOHNSON: So it just -- it comes down to us learning what would be the better approach with the lenders and we just haven't gotten to that point yet. We just have a broad range for how much we can earn.

MS. ANDERSON: But -- I am not smart enough to ask this question right, but I guess don't we have more leverage to make those fees as attractive to us as possible before the Board takes action and Citigroup Mortgage knows that we are ready to move forward?

MR. JOHNSON: CitiMortgage has proposed certain amounts for the service of these premiums. And we have made a counteroffer. I think they are going for the counteroffer for the service release premium. And the rest is really where do we plug in the fee.

MR. CONINE: I know, I can appreciate that, but from a half point to a point and half is a huge spread on $275 million, and I think it needs to be negotiated before we give final approval.

And I would -- if you need the ability to go talk to lenders and get a feel for it before you come back, I am all supportive of that. But I am not supportive of giving carte blanche with this sort of opening. So you need to tell us what you need here today to be able to do, understanding the Board's hesitancy on final approval.

MR. JOHNSON: May we I guess, nail down the amount for you and bring it to you on the 27th?

MR. CONINE: You certainly may.

MR. JOHNSON: We would like to try to get into the market in August.

MS. ANDERSON: I am sure you would.

MR. JOHNSON: So we will bring it back to you on the 27th if that is okay with Ms. Carrington.

MR. CONINE: So we need a motion to --

MS. CARRINGTON: The Board gets to decide that, Mr. Johnson.

MR. JOHNSON: Okay.

MR. CONINE: We need a motion, I guess, or give the Bond Finance Division the authority to move forward on this program, subject to final approval at the July 27th meeting.

MR. JOHNSON: That would be great.

MR. BOGANY: I have one question. In regards to the marketing of this particular program -- because it seems like something great for us and something new.

Is there any way -- and I am just throwing this out -- that CitiMortgage can joint market, or the lenders who get involved, that we know that we have got this great new mousetrap and it is just sitting here, and nobody is using it. How do we -- can we get them to maybe joint market with us, with this program?

MR. JOHNSON: The plan is that currently, the last sentence says CitiMortgage and Single Family Finance to provide training to participating lenders. So the second and third week of August, the plan is to go out to lenders across the state and market it that way. In terms of how CitiMortgage plans to market it within their division, I don't know.

MR. BOGANY: Okay.

MR. JOHNSON: I can find out for you. But we are going out jointly with them to train lenders. And let me add that the lenders are lenders who already participate with CitiMortgage in their correspondent program.

These are not necessarily our lenders. It is a group of lenders that they have, and there is some overlap, so there's like a big universe of lenders with some overlap.

MR. BOGANY: Well, I guess what I am asking about, because I read that part in this, was that I have a feeling that because the lenders don't make as much money on these programs as they do on other programs, they can go do a neighborhood goal or whatever. What incentive do we -- I think we need to take it to the people and make the people start asking their lender why haven't you mentioned this program to me.

And because based on our bond programs, what they make, the points and stuff like that, it is not that big a spread as they could have on a normal program. And the builders, in a certain extent, they sign up. They don't use some of these programs, even though they sign up.

I would like to see a component where we take it to the public, just as we do on our regular bond programs. You know, do the same thing that we are doing. Let's take it to the people and make them ask their lenders for this program. Why haven't you told me about this particular program.

MR. JOHNSON: I will advise Single Family Finance production of your comments, and we will see if we can work it in with our marketing firm.

MR. BOGANY: Okay.

MR. JOHNSON: And also, I will get with CitiMortgage and see what component they are going to bring.

MR. BOGANY: Okay.

MS. ANDERSON: So do we need to vote on that.

MR. CONINE: I don't think we need to vote on that. I think we can just --

MS. ANDERSON: But we just gave him permission to go ahead --

MR. CONINE: We can just ask you to come back.

MS. ANDERSON: Okay. May we, while we are still in open session have the Executive Director's report, since I think you could probably do that pretty quickly?

MS. CARRINGTON: Yes, ma'am, I can. The first item and the Board did write this in their board book, and that is the report that we give you on a quarterly basis that shows the change of ownership in our tax credit and tax credit and bond transactions.

The far right hand corner of this report does give you a reason for why that change of ownership did occur or was necessary to occur. I would be happy to answer any questions that you all might have on that report.

The second item for your information is a request that Mr. Conine made at the last board meeting when he asked the question of what does our outside tax counsel say about how funds under the supportive housing programs are considered. And this of course, was based on us, the staff and the Board grappling with transitional housing units, and then developers coming back, and asking to restructure their developments, because their syndicators and others had made a decision that those funds were federal funds and would come out of basis.

And I will probably ask Anne Reynolds to come on up to the podium, because she has been working with Tony Friedman on this question. And you all will see in your first paragraph, it says there is a difference of opinion as to whether federal supportive housing funds are considered a federal grant for purposes of Section 42.

And one of the things that we did find out, that Anne did find out when she asked for the specific statute reference, we had basically gotten one response from Tony Friedman. And then Ms. Reynolds asked for the specific statute reference and found out that there is a couple of statute references, and that one of them deals with those funds that are used for transitional housing. And the other one deals with those funds that are used for individuals with disabilities.

And of course, our concern was for those funds that are used for housing transitional individuals and families. So with that, before I get any deeper, I would like to turn that over to Ms. Reynolds.

MS. REYNOLDS: After the confusion about which program we were talking about unfortunately was the disability program that had a clear statement saying that it wasn't a federal program. The program that we are interested in is the transitional one. So our tax credit counsel agrees that the supportive housing program for transitional housing are federal funds for purposes of Section 482. And they can go into your project as a grant or a loan with different consequences, depending on which way you use it.

If the funds are used for rental assistance, a case could be made that they are comparable -- a comparable rental assistance program to Section 8 and therefore are excluded from gross rent calculations pursuant to Section 42.

However the IRS effectively limits that protection to certain programs that are specifically identified by them, and that does not include the supportive housing program for transitional housing.

This is the kind of advice we have gotten from tax credit counsel. Okay. He thinks the fact that they didn't specifically identify this program means they excluded it. So I basically think he is going to say that it could either way.

And I think that Ms. Carrington would like to go the way the IRS has interpreted this. Right? I mean, you would I think you have said that you would prefer to go with the way that the IRS has interpreted this issue?

MS. CARRINGTON: Yes. You have stated that correctly, Ms. Reynolds.

MR. CONINE: Would you think that Mr. Friedman might see if any other states have asked for a letter opinion from the IRS on this particular aspect, because if they are, or could be couched as Section 8 or any of the others, to me, it is a tremendous boost for the transitional housing folks as they try to develop that sort of housing.

And to have two varied opinions out there is sometimes typical, especially when you are dealing with the IRS. But we might force the IRS into a specific letter ruling on that specific subject.

MR. GORDON: You would have to do it on a specific transaction. That is the only way they will issue a ruling.

MR. CONINE: Well, there is plenty of those floating around.

MR. GORDON: We could do that.

MR. CONINE: I think.

MR. GORDON: We could identify one, and then ask for a ruling.

MR. CONINE: Yes. See, I know there is going to be a cost associated with that. And maybe this is something that NCHSA needs to take up as opposed to just us.

MS. ANDERSON: Yes.

MR. CONINE: Because all this stuff goes on in all 50 states. So, you know, let's kind of explore that a little deeper and come back in a month or two and see what they say.

MS. CARRINGTON: We will do that.

MR. CONINE: We are going to put that on the list for the Housing Trust Fund contribution.

MS. ANDERSON: Anything else, Ms. Carrington.

MR. GORDON: We need a ruling on that.

MS. CARRINGTON: Well, Mr. Gordon, we are about to revise the Housing Trust Fund rules, as we are all of our rules. So we could probably put something in there, in those rules about it.

All right. The last item for your consideration is our outreach activities for the month of June.

MS. ANDERSON: Thank you. This concludes our agenda. Now we are going to go into executive session, and then I guess I have to come back to say that we are at the end of executive session, Penny which I will do. But this does conclude the public business.

You know, we don't take action. We have done everything on our agenda that we would be allowed to take action for today, I will put it that way. So I appreciate your being here.

On this day, July 14, 2005, the regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into closed executive session as evidenced by the following. The Board will begin its executive session today, July 14, 2005 at 12:40 p.m.

The subject matter of the executive session, deliberation -- the Board may go into executive session on any agenda item appropriate and authorized by the Open Meetings Act, Texas Government Code Chapter 551. The Board may go into executive session pursuant to Texas Government Code 551.074 for the purposes of discussing personnel matters, including to deliberate the appointment, employment, and reassignment duties, discipline or dismissal of a public officer or employee or hear a complaint or charge against an officer or employee of TDHCA.

Other pending or contemplated legislative settlement offers or matters that our Texas Government Code 551.071(2) related to the low-income housing issues currently active in the Dallas area. So with this, we are adjourned and we go into executive session.

(Whereupon, the Board adjourned into executive session.)

MS. ANDERSON: All right. The Board has completed its executive session and the Texas Department of Housing and Community Affairs on July 14, 2005 at 1:40

p.m.

I hereby certify that this agenda of the executive session of the Governing Board of the Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 of the Texas Government Code. The agenda was posted at the Secretary of State's office seven days prior to the meeting pursuant to 551.044 of the Texas Government Code, that all members of the Board were present with the exception of Mayor Salinas, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551 Texas Government Code.

MR. CONINE: Move for adjournment.

MR. GONZALEZ: Second.

MS. ANDERSON: We stand adjourned.

(Whereupon, at 1:41 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: July 14, 2005

I do hereby certify that the foregoing pages, numbers 1 through 151, 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.

07/20/2005
(Transcriber) (Date)

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