TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING
2006 STATE OF TEXAS

Wednesday, January 18, 2006
1100 Congress Avenue
Capitol Extension Room E1.012
Austin, Texas

PRESIDING OFFICER:

BETH ANDERSON

PANEL MEMBERS:

VIDAL GONZALEZ
SHADRICK BOGANY
C. KENT CONINE
PATRICK GORDON
MAYOR NORBERTO SALINAS

STAFF:

EDWINA CARRINGTON, Executive Director

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P R O C E E D I N G S

MS. ANDERSON: I am going to call to order the January 18 meeting of the board of the Texas Department of Housing and Community Affairs. Thank you all for coming this morning. And we do -- Vice-Chairman Conine, I am sure, will be joining us shortly. The first order of business is to call the roll. Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Mr. Gonzales?

(No response.)

MS. ANDERSON: Mr. Gordon?

MR. GORDON: Here.

MS. ANDERSON: Mayor Salinas?

MR. SALINAS: Here.

MS. ANDERSON: We have four members present. We have a quorum. And I am sure Mr. Conine will be with us very shortly. The first item of business is to take public comment.

As is our custom, we welcome public comment to the Department's Board. We take it both at the beginning of the meeting, or at your option, when the agenda item is presented. So we will go ahead and take the morning's public comment. And the first witness is Senator Carriker.

MR. CARRIKER: Good morning, Madam Chair, and members of the Board. Thank you. My name is Steve Carriker, and I am the Executive Director of the Texas Association of Community Development Corporations.

I wanted to take only a few seconds this morning to extend my personal invitation to you to our upcoming conference in San Antonio, March 6 through 8. I understand that that is a very awkward date for many of you. First, it is unfortunately scheduled over the primary election date. And those of us who take part in civic affairs may be busy on that day.

Also, I understand that it conflicts with your national meeting. However, I do want to extend that invitation to you. I know that as unpaid citizen Board members, that it is very difficult for you to be all the places, and do all the things that you might like to, in regard to your duties.

However, I also know that you take great interest in our membership of non-profit community-based organizations. We represent some 150 across the state, most of which are engaged in one form or another in providing affordable housing, and are partners with the Department, as well as being partners with a number of for-profit entities that they partner with also in providing that affordable housing. Others of them also cater to the needs of the developing community through the development of small business and essential community facilities.

I know that you are familiar with our organization. You are familiar with our members, many of whom have come before you, and are your applicants and constituents. And we would simply like to extend the invitation to you to come to be more familiar with the work that is going on among our membership.

Thanks very much. If you have any questions, I would be glad to address them.

MS. ANDERSON: Thank you. And just if you would, some of our members of the Board may indeed be interested in attending. And so if you could just maybe send an e-mail or a letter to them.

MR. CARRIKER: We will be getting you a written invitation along with registration information. And we will also be, of course, inviting the Department itself to participate in an official capacity. Thanks very much.

MS. ANDERSON: Mr. Barry Kahn?

MR. KAHN: I have got comments now.

MS. ANDERSON: Right. You have asked to speak during public comment, and then at an agenda item.

MR. KAHN: Right.

MS. ANDERSON: This is the public comment period.

MR. KAHN: Okay. Good morning. My name is Barry Kahn. I am a developer from Houston. I would just like to bring some information to the attention of the Board. Passing out a four-page handout.

The first two pages are from a recent Mayor's Task Force hearing, as far as the responses that FEMA has received in the City of Houston, and the number of vouchers which are currently issued. If you look at the sheet, about halfway down the first page, there is about 46,272 vouchers which are currently outstanding in the City of Houston.

The FEMA relief effort covers a period of approximately 18 months. Many of the people who are displaced from Louisiana and elsewhere are elderly, disabled. They lack adequate job training. And the 18 month period may not be sufficient, particularly with the elderly and disabled to find new jobs and to have a means of income to replace the FEMA assistance for their housing.

The City of Houston faces a huge potential problem, as do the other cities in the State of Texas. I mean, Texas was very gracious with accepting all the evacuees, and they are here. And there is no place for them to return in the near future.

So the State of Texas now has a potential problem dealing with these evacuees. And I would like to make a suggestion, because it is going to take a lot of federal help. And the federal help isn't there right now. Federal help probably needs to be transitioned from FEMA to HUD, which is going to require the issuance of a lot of additional vouchers.

Spoken to a number of people at the city, at the state, and a couple of national people. And it is nowhere on the horizon, as far as anything on anyone's agenda, as far as what happens in a year when the FEMA assistance stops.

And essentially, what I would like to suggest is that the Department work with the Governor's Office and maybe put together a task force to evaluate all of this, where there would be some federal acceptance with something coming through the Governor's Office on a multi-state basis, as far as what the needs are.

This next year is going to go by very quickly. If this problem isn't addressed, there is going to be lots of issues, which some -- the results of which will not be satisfactory to many, and may place even a bigger burden on our criminal justice system, which is not a result we want.

And this task force that I am suggesting needs to be headed by the Governor to give it national prominence. And the task force bring together federal legislators, you know, governors and representatives of the affected states. You know, representatives of the various cities that are bearing the biggest impact.

And it is not to be geared as an absolute continuance of the assistance that is occurring. There is probably three or four different segments of the population, one, of course, being the elderly, two being the disabled, three being people who are just sitting around, you know, who could become employed. And that assistance would need to be very short term. And four, those who probably would be willing to work, but need job training to get the adequate jobs in different locations.

So a large part of this result would be a certain segment of that population coming off the rolls, but maybe not in a year. It may be over a two year period, or something. If this issue isn't addressed, the problem is going to arise.

And it is my suggestion, you know, for the Department to start with the Governor's Office. And I would volunteer my time to work on it, and to help get others involved. And if there is any -- by the way, the third and fourth page are just the number of people who have registered with FEMA.

And as you can see in the Houston, Baytown and Sugar Land area, they had 321,000 applicants. So even though 46,000 households are on vouchers, there is a lot more people out there. And it is a problem that I am afraid is not going to go away. Thank you.

MS. ANDERSON: Thank you. Kelly Hunt?

MS. HUNT: Good morning. My name is Kelly Hunt, and I am the new Director of the Rural Rental Housing Association of Texas. As I believe most of you know, it was about this time last year that Socks Johnson told us all that he wanted to spend more time on the golf course and with his lovely wife Lou, and so he was retiring. And that opened the door for me to be able to accept this position.

Some of you may recall this is actually not my first time to appear before this Board. I have spoken to you in the past, both as a consultant, and a developer, primarily regarding applications in rural communities.

And as a product of rural Texas myself, I am keenly interested in addressing the affordable housing needs in these smaller communities. So I wanted to take just a few minutes this morning to reintroduce myself and let you all know how excited I am about my new position, and the opportunity to continue working with this agency although in a new capacity. Thank you.

MS. ANDERSON: Thank you. Welcome. Cloy Richards.

MR. RICHARDS: Good morning. I appreciate the opportunity to make a few comments concerning issues I have with some of the proposed rule changes to HOME. My name is Cloy Richards.

I am the former -- I am the City Administrator for the City of West Tawakoni. I am the former City Councilman, Mayor and City Manager of the City of Merkel where we were fortunate to deliver two HOME programs over a five-year period. I serve on the board of directors to the Association of Rural Communities in Texas.

I would like to preface these remarks by saying I believe in the mission of HOME. One of the most satisfying moments I have had in public service is handing over the keys to a house for folks who otherwise would never get to live in a new home. And had it not been, and they would have never been able to live in that home without programs administered by you guys.

My comments on the proposed changes are as follows: I support a two year funding cycle, similar to that of CDBG. That cycle would save some time, and I believe it levels the playing field somewhat. I support awarding extra points to those that have not been previously funded. It helps more communities come into the game, learn about the program, and it encourages participation.

I think limiting grants to 275, or some other number is too much of a cut from the current 500,000. The proposed reduction eliminates some of the economy of scale that we get in contractor bids.

I would like to see you consider a 420,000 grant raise that cost to about $60,000 a house. That would fund seven houses. There has not been an increase in the cost per house in quite a while. I think it is about ten years. And we all know that housing costs and the construction costs have risen dramatically. And I would like to see us build a better home.

I was first against the lottery method when it was tossed around a little bit. But I believe that some sort of a weighted lottery makes sense. It would eliminate some of the controversy with the scoring systems. It gives every application a chance.

It still rewards the applications that, you know, fits some of the needs, scores and criteria and that sort of thing. And so the applications could still separate themselves somewhat by the quality of the application or the needs of the community.

Reducing the 24 month contract period is kind of a concern, especially during a double funded cycle. It just kind of backs up on you. If some of the programs are having trouble being completed in a 24 month period, I don't see how an 18 month would make it move any faster. I think we could look at a 30 month contract and require the program to be set up; completely set up in a 24 month period or something like that, and it would kind of speed things up a little bit.

We have heard all kinds of talk on caps and that sort of thing. And the caps on hard, soft, and matched costs needs a lot more discussion before they are put into place. I don't see how these changes could be made prior to the notice of funds that would be available.

The one guessing game for local officials and HOME and other competitive programs is how much local funds or local effort do we commit? If those matched funds or those capped things are changed, what would be the impact of those changes, if we are selected during this application round?

And I think it is a bad idea to change HOME from a grant program to a forgivable or repayable loan. I know from two successful programs in Merkel, it was hard enough to explain to Mayors and City Council members that HOME had no risk or cost to the City, other than our defined match. And it had no cost or risk to the recipient. Regular people find that hard to believe; skeptics are even worse.

If we now attach liens and loans, forgivable or not, both the homeowners and their families will have to worry about foreclosure. And, you know, that foreclosure afterward would probably have to fall to the city. You know, I don't know how that would play in your area, but I don't think it would play very well in most places. If we have loans, surely that is going to add some additional costs somewhere and it just seems like an unnecessary expense.

HOME program helps those who can't help themselves, and that is the definition of good government redeeming level. We can be proud of our efforts to protect what makes HOME work and our continued efforts to make it work better. Thanks for your time and consideration.

Do you have any questions?

MS. ANDERSON: I want to thank you for being here today, and particularly because as you looked at some of these arguments, you offered alternatives. And that is always very helpful to the Board to not just have someone come up and say what we don't like about a rule, but to propose alternatives. So I am grateful to you.

MR. RICHARDS: It is a great program and we have enjoyed our participation in it, and hope to be in it again.

MS. ANDERSON: Okay. Thank you, sir.

MR. RICHARDS: Thank you.

MR. CONINE: Madam Chair, when are we --

MS. ANDERSON: Next month.

MR. CONINE: Next month?

MS. ANDERSON: Yes.

MR. CONINE: Okay.

MS. ANDERSON: And there are round tables on these HOME rules going on right now.

MR. RICHARDS: Right. I have been in one already.

MS. ANDERSON: Good. Verna Rutherford?

MS. RUTHERFORD: Thank you very much. Good morning. My name is Verna Rutherford. I am president of the Greater Port Arthur Chamber of Commerce.

We are probably the most heavily impacted area in the State of Texas. We have approximately 18,000 homes that have been impacted, either destroyed, heavily impacted to some extent. Some of those homes of course, being more minor.

We are also in an area where we are fortunate to have about $6 billion in petrochemical expansion that we are hoping to take place within the next three to five years, and maybe even slightly more than that. I won't elaborate on a lot of the intent of the legislation, the GO legislation. A number of our other officials will be addressing that.

I would just like to say that we are accustomed to being able to help other people. We helped fuel the nation. We want to be able to continue to do that. One of the items of greatest concern to us is that right now, we are in a position that we have got golden opportunities with expansion about to take place, but our greatest concern is that we have such a dire shortage of housing.

We have, looking at the numbers that were recently released, as I mentioned, 18,000 homes affected, and that is in a population of a city that has got 57,000 plus residents. So it is a major significant area. What is happening is that some of the contractors that are staged to do some of the expansion projects are now having to go out and rebid to look at other considerations for alternative housing.

There simply are not places for the people to stay. We don't have the place for the homes, the apartments, or other types of lodging for our own residents, let alone for the people that are going to be coming into our area to work on these construction projects. They are looking at alternative sources such as bringing barges in, expanding already overloaded RV parks, hotels, and traditional types of housing.

We are looking at the importance of using the GO funding to be used for the intent that it was set out to, so that we could benefit and rebound from the devastation that we were affected by Hurricane Rita. And so I guess that our plea to you, as others in our group will testify in other areas, that you allow us to maximize the opportunities in these increased funds so that we can continue to help other people to cater to the needs of the Katrina victims that we helped in our area, many of whom are still living there. And so that we will be able to continue to help people who need help while also taking care of ourselves, and continuing to be able to rebound from Hurricane Rita. Thank you very much.

MR. CONINE: Could I ask you just an off-the-cuff opinion?

MS. RUTHERFORD: Sure.

MR. CONINE: If we go into Port Arthur and approve new construction of 100 new rental units there, as opposed to taking those same dollars and rehabilitating 100 units that were there, what is the local community going to think about new stuff being built before the old stuff gets fixed up?

MS. RUTHERFORD: Well, I think that, clearly, the folks who own the properties there are doing everything in their power right now to get those units that need to be repaired, repaired as expediently as possible. And so in addition to those that can be repaired, we need to be able to have new housing built. So the investment dollars, the private investment dollars are taking place currently.

As a matter of fact, we have one of our largest developers and investors here with us today that is accustomed to getting some tax credits. And certainly, every dollar that you give to him has always been maximized by many more dollars that he has invested on his part, and by bringing in opportunities for other people to invest. He has provided property to be able to help others do that same kind of thing.

So I don't think that bringing in new units is going to deter any improvements or repairs or renovations to existing property. It would just add to that.

MR. CONINE: You don't think there is going to be a shortage of materials and labor? And since there will be a shortage, there has to be a choice made between going to a new project to, say, someone from out of town, versus the rehabilitation or a sheet of sheetrock or some lumber going to fix up the old stuff. I am just curious how the Chamber of Commerce would feel about that.

MS. RUTHERFORD: Right. Well, you know, we certainly want to make sure that as much -- as many of the purchases as possible can be made locally in our own community. But we are positioned where we have got ports that we have access to unlimited supplies of product that could be shipped into the area, plus where we are located, we have a great transportation system.

We would love to think, as the Chamber of Commerce, that everything that we need could be bought in Southeast Texas. But that is not reality. The next thing is that we are positioned in such a way that we can take advantage of opportunities that are available from outside of the area. That includes material supplies as well as labor supply.

MR. CONINE: Okay. Thanks.

MS. RUTHERFORD: Thank you very much. I appreciate your time.

MS. ANDERSON: Sir, would you like to address the Board now? I mean, if you want to make your comments now.

MR. GRIFFITH: Maybe I should go ahead. Let me just go ahead.

MS. ANDERSON: If you would introduce yourself.

MR. GRIFFITH: Yes. I am Carl Griffith. I am the Jefferson County judge that includes Beaumont-Port Arthur, Nederland, Port Neches and Groves. I appreciate you all taking the opportunity to listen to us today.

There is a large delegation here from differing parts of the community. I am the only elected official that is up here today, and that is not -- I take that back. Our State Representatives, both Deshotel and Ritter, are also here in support of this.

Let me take you back, and I have got some answers to your questions about that, about the funding and what we are going to be doing. We aggressively worked, because Katrina was the only thing we all heard in Texas. And I know that many Texans didn't realize the devastating impact of -- Sabine Pass is also in our county.

Heard of Sabine Pass? It is gone. Okay. The storm surge, 95 percent of the homes are obliterated. But not many people know that, even in Texas. Port Arthur, same instance. And at the same time, I have been working directly with heavy industry for about two years to work through tax incentives to bring new construction to the community.

And so what Verna was talking about 6 billion, that number is really closer to $8 billion in new construction. We will take most of Texas industrial investment, most of it. Probably 65 percent of Texas industrial investment will occur in Jefferson County over the next three years. It is huge.

America's new refinery that President Bush talked about, pushing the energy bill, that project, we have got a good chance of announcing that in the next two weeks. A very good chance. And so housing is our greatest crisis.

We literally have companies offering to lease county parks to bring barges in along the channel for a substantial amount of money, so that they can house people to do construction. And that doesn't even deal with the restaurants that can't open because the service employees haven't been able to move back into the community.

So where we are working towards those dollars you were talking about, we are working as a group and lobbying Washington. And have been very successful to include Rita in the legislation. That is why you see us.

We are even partnering with Lake Charles, Louisiana, Southwest Louisiana, because they were excluded. They were excluded from all the dollars going to Louisiana because they were the Rita storm, and definitely they had major impacts there. And so our delegation, including our state reps and our state senators have worked very hard with Senators Cornyn and Hutchison and the entire Texas delegation signed off on a letter supporting us.

And part of that money that we went after is this $3 1/2 million tax credit that you will get a chance to vote on today. And we are hoping as a group, and you will hear from the City Manager out of Orange County that Region 5 will get those allocations because we desperately need that for housing to bring our people up, so that we can get those contractors back to work, bring those service employees back into the community.

Community development, block grant funding is about -- the total amount we are going to get, we don't know, but it will be in the billions of dollars, to address some of the needs that you are talking about.

Those rehab of those buildings. This is something we need on the ground. And actually the quicker -- and any way you can help us to move these credits forward on your agenda, as far as getting them voted through, where the builders can get to work on them, and get them on the ground, hopefully by fall.

We desperately need them. They will just -- in the contractor's times, in the businesses' times -- literally, many businesses aren't opening, or they are opening from 9:00 or 10:00 in the morning until 4:00 in the afternoon because they can only get a few employees to come in.

And other than that, the only other thing that I hope you will consider is not including your $2 million cap on this. If you are gracious enough to give us that, that you will allow us to exceed by at least another half a million dollars.

Because we do have people that will come in, know the community, know how to get the job done, and can get that work done, and get it done expeditiously. And that is what we desperately need.

Any other questions?

(No response.)

MR. GRIFFITH: Thank you so much.

MS. ANDERSON: Thank you, sir. Donna Chatham?

MS. CHATHAM: Good morning, Madam Chair, TDHCA Board. It is a pleasure to be here this morning. My name is Donna Chatham. I am with the Association of Rural Communities in Texas. We represent over 300 cities and counties, rural cities and counties, with cities under 50,000, counties under 200,000, utility districts and economic development corporations that are within qualifying counties.

Our mission statement is that we are a strong voice advocating the needs of rural Texans to state policy makers through a membership-guided agenda. Also to let you know, a little PR announcement, that we will be giving eleven region -- taking our agenda to eleven regions throughout the state this year to get more regional input for them to be able to give us more insight as far as rural needs is concerned. So we will also be talking about affordable housing needs, and we will be more than happy to report that back to you.

Economic development is a vital, very vital for any healthy local economy. And rural Texas, obviously, is not any different. House Bill 2928 that we had the privilege of walking beside Representative Kolkhorst and Senator Silber passed in the 79th session, which we are very thankful to say. It allows cities now with 4(b) economic sales tax to develop small businesses.

Booker was a great example. They had a grocery store that could no longer get off the ground, for several different reasons. And now, it is now thriving and going. It was the only grocery store within a 50 mile radius. This is economic development.

It is no surprise of you, affordable housing is a major key for rural Texas for economic development. The HOME program is the only program that rural Texas has to help the economic development and affordable housing. It is with this in mind, and that is the reason I am here today.

After going through our membership and our board, there are five major concerns we are concerned about, and some proposals that you have in the HOME program. Number one, the contract term being reduced from

24 to 18 months. Obviously, supply and demand is crucial in any economy.

Obviously in rural Texas the demand or the supply for the materials and labor is somewhat limited. That is the reason that it is very difficult and challenging to say that you want to limit this down to 18 months.

I surely understand; I used to work for the City of Wichita Falls and also the City of Hearst with the CDBG program. So I definitely understand from the administrative perspective, from a local government perspective how you always want to conserve the money. And we definitely, we say yes, because it is very limited.

We are concerned though, very concerned that that might be too restrictive. Perhaps you can say maybe down to 20 or a 24 month period for setup time. But we are very concerned, and very concerned that 18 months would be too restrictive for these small local communities.

Number two, the forgivable repayable loans is also somewhat concerning to us. As I am sure you know, obviously forgivable loans have been used by the Department in the past, and were changed to grants, due to the complexity of the ongoing loan management administration burden.

We understand that HUD has stated that the Department is responsible for the ongoing management and monitoring of the loan portfolio, not the administrators. This will require, obviously, additional full-time FTEs commitments by the Department. This places a heavy responsibility not only on the Department, but also on the implementing administrators, since there are other administrators; since there are other circumstances beyond the control of the assisted homeowner that force a change in home ownership assistance.

Whether our membership is opposed to this, because program changes that will take a local citizens' primary asset, and ladies and gentlemen, this is key. Local citizens' primary asset due to the participation in the HOME program. A majority, there is a lot more poverty -- do you want me to stop?

MS. ANDERSON: If you would just kind of wind up.

MS. CHATHAM: You bet. I sure will.

MS. ANDERSON: Okay.

MS. CHATHAM: There is an extremely more percentage of poverty in the rural areas, and this is very important. That is often time the only major asset, and we are very concerned that if you do this, that will cause a lot of people to be more concerned, and not even enter into the HOME program.

Number three, the method of selecting; we are definitely in favor of a weighted lottery system, and weighting it more toward the needs, such as poverty and need and also toward the match, as long as the match is flexible. And that is also key for local governments.

Number four, we are definitely in favor of a two year funding cycle. That offers more flexibility for the state, and also for the localities.

And number five, we have been shared with that you all are seriously considering looking at perhaps multi-family to also take the burden of the match off of HOME. There is so much burden of match on these single-family homes in rural Texas. We definitely will encourage you to consider looking, and look deeper at the match to perhaps being shifted over, some to multi-family development.

Because one more time, the whole match for the whole department is depending upon these rural communities HOME, and we think that is a little unfair. And we sure are here to help you with any questions that we can help you with, Madam Chair.

MS. ANDERSON: Thank you. I appreciate your testimony today. And I know that you keep in close touch with all of your members. It is my understanding that the Department has plans to do a new community needs survey across Texas, as we do from time to time, across all the regions.

MS. CHATHAM: Right. Yes, ma'am.

MS. ANDERSON: And so I appeal for your help, as we engage in that community needs survey this spring, to encourage your members to be sure and respond to the survey because we really do look to that as a major source of input on how we program all this money.

MS. CHATHAM: You bet. We sure will.

MS. ANDERSON: Thank you.

MS. CHATHAM: Thank you.

MS. ANDERSON: Eva Goldman?

MS. GOLDMAN: Good morning. My name is Eva Goldman. I am a senior Vice-President with the Michaels Development Company. And we very much appreciate the opportunity of meeting with you again.

You may recall that the Michaels Development Company is one of the pioneers in the affordable housing industry. We were started in about 1960. And we own and manage about 30,000 housing units throughout the country.

Our first four developments in Texas are developments called: King's Row, Continental, Castle Gardens, and Yale Village. And with your indulgence, I would turn this over to my colleague, Allison George to talk to you about those four developments. Thank you.

MS. GEORGE: Thank you so much for having me here today. My name is Allison George, and as Eva said, I am with the Michaels Development Company. Many of you might remember that Century Pacific originally submitted these tax rate applications.

The Michaels Development Company accepted a difficult challenge in stepping into the shoes of another developer to turn four properties around, by improving the quality of life for the residents, while preserving the affordable rents of these units. The rehab is now fully complete, and the units are occupied, an accomplishment we could not have made without the cooperation and support of the TDHCA, which we greatly appreciate.

In 2003, when this process started, we immediately got on board and started reviewing the properties and assessing, trying to accomplish the goals of meeting our placed in service stage, which we did do, in December of 2004. In developing the rehab scopes, we focused primarily on major mechanical systems and other items, for the longevity of the projects.

In doing that, we have actually brought in, over the four projects, more than $5 million more than was originally projected by the original applicant. And that is specifically in construction costs. I would like to note that our costs have not only been reviewed by our construction staff, but by a third party FHA mortgage lender, the third party consultant.

In this process, we submitted our plans to the TDHCA for review and approval, and we started this process, and went through construction thinking that we are meeting TDHCA's requirements. In June of 2005, we received notice from the Agency of deficiencies. We are working cooperatively with the Agency to resolve these.

It has been suggested that these items may require amendments from the Board. We appreciate our relationship with TDHCA and the Board. We appear here today with the consent of the staff.

If these amendments are required, we respectfully request your careful consideration of the amendments. And I have laid this out in a letter to Brooke Boston and copied the Board members. And if you do not have that letter, I would be happy to provide another copy.

Also, I have distributed, or Susan has distributed some before and after pictures as an example of one of the developments.

If you have any questions, we would be happy to answer those.

MS. ANDERSON: We have an agenda item on this next month. Okay.

MS. GEORGE: Next month.

MS. ANDERSON: Okay.

MS. GEORGE: Okay.

MS. ANDERSON: Thank you.

MS. GEORGE: We just wanted to bring it to your attention. Thank you very much.

MS. ANDERSON: Good thing to do. Thank you. That concludes the public comment for the public comment period. We are going to take -- because of some guests that we have here with us today, we are going to take a couple of things out of order, with the Board's indulgence.

The first item I would like us to consider is the report from the Deloitte CPAs on our fiscal year end 8/31/05 reports. And David, we will take the rest of the audit items later in the day.

MR. CONINE: So this is 6(b) maybe?

MS. ANDERSON: 6(b), yes sir. 6(b).

MS. GUIDRY: Thank you. My name is Tracie Guidry, and I am a senior manager on the audit with Deloitte. We did meet with the Audit Committee prior to this meeting this morning, and the partner in the engagement, George Scott, was able to attend at that point, but regretfully, he had to leave for this meeting.

I am just here to report that we did finish our audit for the '05 fiscal year. We issued two separate opinions, one on the Department as a whole and then one on just the bond revenue program. And both opinions were clean opinions, and the financial statements did present as they were supposed to present, and we did not have any material adjustments, or really any adjustments on the reports as provided by management.

We did receive full cooperation of management during the audit process. The audit, the financial statements, the footnotes of financial statements do disclose some of the accounting policies used by management. These are consistent with the prior year, except for one exception, and that relates to an new accounting pronouncement by the Government Auditing

Standards Board which increased the amount of investment disclosures that the Department had to provide. And the Department did comply with that particular pronouncement. And as you can see in the financial statements, it is a more robust disclosure on investment risk.

We did not have any disagreements with management. We do meet with management periodically throughout the year to discuss any accounting issues or reporting issues that they see. And there were no major discussions around any implementation of any new accounting standards. And also, management, to our knowledge, has not consulted with any other accountants to determine other methods as far as reporting certain accounting policies.

As part of our audit, we do consider the internal control structure of the Department, and we did not notice any material weaknesses in the internal control structure of the Department. So that is kind of the overview of our report. If there are any questions, I would be happy to answer.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: It was a very clean report. Probably one of the cleanest I have ever seen in the Agency. I was just very thankful. And David and Ms.

Carrington's staff here done a good job to get us to this point. And I am just thankful that it was very clean.

MS. GUIDRY: Yes, it was.

MR. CONINE: What do you think about Bill Dally? Is he okay?

MS. GUIDRY: Oh yes. They are all great to work with.

MR. CONINE: Okay.

MS. ANDERSON: Thank you very much for being here.

MS. GUIDRY: Thank you.

MS. ANDERSON: Okay. Now with the Board's indulgence, we will move to agenda item 2(c), which is policy for allocation of $3.5 million in housing tax credit ceiling authorized under Gulf Opportunity Zone at the 2005 HB 4440, signed into law by the President, on December 21, 2005.

And I have public comment on this item, and I am going to suggest we take the public comment before we hear the staff presentation, if that is okay, since we have distinguished visitors. Senator Williams?

MR. WILLIAMS: Yes, ma'am. If it would please the Chair, we could have the whole delegation come up at once.

MS. ANDERSON: That would be fine.

MR. WILLIAMS: And I think we could take the --

MS. ANDERSON: At your pleasure.

MR. WILLIAMS: Take as little of the Committee's time as is necessary. So if we could all just stand up here. I think we have elected Representative Deshotel as our spokesperson.

MR. DESHOTEL: Oh, really?

MR. WILLIAMS: Yes.

MR. DESHOTEL: Oh, I get it now.

MR. WILLIAMS: That is what happens.

MR. DESHOTEL: That is okay.

MS. ANDERSON: If you could just introduce your colleagues.

MR. DESHOTEL: Thank you, Madam Chairman and congratulations. We as legislators always like to see those kind of audit reports. We don't always get that from state agencies, and we commend you on that. We are here today regarding the $3.5 million special allocation.

Many of the members standing here, and other members who will address you today traveled to Washington, D.C., some more than once, in a very frantic effort, in a full-court type press to get some special allocations added to the reauthorization that President Bush was working on. And we felt that we were successful when that $3 1/2 million was added.

We are here today asking that as a result of that work, that we go to the next step and have it applied to the area that went up there and fought for this money, and pushed, and got the allocation. And to give some comfort, I think, to the Board. We understand that you had the $2 million cap per cycle.

And you have the $37 million in this next cycle, and a $2 million cap. As I look at this $3 1/2 million, it was not an increase in the $37 million. So I don't think you have to look at that particular rule when it applies to the $3 1/2 million, because it was in addition to a special allocation.

The $2 million cap, as I understand it, is to maintain some type of competition for the monies statewide, so I understand that. The $3 1/2 million is for an emergency relief for a particular area of Texas.

So I think in good conscience you could say if a developer qualifies for a part, 2 million or 2 1/2 million of the 3 1/2 million, he should not be penalized when the regular cycle comes from his normal business activity in applying this rule. And so I think the Board should really look at that.

And I think you can logically and from a policy standpoint separate the 37 million rule from the $3 1/2 million special allocation. And that is what I am basically speaking to. Do you have any questions?

MR. WILLIAMS: I think Representative Deshotel has been very eloquent in his explanation of this. I would echo his comments. The counties that were represented in Region 5 were devastated by Hurricane Rita.

This affordable housing is very important to the recovery of the area. I think that we have enough economic activity that is on the radar screen. Madam Chair, you heard about that when you were in Beaumont for the hearings of the Senate Finance Committee hearing.

The problem that we face is, we don't have enough affordable housing stock for the construction. 67,000 construction workers that we anticipate will be coming in for all this new plant expansion, about $6 billion worth of plant expansion that we have got in the area. And it is critical that we have that housing stock.

And I think our affordable housing stock took a tremendous blow during Hurricane Rita. And I would appreciate every consideration that you could give us.

MR. CONINE: What, if I could --

MS. ANDERSON: Go ahead. Sure.

MR. CONINE: What is your opinion of the mix between new construction and rehab of the devastation down there? Is it going to be slanted more, one versus the other, because you are down there daily, and touch it and feel it. And we are not.

MR. DESHOTEL: I look at it this way. We had -- the rehab is going on through insurance payments. And those that didn't have insurance payments, up to $26,000 from FEMA, over and above that. But we have construction that needs to be replaced.

And what we are talking about is replacing units that were destroyed, where there is a deficit in housing, significant. And we are looking at putting these projects together that we continue to talk about in the petrochemical industry, of hiring 3,000 to 4,000 workers. And they need housing; they need a place to stay.

So it is important, as you raised that point with Verna earlier, to rehab the damaged housing. I think that that is going on. But it is also important to expand and replace the devastation of the destroyed and major damage to our housing.

MR. CONINE: So it is your overriding opinion, listening to your constituents, that the insurance industry is responding in a positive manner?

MR. DESHOTEL: No. I didn't say that. You are not going to get me to say that.

MS. ANDERSON: You didn't introduce yourself, sir.

MR. RITTER: Hi. I am Representative Allan Ritter from Jefferson County. Kent, to kind of answer that question, we and the rehab, we do have -- I can't remember the exact count now -- we have a lot of units that the programs with the insurance companies are not done yet. And it is creating a problem, and any help that any of you might have for us to help get this achieved, please call me.

One thing I want to make -- a comment I want to make, Madam Chair, is, this area, the 15 counties in East Texas has united and done a tremendous job in developing the scope of what we need to do, from the Gulf Coast up to the northern county of the disaster area. The effort that they did in Washington, D.C., I believe was the difference between Texas getting involved in this legislation and Texas not getting a dime at all.

There is no doubt for those of you that have been in our area that we are in need of some help. And all the delegation, including members that are not here today, were 100 percent behind this. And we will be presenting a letter to you with all of our signatures for your file.

MR. SALINAS: How many units would you all be doing construction on $3 1/2 million? How many units are you all looking at building?

MS. ANDERSON: How many do we think we can, in new construction.

MR. SALINAS: And in what areas of the Gulf Coast?

MS. ANDERSON: It will depend where the applications come from, Mr. Mayor. We will take applications on that.

MR. SALINAS: About 500.

MR. WILLIAMS: They are telling us about 500. And I think there is somewhere between 350 and 500 units that are probably under construction right now. So we will have total new housing stock of about 1,000 units. And, you know, that sounds like a lot.

But I am telling you that the moderate income housing is what took the big hit down there. You cannot find a hotel room or an apartment to rent in the Golden Triangle right now. It just does not exist. And so for working people, they really don't have an option for a place to live.

And I know that even -- I live 65 or 80 miles away by car, and we have people commuting from Montgomery County to Jefferson County because they can't find a hotel that they can afford to stay in on the east side of Houston. They have to drive all the way up north of Houston to Montgomery County to find a place that they can afford to stay.

MR. JANEK: And let me add if I may -- my name is Kyle Janek. I represent Senate District 17, including Port Arthur. We hear from the small business owners. It is not just big plants.

Small business owners, restaurant owners who say, I can't get my people. I am ready. I am ready to go back to work, get the economy working down here. I have got to have a place for my folks to live.

We have heard from Lamar State College of Port Arthur. One of the biggest problems they had was not the immediate damage to the college itself, but the fact that so many of their students had been displaced. And they had to go live with kinfolks in other parts of the state, or with friends. And we need to get them back in.

Southeast Texas was already on the ropes economically before the store, and to take that sucker punch, and compounded by the fact that they had already given so much to the people that had been affected and displaced by Hurricane Katrina. I represent parts of six counties. Really, my portion of Chambers County has no people living in it.

But I have got parts of five counties that have folks living in them. And I can tell you that it is a very diverse district, economically. I have got some very wealthy people, and I have got some people that are really on the ropes. This area needs our help. And I am proud to put my name on any effort to give them that assistance.

MS. ANDERSON: Sir, thank you.

MR. CONINE: Gentlemen, I don't think you are going to get much argument from us that the funds need to go down in that particular area. The difficult decision for us is whether to build 500 new units or fix up 1,000 old units.

That is the tough decision that we have to make, as an appointed board. And we are going to be looking for local input, not only from your perspective, but from the Chamber of Commerce perspective, and from the applications that actually come to us.

And whether we set a policy to preference new construction, or preference rehab, we don't know because we are not down there on a daily basis. We don't know how the insurance companies are acting or not acting. Yet it might be -- again, you can spread the dollars out much easier on a rehab than you can a new construction.

So I was just asking for a little guidance and thought on your process. You are welcome to respond back written, or to do some more due diligence back at home and get back to us. But we have to set that policy here, which then guides the applications and the projects as they come to us.

MR. JANEK: I think it is fair to say that we are going to try to get you all the help you need to make that tough decision. I don't envy you, and I thank you for taking time to serve on the Board. I know it is a tremendous amount of work.

I don't know that everything is grouped at one end or the other. There is a bunch of buildings that probably still need some looking at. And whether they have got old asbestos that needs to be pulled out, whether that building is salvageable, we are still going through some of that.

MR. CONINE: Okay.

MR. JANEK: Including condemnations in the local parts. Some buildings, folks are going to walk away from them. And the local cities or the county may need to proceed with some condemnations. We will do what we can, I think, to get you that information.

MR. CONINE: That would be very helpful. I am a new construction kind of guy. But I don't want to get caught in the trap of building a bunch of new units, and having the existing community overlooked.

MR. JANEK: Thank you.

MS. ANDERSON: I have one question. It is a question of clarification because we heard Judge Griffith talk about a $2 million cap.

And what I thought he was talking about is that the way we have some of our funding structured for owner-occupied rehab -- not the tax credits. But for our own HOME funds for owner-occupied rehab, we had a $2 million cap in Orange and Jefferson County because we only have $8 million, and we want to spread it out.

Now I hear you all talking about a $2 million cap. But you are talking about the tax credit developer cap. Right?

MR. DESHOTEL: Yes, ma'am.

MS. ANDERSON: But do we think the Judge was talking about the $2 million cap on the HOME?

MR. CONINE: Tax credit.

MS. ANDERSON: I am sorry. He was talking about tax credits also. So he wasn't -- okay. All right. Any other questions for this distinguished panel?

MR. DESHOTEL: Let me make just one observation that might help you a little bit. For instance, the City of Port Arthur now has ready to condemn 800, a little over 800 homes. They are waiting for the federal dollars to tear them down. So that lets you know what we are talking about in a small way, on replacement units that we are talking.

MR. CONINE: Okay.

MS. ANDERSON: Yes, sir.

MR. BOGANY: Not so much of the panel, but in the point of building new construction, or bring me back. Has anything been put together whether or not you are going with system built housing? I don't know if sticks and nails will take another hurricane, if you build it again, and it comes back.

Has any thought process been put into that, whether or not bond programs in regards to like, we have money set aside for low income that if we lifted it from low income, and made it available to anybody who could purchase a home down there in that area. And I think I agree with Mr. Conine; I hear what you want us to do. But

I don't really see a plan on what is the best -- what you guys really need, versus us just throwing the money down there, and just saying hey, have at it.

Yes. But having some sort of plan, so we can better effectively help you in this process. Because I am thinking, okay, Sabine Pass is gone. So I know there is no rehab there. That is all going to be new construction.

Where, is it going to come back, system built housing, taking the manufactured housing, are they getting involved. Because you can put one of those up in six weeks, and you have got somebody ready to go, where it takes forever -- I don't want to say forever, but a longer time to build apartments and things of that nature. So any thought processes come into play in that?

MR. DESHOTEL: Well, there is a lot of discussion. Tomorrow, as a matter of fact, there is a meeting with MOTIVA, from a person coming in with a system, construction system for housing.

And there are a couple of groups that have visited with the City of Port Arthur. One is interested in putting in a sort of a factory where they prefab stick houses and bring it out and assemble them on there. There are two groups that are talking to the City of Port Arthur with proposals.

So it is sort of in a formative stage on what is the best way to proceed, as far as the construction. You know, we are kind of here telling you we need the money to do the construction. And then we have got to move into that phase on what fits best in our hurricane prone area.

MS. ANDERSON: Mr. Bogany, if I may clarify. The way the staff recommendation is structured right now -- and we will hear the staff presentation in a few minutes -- on the tax credit portion, it is a first come, first serve cycle.

So we are letting the market and the private sector developers that we rely on in this largely significantly private sector program to assess the need and determine what they can do that is financially feasible. So we would see those applications on a first come, first serve basis, is the way that -- that is the staff recommendation that we will be discussing shortly on multi-family.

MR. BOGANY: Okay.

MS. ANDERSON: Other questions?

MR. WILLIAMS: Thank you for your time.

MS. ANDERSON: Thank you. Excuse me. Senator Janek, and Representative Ritter, if I might just ask you to complete a witness affirmation form to keep our paperwork squared away.

MR. JANEK: We will do it.

MS. ANDERSON: Thank you.

MR. BOGANY: Madam Chair?

MS. ANDERSON: Yes, sir.

MR. BOGANY: I wasn't at the last board meeting, but I didn't know -- I know in the past, when a hurricane has come through. I can remember Frances did some damage to Fort Bend, all limits were waived as far as on the single bond family, to try to help people turn it around.

MS. ANDERSON: Actually, in this 4440, particularly with Senator Cornyn's intervention, we have in the Gulf Opportunity Zone, they have waived the first time home buyer requirements for our single-family programs. And so that got done, and that is important.

MR. BOGANY: All right.

MS. ANDERSON: Mark Viator?

MR. VIATOR: Thank you. My name is Mark Viator. I am a manager of public and government affairs for BASF Corporation. My company has generously put me on loan to serve as the chairman of Hurricane Recovery Steering Committee.

And I would like to say -- and forgive me, I am going to stand up -- but I would like to say that this aspect of home need is very real. I have been living in a hotel since September 25. And currently, my house has over $100,000 worth of damage. And we have had many issues related to insurance.

Personally, my insurance company told me they were going to give me $11,500. And they have now paid to the point of $104,000. But understand this aspect; it was not without a fight.

I serve also as a senior pastor of Friendship Baptist Church. I have many members that are impacted, that are going through very difficult times, seeking to get assistance from the insurance company. Some cannot get adjusters out. Others are told that they have limited damage.

And the approach is, we will not pay on wind-driven rain, or we will only pay to replace a portion of your roof. And they are very distressed. And the people that are being impacted the most are the elderly, single mothers. The people that do not have the knowledge or the expertise to be able to help themselves.

Also, you are seeing some rate differences in how some insurance companies are dealing with some of the price increases. As the insurance companies deal with the -- you know, when the hurricane hit, we had labor costs and material costs at a certain level. As time went on, and supply and demand hit, that money increased. Or the level that they would pay for a square of shingles increased.

And as that took place, some churches are being given the third -- I will use the word, the third gyration if you would, instead of the seventh. So we are having issues with insurance companies.

Let me just address quickly, the $1.5 billion tax credit for all developers is not enough for Southeast Texas. Our market was saturated with Hurricane Katrina victims. The hurricane hit. We have had over 85 percent of the assessed damage in Texas comes from Orange and Jefferson Counties. 93 percent of the overall damage is a six county region of Orange, Jefferson, Hardin, Newton, Jasper, and Tyler.

The impact is not only -- well, you have heard about the petrochemical industry. In 2000, BASF Corporation, my company, built a $1 billion expansion. We said there were going to be 2000 workers needed. We peaked at 3,500.

You multiply an average of two O & G projects at a billion apiece, plus refinery expansion of another $6 to $7 billion, you multiply that times an average of 2000 workers, and that puts the number instead of 3,000 workers, at about 14. And so we have a great need for housing. When we went to Washington, we knew that --

MS. ANDERSON: Sir, I need to ask you to make your points and wind up.

MR. VIATOR: Yes, ma'am. I will make my points and wind up. We would like to ask the Steering Committee to partner with us in hurricane recovery, number one. Number two, we would like to ask you to utilize the $3.5 billion tax credit for the affected areas. And we would like to ask you also to increase that $2 million cap for developers. Thank you.

MS. ANDERSON: Thank you, sir. Ike Akbari? I know I butchered that.

MR. AKBARI: Ike Akbari.

MS. ANDERSON: Akbari.

MR. AKBARI: Yes, ma'am.

MS. ANDERSON: Thank you, sir.

MR. AKBARI: Well, I probably can answer some of his questions about the rehab too, because I am affected in this. And I will mention it to you in a few seconds. My name is Ike Akbari.

I am a developer from the Port Arthur area. My primary activities are in Port Arthur. I build, and also have developed and rehabbed over several hundred in that area.

At this time, I want to present, I am going to tell you, out of almost 1,000 units, damaged units, I have reduced it to approximately 350. I still have 350 units that needs some sort of rehab in order to be able to bring the tenant back. These 350 units actually do not have any tenants.

In fact, some people ask me, where are these people? And really, we don't know where they are. But I know, we get a lot of calls saying people to come back to their same unit.

I have been contacted by several companies who want to bring some labor. They need apartments. They need to help out restaurants, manufacturing, small manufacturing; places that need additional apartments to bring people in.

Therefore, we desperately need to have number one, as, you know, get the insurance companies to explain that. Give us the money for us to be able to finish the rehab. That is one of the biggest problems.

It is not -- and I am pretty sure that every apartment owner in that area has insurance. And I don't think any of them are without insurance. And I think they can be able to settle their claim. And by working with them, they can be able to get those units back as soon as possible. As long as insurance companies they start sending the money, for them to have the money to be able to fix it.

There are some -- there are a lot of units that are going to be destroyed beyond repair. In fact, probably the owners did not wish to do anything, especially the ones that did not have insurance, or they were under-insured; they do not want to do anything.

They are probably just going to just leave, and probably the city or county will end up to bulldoze those units, and somebody like myself probably will build another affordable complex within the same vicinity or the same area.

Now, I have, of course, prior to release of the $3 1/2 million, I have put together an application for submission. Approximately three applications. One in Beaumont, one in Orange, one in Vidor. And also I had planned to put one in Port Arthur, but unfortunately a $2 million cap did not allow me to do it.

And being from that area, knowing the market, obviously, I am probably one of the people who have a feel with this, it definitely is easier for me to put together additional units, and to be able to get it. Now, that is basically, why I am here. But I personally want to make sure the staff recommendation for allowing the $3 1/2 million to go to the disaster area to be approved.

And then if the Board were to raise the limits for developers from the same area, or from the primary development are in the same location, the same area, to be able to do additional units. And that is what I would like. I would be glad to answer any questions.

MS. ANDERSON: Questions.

MR. SALINAS: Do you want to do rehab?

MR. AKBARI: Yes, sir. I have done 600 units rehab.

MR. SALINAS: But this is what you are asking?

MR. AKBARI: No, sir. I am probably wanting to build some new complexes.

MR. SALINAS: New complexes?

MR. AKBARI: Yes.

MR. SALINAS: How many can you build with $3.5 million?

MR. AKBARI: $3 1/2 million would probably be around 400 to 500 units of affordable housing. 400 to

500.

MS. ANDERSON: Other questions?

(No response.)

MS. ANDERSON: No questions? Thank you, sir.

MR. AKBARI: Thank you.

MS. ANDERSON: Shawn Oubre?

MR. OUBRE: Oubre.

MS. ANDERSON: Oubre.

MR. OUBRE: Thank you. Thank you, Madam Chair, and Board. I am Shawn Oubre. I am the City Manager for the City of Orange. And thank you for allowing me to talk to you. I am also here with the Representative of Orange County, Don Fields, who is City Manager to our neighbor, Bridge City, Texas.

You have heard a lot of the devastation to the area, but I want to tell you, the statistics and the numbers that impacted the City of Orange. The City of Orange has approximately 500 businesses, and 6,000 residences. In compiling these statistics, we used a residential loss guideline as prepared by FEMA and found that 74 percent of our businesses were either totally destroyed, sustained major damage or minor damage.

59 percent of our housing stock received either destroyed damage, major damage or minor damage. And we

are in great need currently to replace this housing market, as well as the commercial market.

Currently, we still have businesses that remain closed. These are restaurants, mom and pop type service businesses that remain closed because housing shortages does not permit the employees to return to the Orange community. These not only are closed, but we also have limited hours, or limited menus, if they are in the restaurant business.

Two storms hit the Orange County area. The first was Katrina, because we are the first city as you cross Louisiana state line into Texas. And we had a lot of displaced evacuees, using up our housing at that time, adding to our shortage that we have now.

For many years, the City of Orange had lost employment. We, like Jefferson County, are seeing a growth in the employment sector. We have approximately 2,000 new jobs coming to the area, in the shipbuilding or the ship fitting industry, and we need housing for that.

We also have a two year college that is affiliated with the four year degree college, Lamar University in Beaumont, that we would like to have the housings of the students who will remain in the area, as well as contribute and go on to the four year college in

Beaumont. Therefore, like everyone else, I am asking you all to earmark that money for the Region 5 area. It is important to us in our recovery efforts.

And Mr. Conine, maybe I can answer somewhat from the Orange County perspective on the new housing versus the rehab housing for the apartment. As far as Orange, that housing stock is at least 30 to 40 years old. Some of it has been rehabbed. And I think it has been rehabbed to where it can't be rehabbed anymore.

Some of the damage to it is over 50 percent, and our new codes will be enforced on it, as well as having to raise it above flood plain and issues like that. So I think as far as the new versus the rehab, as far as the community in Orange to speak to you about, I think we would prefer new housing.

We have other tax credit people in the area, as well as Mr. Akbari who are ready to go with the projects and the locations. And we would appreciate your help in this area also. Thank you. Do you have any questions?

(No response.)

MS. ANDERSON: Thank you, sir. We appreciate you being here. Mr. Barry Kahn?

MR. KAHN: I will pass.

MS. ANDERSON: Thank you. Okay. That is the end of the public comment on this agenda item. Ms. Carrington?

MS. CARRINGTON: The item before the Board is consideration of a policy for the allocation of the $3.5 million in housing tax credits that were authorized under the Gulf Opportunity Zone Act of 2005. It is HR 4440. And it was signed into law by President Bush on December 21, 2005.

While the Act does not explicitly limit the credit increase -- and this is a credit increase. It was not going into the regional allocation formula. It was an increase in the amount of credits. While the federal law does not require it to go specifically to the hurricane-impacted areas, the staff of TDHCA is recommending that this $3.5 million in additional credits does go to Region 5, which is the region you have heard so much about today, the Beaumont, Port Arthur, Orange area.

In October of 2005, the Governor declared 22 Texas counties to be impacted by Hurricane Rita, and we are recommending that 21 of those 22 counties actually receive this additional 3.5 million. The one county that we are excluding out of this 22 is Harris County, and the reason we are doing that is because out of the 2006 allocation for tax credits, the Harris County region,

Region 6 of the state, does have a very large allocation of credits. Where if you look at the amount of credits that would have been allocated to Region 5, it really is a much smaller dollar amount.

The use of the funds would be for rehabilitation, reconstruction or replacement; new construction. So rehabilitation of structures that were damaged by the hurricane, reconstruction or replacement.

What staff is proposing is that this 3.5 million would be on a non-competitive basis. And it would be on a first come, first serve basis, as we do in our rural rescue policy that we have had in place for the last couple of years. We actually have some applications in house already.

We are proposing that the deadline for the submittal of these applications would be May 31 of 2005. The applicants would be required to satisfy most of the requirements of the 2006 QAP. They would also be required to have a minimum score of 105.

On January 10 of 2006, the Governor of Texas did issue an executive order, which was RP54. And by the issuing of that executive order it granted authority for appropriate waivers that we would need to administer this 3.5 million in the way that we are proposing. What we would be allowed to do through RP54 is the suspension of the regional allocation formula for this 3.5 million, the suspension also of the uniform cycle requirement, and other application processing deadlines.

If the Board would look behind the staff writeup, we do have a copy of the policy for the allocation of these credits. We also want to note and advertise that on the 19th and 20th of this month, that is on tomorrow and Friday, staff will be in Beaumont on Thursday with a workshop, and then will be traveling on to Nacogdoches on Friday with a workshop, advertising and providing information on applications for applying for these dollars.

With that, Madam Chair, and Board, we could certainly look in more particulars at the policy. Or would the Board just like to ask staff questions? One other thing I might point out is behind the two pages of the policy, four pages of the policy, actually is Appendix A.

And this is information that was provided to us from the State Operations Center, the Governor's Division of Emergency Management. It lists these 22 counties, 21 counties, and cities within those counties, and provides damage estimates; destroyed, major damage, minor damage on single-family, mobile homes, and on apartments.

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

MR. CONINE: I have some questions.

MS. ANDERSON: Okay, would you like to --

MR. CONINE: I have got some problems.

MS. ANDERSON: Would you like to have Ms. Boston nearby?

MR. CONINE: Yes. Absolutely. I am all for expeditious processing. I am all for putting it in the region. I have issues with not scoring.

And I have issues with first come, first serve, because that is not, as the Chairman spoke earlier, not letting the market determine. That is letting the best packager win the race. And I have a particular issue with that.

And there is no way for us to get what I asked the state reps and others who have been before us is some local feedback as to the specific need of which project, you know, on a rehab basis or a new construction basis might be better served. So, you know, I think we ought to waive the one mile rule when it comes to this 3 1/2 million, first through the regular allocation.

I am not in favor of waiving the $2 million rule, because I think there is plenty of developers that can go down there and build units. So I don't know how you want to handle -- that is what I get, just off the top of my head, before any discussion.

MS. ANDERSON: Well, I think we ought to hear Ms. Boston's comments back on that. I think there is a great deal of pain down there, and so a great deal of urgency to get something done in this board meeting would be my preference.

And if that means we need to make some amendments to the way the staff has structured, with some discussion on that, then we do that, but I would like to see us reach a conclusion today.

MS. BOSTON: Okay. Brooke Boston, Director of Multi-family Finance. Regarding the not scoring, and not doing first come, first serve, I mean, just thinking off the top of my head, we do for instance, with our bond waiting list, we take apps in a particular day, a month, and then compare those to each other.

And they kind of are handled in a batch, so to speak. If only one is in by that date, then obviously, there is no competition. But that would be one suggestion, although you are still talking about only once a month, which I don't know is --

MS. ANDERSON: Well, could we set some

deadline. Instead of first come, first serve, that we give people a reasonable amount of time. And so we say that, you know, on March 31, whatever is in the door at that point --

MR. CONINE: Yes. I don't think you are going to have a whole lot of problem filling up 500 or 700 applications. You know, you are going to be triple, quadruple subscribed here.

MS. BOSTON: Yes.

MR. CONINE: So again, just by picking out of that triple or quadruple or whatever, ten times subscribed, the first guy that came in the door makes no sense to me. We ought to intelligently place these projects where they are needed the worst.

MR. SALINAS: So you don't think the cap of 2 million is --

MR. CONINE: I don't think that -- again, I think they are going to have more than enough applications with different developers to spread it around.

MR. SALINAS: So that is one way to do that.

MR. BOGANY: So I guess I am a little -- I understand the premise, but my thought process is that if I am building and I use Austin for example, and I am doing a project there, and I reach my $2 million allocation, are you saying I can't go down to Port Arthur and build?

MR. SALINAS: I think you can.

MS. BOSTON: Yes.

MS. ANDERSON: Are you talking about objection to waiving the cap on the $3.5 million block, or are you saying that if they get a million five in this 3.5 million special cycle, that they could only do $500,000 in the full cycle?

MS. BOSTON: The policy right now as written states that you can't exceed the 2 million cap between this type of funding and the cycle.

MR. CONINE: Between both.

MS. BOSTON: So you cumulatively could not exceed 2 million as currently drafted.

MR. BOGANY: Do you have the ability to waive that?

MS. BOSTON: I think our counsel would need to advise. The definition for the cap is statutory. And it refers to application round. And then that definition is statutory. So I think it would need to tie back to the executive order.

MR. HAMBY: Right. Kevin Hamby, General Counsel. The executive order as it is written gives us the ability to waive certain rules that are state law.

That is a particular state law, so the $2 million cap could be waived.

The process would be that we would have to tell the Department of Homeland Security who all was to approve all programs under the executive order. We would have to tell them that we were waiving that statute, that particular provision as well.

MS. ANDERSON: But if it is per application round, is this 3.5 million a separate round already?

MR. HAMBY: Let me grab the statute.

MS. BOSTON: Actually the statute defines application round. And it refers directly to the ceiling. And because these credits were added to the ceiling --

MS. ANDERSON: Okay.

MR. SALINAS: Okay. First we need to allocate the 3.5 to only Region 5 which should be one motion. And then add another motion on how you all want to do the cap. I think that we need --

MS. ANDERSON: To the 21 counties. It is not exactly Region 5.

MR. SALINAS: To allocate the 3.5 only to Region 5.

MR. CONINE: I don't think we have any argument about that.

MS. ANDERSON: Right.

MR. BOGANY: I would have an issue that if I am building in Austin and I want to go down, and I do a good job. And I want to go down and participate, that that would affect me building in Austin, or building in Houston, or building anywhere else.

I would like -- my thoughts are not to penalize that developer from going down there to build where he may -- just not where he normally builds. And I think you should encourage everybody to be able to go down there and put as much housing stock on the market as quickly as possible. And I would have a serious problem with penalizing a developer at a $2 million cap, because he wants to go down there and try to get housing stock on the ground.

MR. CONINE: In reality, this is only going to be three projects, maybe four.

MR. HAMBY: Yes.

MR. CONINE: That is the reality of it, because we do it in 200 unit blocks, and they gobble up a million dollars worth of credits every time. So that is somewhere between three and four projects.

MR. BOGANY: Uh-huh.

MR. CONINE: Why do you want to give those three or four projects to the same guy building in Austin? I don't think that makes any sense. That is where I am coming from. I think there is plenty of guys out there who can rally up enough labor and materials to go build projects in these 21 counties without having to soak one particular person.

MR. SALINAS: And the most important thing is that the money is going only to Region 5. And I agree with Mr. Conine that it is going to take about three or four projects.

MR. CONINE: I don't think demand is a problem here, folks. Where the problem is, is how do we expeditiously get these, make intelligent decisions about where the 3.5 million needs to go, and how do we do that outside the other cycle that we have going on, so we can make those decisions before July. Isn't that what you want to do?

MS. BOSTON: Yes.

MR. CONINE: Okay.

MR. HAMBY: They actually need to be made before. Because of the way the policy is written, there are two separate part fours that could come in. So people would need to know before the application period, or else they would have to take the risk because you have dual application --

MR. CONINE: You mean, one or the other.

MR. HAMBY: You have the possibility, because we were speeding the first group up, the part four.

MS. BOSTON: Well, and the way we structured it is, if someone wants to apply in this program, they can do so, obviously up through March 1 or after. However, if they want to also simultaneously apply in the 9 percent competitive round, kind of hedge their bets, then they would need to have their competitive 9 percent app in by March 1, and still follow all their requirements.

Because the scoring structuring here is a minimum score, but we did not assume that they were going to keep the same score, both ways they presented it. Because if they are competing in the 9 percent round, they may want a much higher score, so they can quote beat their competitor.

Whereas in a first come, first serve, they would not need as high of a score. So to enable that to occur, we had structured it currently to say you can compete in both, as long as the 9 percent is in by March 1. And you can turn in separate volume fours, which is your scoring selection items. And then we will evaluate you under both scenarios.

MR. CONINE: But now you are saying we are going to lessen the product, because your score doesn't have to be as high to pick up a couple of months on a project that takes 18 to 24?

MR. HAMBY: Yes.

MR. CONINE: Well, I don't understand that logic.

MR. SALINAS: To go 24, 18 months.

MR. CONINE: Sure. Absolutely. Especially when they have got labor problems and material problems.

MR. SALINAS: Yes. And it will cost you a little bit more.

MR. BOGANY: I have a question for Ms. Boston. What is the problem with first come, first serve? Why did you -- I guess I hear Mr. Conine's thought process. But why did you guys pick first come, first serve and what was the reason behind that, versus on a competitive situation?

MS. BOSTON: Essentially, we just really were trying to make sure this got done quickly. As you heard some of the gentlemen speak earlier, they were hoping to have some of this work done in the fall.

The only way to get stuff done in the fall, first of all, for it to be rehab, because I don't think you can get new construction done by the fall. But even the rehab, you know, we would be having a proof of credits in record time.

And so our hope was that people would just turn in an app' we would look at it. If it met the threshold, and it met the minimum scoring requirement and the other items in this policy, that we feel we have a strong enough threshold standard in this program, and in the QAP, that still gives us a good product.

And to reach a score of 105, they are still going to have to do some amenities, because they are probably not going to go for quantifiable community participation. They are probably not going to be going for all the leveraging points. So I think they will still get some significant amenities and features. So we thought that that was sufficient to try and get it out fast.

I can appreciate especially -- I ran a report this morning from our preapplications that came in last week. And we have 27 preapplications that are submitted in these 21 counties.

So I can't categorically say that they all would be eligible under this policy. But if they were, they are requesting $19 million. So first come, first serve, if you figure all 27 of these turn into apps on the exact same day, first come, first serve truly may come down to the minute that it comes in.

MR. CONINE: To me, that is as bad as the ping pong ball that I gripe about over on the bond side.

MS. CARRINGTON: One other thing I might add is that in the first come, first serve, I mean, we do have a model out there with our rural rescue policy. So we have been doing that for a couple of years, with unique situations and transactions that are in rural areas. So we had something that had worked for us to address a particular kind of situation.

And I think that what we know is that we have a very unique different kind of situation with the needs -- and as Brooke said, we thought that was the most expeditious way to address those needs.

MR. CONINE: Again, I think that a rural rescue policy when you are talking about default is totally different than when you are talking about disaster.

MS. ANDERSON: Could I be so bold as to ask for a motion, and then we can amend the motion, if we want to amend the motion?

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

MS. ANDERSON: Do I hear a second?

MR. SALINAS: Second.

MS. ANDERSON: Okay. Now, further discussion. Amendments to the main motion?

MR. CONINE: I am not sure how I want to amend it yet. I wanted some more dialogue with Brooke to try to get to some point where we could accomplish what you guys want to accomplish. And hopefully, I could get some comfort in knowing that we are not doing a first come, first serve, because that really bugs me.

And I want -- I would like to see a scoring criteria. Again, we are talking about four or five or six projects ultimately being the winner here. I know it is going to create a burden upon staff to rush through a block of these things and get them out the door in May or whatever.

MS. BOSTON: Especially if that deadline ends up, I think -- to the extent that we can encourage more submissions before March 1, that would be ideal.

MR. CONINE: Well, that is what -- I think the May 1 date is way too long to wait for applications, number one. You are already oversubscribed probably. So why don't we -- why don't you suggest a date that might be earlier than that, that you still would feel comfortable in, that would be an adequate cutoff date.

MR. HAMBY: Tomorrow?

MS. ANDERSON: That is what we are trying to avoid.

MR. SALINAS: We already have 19 applications.

MR. CONINE: What is this, January. February 28? How is that. March 1?

MS. BOSTON: Well, we will be getting in about 150 --

MR. CONINE: March 5th. The Ides of March? Do you want to do the Ides of March? This packaging is not something simple, you know; it is a complicated process.

MS. BOSTON: It is. They are still having to meet all of the requirements. So for people who may just be showing up at the workshops tomorrow, especially if we are looking at trying to get participants who aren't necessarily the guys building in Austin, then I would think that people will need some time.

We have tried to -- like looking at the notification requirements. We have tried to make that a little loose. Not looser, but we have tried to make it where they can turn that in all the way up through the day they submit.

We have tried to find some of the areas that were a challenge time-wise, and allow a little bit of flexibility to the extent that we felt we could. February 15?

MR. HAMBY: Mr. Conine, one of the things you are thinking, when you think of it as three to four projects.

MR. CONINE: Yes.

MR. HAMBY: If 27 people submit, that is 27 projects the staff has to go through and do all the scoring on.

MR. CONINE: Which is part of the reason they wanted first come, first serve.

MR. HAMBY: Right. For timing reasons.

MR. CONINE: Right. But again, that doesn't intelligently place those projects. Okay? And that is where I am having difficulty. I don't want this Board to be criticized after the fact by just taking the first guy in the door, when it is out and located somewhere that it makes no sense.

And I think we need some intellectual review or conversation about where we are placing these things, with local input. I don't know how we get it in a time frame that makes everybody happy. But --

MS. ANDERSON: I think we have had a lot of local input. But I have a suggestion. I am going to suggest that we vote.

And I have got -- I made a personal commitment to be at a meeting with some of these senators and the Lieutenant Governor to discuss this. And I am already 20 minutes late. So I am being a little selfish here.

But I am going to suggest that we vote on the motion that is on the floor, with the amendment that we are not voting on the full -- I am going to amend that motion to say we are not voting on the full staff recommendation.

We are voting on the allocation of 3.5 million in housing tax credits to 21 counties. That is the extent of this motion right now.

And that we then perhaps let staff go have an hour or so to think this through, and that we come back to this agenda item at 1:30 or thereabouts. So I make that motion.

MR. BOGANY: Second.

MS. ANDERSON: Okay. Any discussion on the amendment? Everybody understand the amendment? All in favor -- actually, it is not an amendment. Yes. I guess it is. Amendment, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. So what we have said is 3.5 million into those 21 counties. And I appreciate the Board's indulgence so that I can go deliver that good news. And Mr. Dally and I can keep our commitment. And you are in charge. Have at it.

MR. CONINE: That is major.

MR. BOGANY: Mr. Conine in charge, I still have questions.

MR. BOGANY: You probably have more than one.

MR. BOGANY: And Brooke, it is kind of -- you know, I still believe that if I am one of the developers that gets one of these four or five projects, I don't want to be penalized for other projects. What is the staff thought on that process, or waiving it, too.

Are you okay with keeping the cap at two? Or do you think that it should probably be waived? Or maybe we are -- some people may be excluded who really could get this property done and get it finished, who might be willing to not even be involved in it.

MS. CARRINGTON: Staff's recommendation was to adhere to the 2 million cap.

MR. BOGANY: It is to stay with the 2 million cap?

MS. CARRINGTON: Yes.

MR. HAMBY: Well, it is public policy in the State of Texas, and so waiving it is an extraordinary relief under the executive order.

MR. BOGANY: Okay.

MR. HAMBY: And so it was passed by the Legislature. So from that standpoint, it is public policy of the State of Texas that it be limited to 2 million.

MR. BOGANY: To keep it at two, regardless of the disaster.

MS. CARRINGTON: Correct.

MR. HAMBY: It is 2 million per application cycle. So that is what the Legislature for whatever reason deemed was a good maximum cap.

MR. BOGANY: Okay. So if I understand this right, staff recommendation is to keep the 2 million. So if I went down and participated in Port Arthur, that would apply toward my cap somewhere else in the State?

MS. CARRINGTON: If you were applying in the 2006 regular round. Yes, sir.

MR. BOGANY: Okay.

MR. CONINE: You can still get two deals.

MR. BOGANY: Okay.

MR. CONINE: One will be down there, and one of them will be somewhere else.

MR. BOGANY: Okay. That is what I wanted to know.

MS. BOSTON: And Kent, if I could address one of the comments you made. You had said that you wanted to make sure the one mile rule was waived. And it only applies in those four major metro counties.

MR. CONINE: Okay.

MS. BOSTON: So it doesn't apply here anyway.

MR. CONINE: Okay.

MS. BOSTON: So I just wanted to be sure you knew that.

MR. CONINE: Well, and is there another provision that is timing-oriented? I wanted to be able to jam as much in there as we can without, again, intelligently, without having some rule buried in the QAP or elsewhere that may preclude that. So as long as you have thought that through.

MS. BOSTON: There is also a statutory requirement regarding two times the state average of credits per capita. And so all that would be required in that case would be a local resolution, which I would think in this instance would be quite easy to get.

MR. CONINE: Right.

MS. BOSTON: So I would think that that would be a statutory item we could obviously still adhere to and it wouldn't pose a problem.

MR. BOGANY: Brooke, I have a quick question in regards to, is there anything that will slow this process down, that we have not talked about, that we can move this fairly quickly. Is there anything that you know?

You know the regs. You know what is going on. Is there something we can condense to get this product on the ground and to help get this process going?

MS. BOSTON: A couple of examples, thinking from the applicant side. If they were to want to try to get applications in before March 1, would be market study, environmental site assessment, appraisals. We allow those to come in 30 days late, or 30 days after March 1 on the 9 percent round. And we would still be able to do that.

Our hope though is to get them processed so fast, that we may need those reports before we could do that. So you know, there is a chance that it may get slowed up.

That while we have done most of the review, we can't finalize the review until those third party reports come in. And they can't get those third party reports done, because there is a huge demand for them at this time of year. I don't know that there is anything the Agency could do to access that other than to potentially consider --

MR. BOGANY: Why do we need a market report? We already know there is a need. So why can't we just eliminate the market report? I am just asking.

MS. BOSTON: Actually, there is a Section 42 requirement that you have to have a market analysis on every application. Although I think, and Tom may know this answer. I don't know that it is required that it be submitted at the time of application.

I think it is just that if we get an award, we would need it. So we could potentially look at having that submitted after a commitment is made.

MR. BOGANY: Yes, because we know there is a need. So we know the market report is almost mundane at this point in time. So why use that as a requirement to slow things down, or just help the developer to move through the process.

MR. CONINE: The only thing I could think of is that there is going to be some parts of these 21 counties that you wouldn't want to put 200 apartment units. I mean, that is a fact. Out in the middle of nowhere. You don't want to do that.

So that is why I want at least some third party to take a look at it and say, it is where the people want to live. It is close to where they are going to build the new refinery. You know, boom.

MS. BOSTON: Yes. And I just wanted to emphasize as well, the way the policy is currently drafted is that the new construction is purely limited to the total figure as put in Appendix A of your policy of the destroyed and major damaged apartment units. And there are only four communities that have more than maybe 30. And so, to even get the economies of scale, Orange of course, is one.

And then the way this report is broken down is actually into communities. So Jefferson has 285, would be the most new construction units we could do. That is -- then there is also separated out, it says Jefferson-Port Arthur --

MR. CONINE: What list are you looking at again? I am sorry.

MS. CARRINGTON: Appendix A which is at the back of the policy.

MR. CONINE: Those are damages.

MS. BOSTON: It is a combination of destroyed and major damage to apartment units. And in Jefferson-Port Arthur, because it splits it out, there are 3,200 units. But I just want to emphasize, someone couldn't come in and do 200 units of new construction for instance in Montgomery County.

MR. CONINE: Cherokee. It doesn't have any.

MS. BOSTON: Correct. There is only about ten who have any. And then a few of those have as few as three or four or twelve, which is even below our minimum unit requirement.

MR. CONINE: You are making my case for no first come, first serve. You are making my case. Because if somebody came in for 200 units in Cherokee County, you might scratch your head a little bit.

MS. BOSTON: Well, they would be ineligible.

MR. HAMBY: They can't do it.

MS. CARRINGTON: They wouldn't be eligible.

MR. CONINE: Why not?

MS. BOSTON: Because we say in the policy that the only way you could do new construction is if it does not exceed these numbers. That is actually in the policy.

MR. CONINE: Really.

MS. BOSTON: So they would be considered ineligible as currently drafted.

MR. CONINE: It's been a while since I read it. That then conflicts with what these guys were standing up there telling us that they got -- that in addition to damaged units, they also have new industry coming in because of the damage, so they need new units above where they are going to put these new industries. So there is another intellectual factor that needs to be factored in, that cannot, I guess, fit into the current existing policy if that is something we want to do.

MS. BOSTON: Correct. And as we crafted it, we were putting the primary emphasis on rehabilitation and reconstruction of units. And we felt like that policy said this, but looking at it this morning, we wanted to try and emphasize that it is units damaged by Hurricane Rita. It is not just any rehabilitation.

MR. CONINE: What about the list that staff produces in June that has to be out there for 30 days until we approve it in July. We don't have to worry about that here in this case? And why not?

MR. HAMBY: That is a statutory requirement as well and the waiver would be inclusive of that. That altered the time lines. We have very set time lines in our statute.

And one of the reasons that this program could not proceed until the Governor had issued his executive order was that those waivers have to be granted through his disaster relief powers. And that has happened with the caveat again, that it goes through the Department of Homeland Security.

MR. BOGANY: Kevin, when you guys come back at 1:30, could you -- or whatever Beth said, could you give us a list of what your suggestion on waivers or manage you had an opportunity to at least think about some other things that might be able to move this -- I guess my goal is to get this product on the ground and with as less red tape as possible.

But also keep in mind that we want it done right, and we don't want anything to come back and be criticized later on, on it. Is it possible to relate to the Board what your recommendation are, that you may not have already said, that can make this work? Am I asking for too much?

MS. CARRINGTON: I would say to the Board that you all need to tell us what you want us to look at. Staff has looked at this very carefully, and very thoroughly. And these are our recommendations. I mean, what you see in the policy is our recommendations.

MR. BOGANY: Okay.

MS. CARRINGTON: So what you need to do, is if you have got problems with our recommendations, then you all need to tell us that, so that we then know what to look for, or look at in alternatives.

MR. BOGANY: Well, I don't think the only problem that I have heard really come out is Mr. Conine about first come, first serve. And you are saying hey, we are using it already in rural rescue and it works fine. So we are not recreating the wheel. So it should work here.

MS. BOSTON: Well, when we crafted the policy, yes, that was our thinking. And I think that in terms of trying to get it on the ground quickly, there is merit to first come, first serve.

I can also appreciate the comments that we either don't want to arbitrarily just say that the best packager is the person who should get it first, or that we don't want -- if the first six apps are all we have in Beaumont, and nothing in Port Arthur, is everyone okay with that? I mean, that is another factor that you would look at in this.

MR. BOGANY: Okay.

MR. CONINE: I think that there has to be some dispersion language in this approval process. I am still not convinced that we need to speed up the process.

I am comfortable with putting an extra 3 1/2 million on the ground in 21 counties by the end of July versus June or May or whatever you are talking about. I don't have any gas about that, personally, because it is going to take 18 months to build these places anyway.

And why not take the extra time to include this 3 1/2 million into the normal process where you get the normal scrutiny? And if you are going to waive something, you can. If it is the will of the Board to do it quicker than that, you know, then we --

You know, we won't even have the same Executive Director making the decision, which bothers me some, based on the way this policy is written. So I have a -- obviously, no one called me ahead of time. I am just saying off the top of my head what I think.

But I have some serious questions about why we need to jam this thing out the door in a hurry, and not intelligently place it. The policy staff put forward does not intelligently place these projects where they need to be, and that is my major problem. If you all can fix that within the time frame that everybody is comfortable with, then I am okay.

And you better get some local input where those projects are going because I don't want to be criticized a year from now for having stuck five projects out in the boondocks where they don't belong.

MS. CARRINGTON: Mr. Conine, I must say that Bill Dally and several staff traveled to Beaumont in early December at a meeting that was required by HUD. And representatives from those cities, along with Senator Tommy Williams and others were there. And the whole purpose of that meeting was to take input from the cities on what they believe their needs and concerns were.

There was also a hearing that was called by Senator Ogden. Senate Finance had a hearing at the end of November. Staff has attended and participated in both of those.

And I guess as we look to intelligently allocate these credits, I would guess I would like to ask the question. On Appendix A, and as we have said, the maximum amount of credits that could go into these areas would be basically limited by the amount of multi-family housing that was either destroyed or sustained major damage.

MR. BOGANY: So we are not adding new. We are just replacing what was already there?

MS. CARRINGTON: We are saying, reconstruction, replacement, and rehabilitation.

MR. BOGANY: That is already there.

MS. CARRINGTON: Yes, sir. The new construction would be the replacement housing, because it was totally destroyed. And what Appendix A does show you is that there are maximums, as Ms. Boston has already said. I mean, these areas, according to the Governor's Office of Emergency Management, their estimates on what was minor damage, what was major damage, and what was destroyed. And so you basically have caps.

MR. BOGANY: On where you can put this money.

MS. CARRINGTON: On where you can put it.

MR. BOGANY: Okay.

MS. CARRINGTON: On number of units that you can --

MR. CONINE: Maybe we give the county commissioners a list of applications and say, based on what you see, rank them and get back to us. For this special allocation.

MR. BOGANY: By the commissioners?

MR. CONINE: I am a local control kind of guy. I don't want to sit here at the state board and dictate what goes down there. I want the input.

And if they have got 500 units of minor damaged apartments that are very well located, and the insurance company is gone, and there is no way that they can rehab those units, but the city fathers or the county fathers, the county commissioners think that that ought to be the number one project in that county, then I would like to know that before we make the decision. And I know that I may be acting crazy here, but --

MR. SALINAS: No. I think -- you are right. I think the county commissioners, and I was one for twelve years. And I think they should.

MR. CONINE: You know, everything that we have heard so far has been just, give us the 3 1/2 million. Well, we are past that point. Now we are down to picking which deal gets it.

MR. BOGANY: But if I understand what Ms. Carrington just said, all we are doing is going back and just constructing that was already on the ground or rehabilitating what is all on the ground.

MR. CONINE: That is the recommendation.

MR. BOGANY: That is the recommendation.

MR. SALINAS: But they want to do some new units.

MR. BOGANY: Well, but it won't happen with this money. It will happen with the money coming from a regular cycle. Am I correct?

MS. BOSTON: Unless we change the policy, yes.

MR. BOGANY: Unless we change the policy.

MR. SALINAS: Well, the more money we put into the area, the better for the area there. And I think that allocating the 3.5 in there, the county commissioners decide where it goes, it is a good idea. Because there are the elected officials that is closer to the community. I mean, they talk to them every day.

MR. CONINE: And this is disaster. This isn't meeting normal demands. And that is why I am suggesting maybe an extraordinary step here because it is disaster.

If we were just talking ordinary demand, based on normal circumstances, then we have all the checks and balances in place that we normally need to do that. But in a disaster, it is totally different.

And certainly, from Austin, Texas it is hard to tell which project needs to go where. And that is why I am suggesting that we might have an additional level of local input, whatever that might be.

MR. SALINAS: Was that the county judge? He was here today.

MR. CONINE: Well, since we are doing it on a county basis, 21 counties -- that to me is probably where the rubber meets the road as far as working with the local cities and so forth.

MR. BOGANY: Can I ask you, Mr. Chair --

MR. CONINE: Sure.

MR. BOGANY: Is anybody here from Port Arthur, Beaumont, still in the room?

MR. CONINE: Representative.

MR. BOGANY: Is it out of order to ask the Representative on this debate on what is most important for his constituents out there, that you are hearing calls, and getting calls from?

MR. DESHOTEL: Well, just following the debate, I am kind of seeing some inconsistencies in what you are saying. If you are saying that the 3.5 million can only be used to replace units that were damaged, and then on the other hand, you want to take and say that it is in the same cycle.

So that a developer, once he gets a $2 million -- if he gets the 2 million out of 3.5, he is disqualified out of the 37 million. And at the same time, you are saying those are for two different purposes, that I am having a little trouble reconciling that issue.

MR. BOGANY: This is what Mr. Conine and I guess, as a board, what we are saying, is that the 3.5

million would go down. And the only thing that it is going to replace is those that were completely destroyed or rehabilitated.

Then when we have our regular cycle, those people or developers who wanted to work down in Port Arthur or Beaumont will be able to come in and do that. That is going to be something totally different.

MR. DESHOTEL: Right.

MR. BOGANY: Where we hit the stick in the mud is, getting this money to you guys as quick. Mr. Conine is saying he wants more input from your area on what to do. What staff is saying, their recommendation is truly just to replace or fix what was destroyed. And he wants more input from the area.

My thought process is that I think I heard from the Representatives here, and my thought process is to get the money back on the street as soon as possible. I do agree with him, now I am hearing his thought process, that we don't want to just throw it out there.

We want to have a plan. But if all we are doing is replacing what is already there.

MR. DESHOTEL: Well, I think the argument is a little academic in the sense that that 3.5 million is not enough to replace what is gone.

MR. CONINE: Right.

MR. DESHOTEL: So I mean, it is just semantic. It is how you want to phrase it.

MR. CONINE: But it is in certain counties. If you were looking at this list.

MR. DESHOTEL: Yes. But in a 21-county area, that is not nearly enough money to replace what was destroyed. Not even in Jefferson County.

MR. CONINE: No. But again, if you were in Cherokee County, using my previous example, if someone had a project and they wanted to build 100 units in Cherokee County, under the current staff recommended proposal, they wouldn't be able to do it under the $3 1/2 million pot.

MR. DESHOTEL: No, they would not.

MR. CONINE: Because there wasn't 100 units in Cherokee County.

MR. DESHOTEL: That is correct.

MR. CONINE: But if you do a first come, first serve, and you have got a packager out there that has a little piece of raw land in Cherokee County, we would have opened the door for that. I think that is a mistake. So we are trying to fix that. Again, what I think that Mr. Bogany was trying to ask, if you have got -- in your district, if you have four projects that have sent applications in, each one of them is a million dollars apiece. And we are only going to put one of those projects in there, how would you go about letting us know which of those four you would like best, or the community would like best. What is the best methodology for us to do that?

MR. DESHOTEL: Well, you know, if you are looking at the raw numbers, I guess you would check the different cities in Jefferson County. And if Jefferson County is only going to get one project, it would be the city that had the most loss, I would suppose, if you are doing it that way.

MR. CONINE: Uh-huh.

MR. DESHOTEL: You know, you have several cities within Jefferson County. They all have a numerical net loss of housing. And maybe if they are only going to get one project in Jefferson County, it would go to the city that had the loss.

MR. CONINE: If we sent you a letter with those four, here is four projects, tell us which one you like best. Would you respond to that?

MR. DESHOTEL: I would respond to it. But it would not be based on my personal -- you know, I would talk to the mayors and the community, and see what they felt was the greatest need. But when you look at such a limited geographical area, I don't know how you can determine whether it should go in Nederland or Port Neches, when they are just across the street light.

MR. CONINE: That is our problem.

MR. DESHOTEL: Yes.

MR. CONINE: And see, I don't want to be criticized for making that decision, but we are charged with making that decision. And I need help in making that decision from you and the other local officials.

MR. DESHOTEL: Well, I think the process that we were looking at, if the monies that you have taken the step to allocate the money, as I am following it, to the 21 county area --

MR. CONINE: Yes. Right.

MR. DESHOTEL: Then I guess you just have to look at the applications for that money, and see where the greatest need is. Some of these people have 6,000 unit lost versus zero lost to help you determine whose application has the greatest need. I don't know any other way of doing that.

MR. SALINAS: So what Mr. Conine was saying, well, let's just go to July, and just do it right, according to the need. Right?

MR. CONINE: I would like, I guess, staff to -- to talk to staff a little bit more about that. And maybe we will do that at the break. Again, I could go either way. I just feel like there is more protections in the system the way it is set up, to run it through the normal process, and have them issued by July.

If we want to advance that process some 30, 45 to 60 days, just to get guys going and started, I am open to that. But I want to make sure those same sort of protections are in place.

MR. DESHOTEL: Well, our proposal as we have spoken, the other legislators here, I don't think it is as broad as the 21 county area that you all -- we talked about a smaller area. Primarily, the Jefferson and Orange County area, and Hardin County, where there is a concentration of loss.

But you know, the Board chose to go to a much broader area, which makes it more difficult, I think, on the Board, to see where the need is. But from a loss standpoint, in pure lost units, it is very clear that it is in Jefferson, Orange and Hardin County.

MR. CONINE: Right.

MR. DESHOTEL: It would be much easier for you all to make a decision if you had --

MR. SALINAS: Maybe we need to amend the motion to dedicate the those people in those three areas.

MR. DESHOTEL: Yes.

MR. SALINAS: And not only to Region 5, though, in those three areas, which most heavily had more losses. Is that what you are saying?

MR. DESHOTEL: Well, I think it would simplify your job if you concentrate on the front end to put the money where the greatest need is. And that would mean an amendment of your motion.

And if you can indulge me one more time on that issue, if you are going to treat this money as for replacement units only -- which is what I think we are leaning toward -- and you go to a three county area, I don't think you should punish a developer who comes in to replace those units and keep him out of the regular cycle of funding. I think they are two different types of money for two different purposes.

MR. CONINE: Okay. Thank you. Why don't we get a motion to table this until we come back after lunch? I know we need -- we are going to take a lunch break.

And then we are going to do -- I think what is going to happen is, we are going to do a lunch break now. Executive session for the Board at 1:00. Do we know where, yet?

MS. CARRINGTON: We will.

MR. CONINE: And then we will probably open the board meeting back -- the public meeting back up at about 1:30.

MR. SALINAS: I move for --

MR. BOGANY: Before we do that, I wanted to hear Mr. Hamby.

MR. HAMBY: Whenever we talk about the term replacement, just so you all can mull this through lunch, it is not replacement of the actual units that were destroyed. It is a cap of the number of units that could be replaced into that entire area.

MR. CONINE: It is not increasing inventory.

MR. HAMBY: It is not increasing inventory. That is correct. That is why -- that is the protection you have in the smaller counties, and why in reality, if you are talking about new construction, those four counties are the ones that you are really talking about, or those four regions.

The four areas are the ones you are really talking about because it is not replacement in the sense that you are going to, like the HOME program where you are going to go out and replace it on the pad that is sitting there.

MR. BOGANY: Could I ask a quick question? Mr. Hamby, maybe you could answer it. So when we come up for our allocation process on the regular cycle, is it possible, is it legally possible for us to increase the allocation for that region over -- because of this special situation?

MR. HAMBY: And this is one of the questions that we are going to answer, probably when we start talking about this at lunch. The issue about putting this regular into the regular cycle, is it may change the character of the emergency disaster declaration that the Governor has.

MR. BOGANY: Okay.

MR. HAMBY: And without those waivers of some specific statutory language, all of this 3.5 would go into the pool.

MR. BOGANY: Okay.

MR. HAMBY: There is no way to bump up because of the allocation rules, the allocation requirements that we have in the statute.

MR. BOGANY: So it would be important that we possibly may move the time frames up, to get this money, and get this out of the way. That was staff's thought process?

MR. HAMBY: It certainly goes more in hand with the disaster declaration and the fact that the Governor was addressing an emergency.

MR. BOGANY: Okay.

MR. HAMBY: We would probably have to have conversations with the Governor's staff as to whether or not they would consider this to be still an emergency status, if we put it in the regular cycle.

MR. BOGANY: And one last question. When we go to the regular cycle, is it possible to raise how much money goes to Region 5 than what we would normally would do? Is that legally --

MS. BOSTON: You are required to adhere to the regional allocation formula statutorily, at least for the 9 percent round. You have the authority to give forwards, although I would just caveat that to say, those forwards are still backed out the following year. So you would be depleting it from them the next year.

And Region 5 for this year, even based on 43 million, is only getting roughly 1.5 million. And so if you apply that next year, although I would think that the need would change in our new formula, you know, you are not talking about a whole lot to even give from the next year.

MR. BOGANY: So how do we meet the demand that they are saying that they need, above this issue here that we have on the floor now?

MS. BOSTON: I think that is an excellent question.

MR. CONINE: It is the $64 question.

MR. SALINAS: I move that we go ahead and --

MR. BOGANY: All right, I will see you all at 1:00. I guess after lunch you have it.

MR. SALINAS: I move that we go ahead and table that issue.

MR. CONINE: There is a motion on the floor to table the issue until after lunch. Is there a second?

MR. BOGANY: Second.

MR. CONINE: Any other discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. We have recessed.

MR. HAMBY: Actually, since we are going to go into executive session --

MR. CONINE: We have got to read that little thing?

MR. HAMBY: You have to read that little package that says we are going into executive session.

MR. CONINE: Do we know where it is?

MS. WOODS: Yes, we do.

MR. CONINE: Okay. On this day, January 18, the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned in a closed executive session as evidenced by the following: the Board will be in its executive session today, January 18, 2006 at 1:00 p.m.

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

Consultation with an attorney pursuant to 551.071 Texas Government Code, with respect to pending litigation styled: Hyperion et al. versus TDHCA, filed in state court. Number two, with respect tp pending litigation styled T.P. Seniors II Limited versus TDHCA, filed in state court.

Three, with respect to pending litigation styled Gary Traylor et al., versus TDHCA, filed in Travis County District Court. Number four, with respect to pending litigation styled, Ballard vs TDHCA and the State of Texas, filed pro se in federal court, and five, with respect to any other pending litigation filed since the last board meeting.

(Off the record.)

MR. CONINE: The Board has completed its executive session of the Texas Department of Housing and Community Affairs on January 18, 2006 at 1:38 p.m. I hereby certify that this agenda of an 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. And that all members of the Board were present, with the exception of Ms. Anderson.

MS. CARRINGTON: And Mr. Gonzalez.

MR. CONINE: Oh, yes. He wasn't there either. Mr. Gonzalez wasn't there, either. And that this was a true and correct record of the proceedings, pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code. Ms. Anderson, you can have it again.

MS. ANDERSON: Thank you. Thank you, Mr. Chairman. I appreciate your able leadership. We are still on agenda item 2(c). I see you haven't been able to make much progress in my absence.

MR. CONINE: We needed you to come break the logjam. Can I get this back. Are you ready, Brooke?

MS. BOSTON: Sure.

MR. CONINE: Brooke is ready to have a staff response to a few questions that we had before and after you left.

MS. ANDERSON: Okay.

MS. BOSTON: Well, the task was to come up with something else, in a nutshell. So we have come up with a couple of different alternatives and then some additional items that we think would apply, pretty much regardless of which alternative we go with.

MR. CONINE: Okay.

MS. BOSTON: So I will throw out the alternatives first. First, and these were primarily to address the key issue that Mr. Conine stated related to first come, first serve and scoring issues.

The first potential solution would be as a separate policy, not part of the 9 percent process, have volume one and four, which is for our basic eligibility and scoring type set of documentation come in by February 17. Staff would go ahead and start a review. We would have the rest of the application come in by March 3, which is a couple of days after the March 1 deadline, for the other round.

And then we would have the third party reports come in by March 31. With these, we would do a full review only on the ones that had passed. We would do a brief eligibility, and then we would check for scores. And so we would be able tell fairly quickly where the scores were.

And we would only do a full threshold and a full underwriting on the ones that were the most competitive. It would be just within all the 21 counties jointly. It wouldn't be separated out. And then, we would also, though -- to try and shoot for having some dispersion in that, we would look for having a cap of one per county of new construction, and one per county of rehab.

How we would pick that one per county would be based on the score, not on a first come, first serve status. And for all of these, actually we have the cycles technically would open on Monday, January 30, which gives us a little bit of time to come up with the documents that it will take to roll this out.

Another option would be to do it more like a lottery, where they would come in on February 15. Again, it would only be volume one and four. We would do a preliminary review of the eligibility.

We would look at volume four to ensure that they meet the minimum scoring requirements that we still recommend should be in there. Then we would sort by county. And so for a given county, they would get pulled out of the lottery system on a per county basis, trying to take one per county initially.

And assuming we could get through all the counties, which is unlikely, then in theory you could go through again. In terms of thinking through how we do decide which counties get picked first, because obviously that could use it up, we suggested that that would be the ones that had the most number of damaged units under Appendix A.

So for instance, Jefferson-Port Arthur specifically has the highest, and then we would rank descendingly, and that would be the order we would take the counties for any applications that we had in. Then after the lotto balls had been picked, and up to the amount of credits we had available, we would require the rest of the application documents to come in and the third party reports to come in.

We would do full analysis on the threshold and underwriting. And then, you know, move forward from there. And then the last option was still trying to do a first come, first serve, but with trying to do one per county for the dispersion and still going with the minimum score. Do you want me to go through the additional items too, that I think apply to all of these, or do you want to talk those through?

MR. CONINE: Sure. Go ahead, while you are on a roll.

MS. BOSTON: Okay. A couple of things we would like to add. One is, as we were talking this through, and the timing issue. Currently the proposal has that the administrative deficiencies, we would give them 30 days.

And that is similar to the rural rescue, because it is not that pressing.

And we are suggesting now, after more of the discussion, that we would rather see that go back to what is in the QAP which is seven days. And after seven days, they would lose their first come, first serve status, although they wouldn't be kicked out.

Another item that relates to the scoring, even just as it relates to the minimum scoring, are two scoring items that have deadlines in April, which are QCP and state elected official letters. Our suggestion is that regardless of which option you go with, that if they want to get points for that, whether it is to meet the minimum, or whether it is because we are going with the more competitive approach, and they need that for points, that the deadline for those letters, neighborhoods and senators and reps would be due with the application submission. And if they can't get it by then, you know, they just wouldn't get those points.

We also just wanted to specify that the rehab reconstruction would specifically be for units damaged by the hurricanes. So if there was a property that needed rehab a year and a half ago, they wouldn't be eligible.

And then if in the off chance, we happened to have insufficient applications by the deadline, or by a certain point in time, then we might want to think through what we would do with that. Which would potentially just be by a date in April or May, perhaps rolling it into the ceiling so it would at least trickles down to the rest.

And then our thought is, that in any of the scenarios that I laid out, we believe that we could have our recommendations to EARAC, and when I say recommendations, I mean threshold and underwriting, the whole enchilada, by April 30 at the latest. So it would still meet the emergency requirements and be accelerated. It would be quite separate.

MR. CONINE: Do you think you could get it there -- I think our May board meeting, if I remember right, is on the fourth. So if you back it up three or four more days, you could beat the seven day posting requirement, get it to us at the May board meeting.

MS. BOSTON: Well currently, we don't have these coming to the Board.

MR. CONINE: We are not finished yet, are we?

MR. HAMBY: Unless you did something specifically this, Mr. Conine, it would probably fall under the September time, the September motion that you all made to allow the Executive Director to make awards, similar to what the HOME program and the Bootstrap program are doing there later on in the agenda. So we would not expect this to come back to the Board, because of the timing factor.

That is the reason the threshold requirements are very important. Because as you did with almost all the other disaster type issues, you have deferred to the Executive Director to make the awards, and then to make a presentation to the Board, once that is done.

You can obviously change that at any time. But that was the understanding whenever this was created and why it is not tied to board meeting times.

MR. CONINE: I guess my preference, just thinking out loud again, would be again if there is no real timing issue, which there isn't, between May 4 and April 28 or 30 or whatever it is, that you could use the Board's discretion authority within the QAP to fix any screw up in the system that we are hastily devising right now, at least as a backstop. That is my only thought.

MR. HAMBY: I am not sure I understand what you are saying, because of the way, well, depending on which recommendation you take.

MR. CONINE: Right.

MR. HAMBY: Because some of the applications, and once the one is selected from the region, there won't be a backup application to repair, unless I am missing something. I mean, there wouldn't be the list that you would see normally.

MR. CONINE: The normal list.

MR. HAMBY: Right. Because one of the goals of this systems is to expedite it and not strain staff.

MS. BOSTON: It is true that we wouldn't have a backup one totally ready. We would probably only be doing full threshold and underwriting on just the limited set. However, obviously, there would still be, whether it is based on the time, based on score, based on lottery number, there would still be a batch of people I am sure, behind them who could get it together and still move forward.

Probably not in time for the May meeting, but they would quickly be able to proceed, and then go through their review process, if for some reason -- like a good example would be, let's say they go through -- they have the highest lot, they meet our eligibility, they meet our threshold.

It gets forwarded to underwriting, and for some reason there is something glaring, that they believe it is not feasible. Obviously, we are going to have to kind of start back over again in that particular situation with the next deal.

MR. CONINE: Right. I am probably being too sensitive in this area.

MR. HAMBY: I just wanted to make that clear, because there is no Board timing issue, unless you all amend that now.

MS. ANDERSON: Right. I want to be sure that since we are talking about some changes to how we would administer this special extra allocation, that if there is anybody in the audience, now that you have heard these options, that would like to make public comment, that you have the opportunity to do so. No one is raising their hand. I spoke too soon.

MS. JACKSON: I just have one question, regarding the Appendix. I noticed that the City of Beaumont --

MS. ANDERSON: Would you introduce yourself.

MS. JACKSON: I am sorry. Tony Jackson, Coast Road [phonetic], tax credit attorney. I just noticed on the Appendix, the City of Beaumont is not listed.

I see that Jefferson County is listed as a whole, but the City of Beaumont is not listed. And I just wanted to kind of bring that to the staff's attention. I know that this was a document gotten from someplace else, but I did notice that.

MS. BOSTON: Because we got it from another source.

MS. ANDERSON: And to be clear, Beaumont is eligible, too. Something in the City of Beaumont is eligible to apply for these credits.

MS. BOSTON: Correct.

MR. CONINE: Are there totals in the Port Arthur totals, or are their totals in the Jefferson totals?

MS. BOSTON: You know, I am not really sure if they -- basically, if it is any one of the -- if it is in a part of Jefferson, other than the three separated out ones, that it would just fall in the other bounds of Jefferson. We can for sure try and get that cleared up. I don't know if actually someone from Michael Lydell's shop might know more about it, because they have been working --

MS. JACKSON: And based on information I was given, Beaumont was not included in those totals at all.

MR. CONINE: You think they were left out totally?

MS. JACKSON: Correct.

MS. ANDERSON: Then we would direct staff to make sure we have that squared away. Because if you are doing one per county, it may not change the order, but it changes the order of magnitude. And Ms. Jackson, would you please fill out a witness -- yes, sir?

MR. AKBARI: Ike Akbari with Artex Properties. My question is for -- if you have a preapp, do we count those scores as coming in for this $3 1/2 million, if the projects are the same? And also, as far as additional points, would for example, if you put planning on the preapp to get help from the cities under their HOME loan, or under any financial help, should we change it back to that, or just ignore those points?

Because originally, you know, for example, we have an application under the preapp, we are going to get some additional points by asking the cities to help us with a loan or a grant. But now under this new application, for the $3 1/2 million, we are not including that and also not including the preapp points. Should we change to include those?

MS. BOSTON: I guess --

MS. ANDERSON: Thank you for your question.

MS. BOSTON: Yes. I guess my first comment would be once this decision is made today, the workshops on the 19th and 20th for sure will be reflective of the proper process. But based on the policy as proposed, we do allow people to apply in both. But by having turned in a preapplication, you are not necessarily already in the hurricane credits.

You would still have to submit a separate, at least a supplement. You don't have to pay an additional fee, but if you were going to adjust your scoring, which it sounds like would be the case, then you would just need to make sure that your scoring documents and any backup like rent schedules that were different, or anything like that would be adjusted.

I think to be prudent, and knowing that it may be competitive, and if you already are planning on participating in the 9 percent, you would still want to participate in the 9 percent. And, therefore, you would still want to try and pursue all the points that you could from local resources.

MR. CONINE: I guess just from listening and thinking out loud, which can be dangerous at times, I like your timetable, the January 30 opening, the February 17, the March 3, the March 31. That is plenty fine.

I think the system, of the three systems you have described, the one that leans toward the intelligent placement of where needs are and the attributes of each of the particular developments would be -- I would lean towards the scoring model which limited to the one per county on new construction, and one per county on the rehab and kind of see where they fall out.

That seems like a good way for me to get it done. And it creates a little dispersion, which I think is critical in this effort.

MS. ANDERSON: Is that a motion?

MR. CONINE: Yes.

MR. BOGANY: Door number one. Right?

MS. ANDERSON: Door number one.

MR. CONINE: And I guess, to follow up, I am okay with EARAC and the Executive Director making the decision and reporting back to the Board what happened.

MS. ANDERSON: And what about the administrative deficiency down from 30 days to seven days?

MR. CONINE: That I have a little bit of gas over, because this is kind of a crisis situation. And I don't want to drag it out too long. Would you negotiate to 14 and kind of split the difference?

MS. BOSTON: I am not really in a position to negotiate with you. I am happy to do whatever you say.

MR. CONINE: I am trying to take the

developer's side of this now, maybe a little bit more.

MS. BOSTON: Well, and we were also looking at it from the perspective of the people who -- and this even happens in a competitive round. People put together a less than quality product, just to get it in. And then they rely on the fact that they have big deficiency times to get it fixed. So we were trying to also keep in consideration the people below these people, so to speak, who may have had a better product. So hence, the moving away from 30 days.

MS. ANDERSON: So in the scoring situation, that is less of an issue, if we take door number one.

MR. CONINE: Right. And you have got fewer projects that are actually -- have that applicable to. And I think that Gouris can probably figure out how to function in a 14 day window, instead of a seven day window. So I would make that as a motion as well.

MS. BOSTON: Business days, or calendar days?

MR. CONINE: Calendar.

MS. BOSTON: It really matters.

MR. CONINE: Calendar days.

MR. BOGANY: Yes. What do you normally use?

MS. BOSTON: Right now, it is seven business days.

MR. CONINE: Calendar days.

MS. BOSTON: Okay.

MS. ANDERSON: Is there a second?

MR. SALINAS: I will second that motion, just to get it out there.

MS. ANDERSON: All right. Thank you, Mr. Mayor? Discussion on the motion?

MR. HAMBY: May I have a clarification on the motion?

MS. ANDERSON: Yes.

MR. HAMBY: You said one new construction, one rehab. Is that an either/or? Is that per county, one construction, one new construction, one rehab, then move to the next county?

MR. CONINE: Right. I think you put -- you know, we have got to have two separate buckets. Right? Or not. You are trying to do it by score, aren't you?

MS. BOSTON: We are trying to do it by score, and --

MS. ANDERSON: With a cap of one of each per county.

MR. CONINE: So if the top four, let's say you can only do four projects or five projects within the 3 1/2 million. And you have got two rehabs that come out on top, and three new constructions. And they all happen to be out of the same county, you would then pick the highest scoring new and the highest scoring rehab, and then go on to the next county after that.

MR. HAMBY: Well, that is clarification. So you want two deals max per county.

MR. CONINE: Max per county.

MR. HAMBY: Okay. But one rehab, one new construction.

MR. CONINE: Right.

MS. BOSTON: So basically, we are going to pick two deals in the first county.

MS. ANDERSON: Uh-huh.

MS. BOSTON: And even if that uses up 2.4 million, which is the most you could do, 1.2 per deal --

MR. CONINE: Right.

MS. BOSTON: Then -- and so I am assuming then that we should also probably clarify, the county order we would select in terms of which county gets theirs first would be similar to what I would propose for the lottery?

MS. ANDERSON: Yes.

MS. BOSTON: The ones with the most damaged units?

MR. SALINAS: The most damage would probably be the best.

MR. CONINE: That makes sense, yes.

MR. HAMBY: Sorry.

MS. BOSTON: No, thank you.

MR. CONINE: Are we clear as mud?

MR. HAMBY: Clear as we can be.

MS. CARRINGTON: We will sort it out.

MS. ANDERSON: Other questions of the Board?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Okay. Thank you very much. At this, I know everybody thinks we will never get back to item 2(a), and we are, I promise. But first, I would like to call on Mr. Gordon.

MR. GORDON: I have an announcement. Today will be my last board meeting. I am going to be resigning after the board meeting today. Yesterday, Governor Perry appointed me as the Rio Grande Compact Commissioner.

So I will be taking over that spot, after I take the oath of office. It was a tough decision. It has been truly an honor and a privilege to be a member of this Executive Board and to serve. And I would like to thank the Board members, Kent, Beth, Mayor, Shad, for all your help in teaching me a lot of stuff. I have learned a lot.

I would also like to thank the TDHCA staff. I mean, it is a great staff. And Edwina, I really appreciate all the help you have given me, and all the help the staff has. Being a member of this Board has been quite an experience.

MR. CONINE: You should have been here earlier.

MR. GORDON: And it is kind of funny. I kind of consider TDHCA and the staff and everyone involved as kind of a big family. It is -- you know, once you are in this, it is kind of hard to let go.

And while I am not going to be a board member, I certainly plan to stay involved, and be around, and keep in touch. And for example, I plan to be at the next meeting for your last meeting.

And I guess if I have anything to say, it is what TDHCA does is a good thing. Okay. This is truly something that I think helps people's lives. And I think that while there is a lot of issues going on in TDHCA and politics and everything else, I think it is real important that everyone involved doesn't lose sight of the mission for TDHCA, and that is to provide a quality housing for Texans.

And I think that is something I am proud to have been involved in, and I think that needs to continue, because I think TDHCA is truly a good agency. And I wish you guys the best. And I appreciate it.

MR. CONINE: We are going to miss you, Pat. And thank you for your service. And you still owe me a trip to Lake Powell.

MR. GORDON: Fair enough.

MS. ANDERSON: Pat, I really appreciate your service as a member of this Board. And we will miss you, as Mr. Conine says.

You have many important and probably no less sometimes intractable issues to look forward to on the Compact Commission; very important issues for our state dealing with water and other resources, and the relationship with our partners along the Rio Grande river. And I am certain that you will represent Texas with distinction and honor and effectiveness in that role and we all wish you well.

MR. GORDON: Thank you.

MS. ANDERSON: Okay. Oh, thank you, Ms.

Carrington. But first, the next item of business on the Board agenda is presentation, discussion and possible approval of the minutes of the board meeting of December 14, 2005.

MR. CONINE: So moved.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

MR. CONINE: I notice they look a little different this time. But that is okay with me.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 2(a) is the next agenda item. These are amendments to housing tax credit developments. Ms. Carrington.

MS. CARRINGTON: Amendments involving material changes to tax credit developments. There are four requests in front of the Board today. First one is Villa Del Sol. It is located in Brownsville.

In this particular application, it was a 2004 allocation. The air conditioning units were going to be on shelves outside the units, because it is a 14 story building. This was going to be a mechanical and difficulty for the maintenance of these air conditioners, so the air conditioning units are actually going to be inside the buildings.

There was a little bit difference in the SEER value. However, averaged together, it does come out to be a twelve SEER, which was required. And staff is recommending that this amendment to this allocation be approved.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: I had someone who wanted to -- I could have sworn I had --

VOICE: No, ma'am. I didn't want to speak. Only if you had questions.

MS. ANDERSON: Okay. Thank you. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The second one is Heritage Pointe Apartments. This is a 2003 allocation of tax credits, a forward commitment out of 2002. This was a request -- a different request was actually denied by the Board at the December 14 board meeting last month.

The developer has submitted new information to us that supports approving a revised request. And what they have submitted to us in the way of new information is that indeed they do meet the 75 percent stucco requirement; that all of the units have storage closets, an item that was worth one point in the application, but was not requested or scored.

And the development has five buildings rather than four that were originally proposed. But the unit mix and the unit count have not changed. With the new information that was presented to us, on page 4 of this writeup, you can see the features that were originally proposed, and the features that are now installed as substitutes in this particular development.

Staff is recommending that these amendments be approved. And what we have noted for you is, that at that time the cost certification comes in, that credits would be, or will be adjusted as necessary at cost certification time.

MR. CONINE: Move 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The third one for the Board's consideration is Little York Villas. This was a 2003 allocation of credits. The Board did approve some amendments to this application or this allocation in May of '04.

However, at that time, they were proposing that the number of buildings be increased from seven to eight, but it wasn't in that initial request. It is in the request now. The development is built. They do have eight buildings, rather than seven. And staff is recommending that the Board approve this change.

MR. BOGANY: So moved.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last one in this group for the Board's consideration is Eagle's Landing. This was a 2002 allocation. And this was a tax-exempt bond and tax credit development. It is located in Austin.

It is also constructed. It was originally proposed as 19 buildings. Actually 16 have been built. And again, at cost certification time, when real estate analysis does their evaluation, if there is a necessary adjustment in credits, it will be done at that time. And staff is recommending approval of this amendment.

MR. BOGANY: So moved.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next group is housing tax credit extensions for commencement of substantial construction. There are three of these requests. And all three of them -- the documentation has been submitted, on all three of them, but what we are doing is requesting a date that would have the documentation come in within the date that the Board did approve.

The first one is Summit Senior Village. It is 2003 allocation of credits. And what they are requesting is a deadline of December 5 of 2005. And again, this documentation has been submitted, and they would meet this December 5, 2005 deadline.

MR. CONINE: Let's hope.

MS. CARRINGTON: They didn't meet their February 28 '05 deadline. And staff is recommending that you approve the extension.

MR. CONINE: Move 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The second, Village at Meadow Bend, a 2004 allocation of credits. This one, the current deadline was December 1. They are requesting a new deadline of December 15, 2005. And the documentation has been submitted to us, and would meet the December 15, 2005 deadline.

MR. CONINE: Move 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The third and last one in this group, Casa Saldana. It was a 2004 allocation located in Mercedes. They are requesting a deadline of December 15 to submit the proof of substantial construction; December 15, 2005. And again, they have submitted this information to us.

MR. CONINE: Move 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: 2© we have discussed. Moving on to Item 2(d), this is an amendment to Title 10, Part 1, Chapter 50 of our 2006 Housing Tax Credit Qualified Allocation Plan. And it is in the section of the QAP regarding the level of community support from local elected officials.

If you will look in the middle of your writeup, what you will note is that we had an incorrect date. We had the documentation that would be submitted to the Department from the applicant or official by April 1, of 2005, what we mean is April 1, of 2006.

So we are asking for the Board to approve this amendment. If the Board does approve it, this amendment will be published in the Texas Register 30 days. It will come back to the Board for approval. And then will need to be provided to the Governor for his signature.

MR. CONINE: Move 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 2(e) for the Board's consideration is a possible approval of a waiver of the 30 day signage installation requirement for 2005 applications, one of them at Artisan at Military Apartments and Heather Glen Apartments. While both of these transactions are located in San Antonio, they do have different developers with these two transactions.

But basically, the circumstances are the same, in that we received volumes one and two for their tax credit applications. These are both bond transactions. We received their volumes one and two.

There is a signage requirement. The signage must be posted at least 30 days prior. And they both missed the deadline for when they were required to post the sign. And the staff is recommending that these requests be denied. We do not recommend that the Board approve the waiver of this 30 day requirement.

MR. BOGANY: So moved.

MR. BERTUCCI: Excuse me.

MS. ANDERSON: I know. Just a minute. We do this after the Board makes its motion. Okay. I haven't forgotten you.

MR. CONINE: Second.

MS. ANDERSON: Okay. I do have two people that want to make public comment on this item. Mr. Anthony

Bertucci.

MR. BERTUCCI: Good afternoon. My name is Anthony Bertucci and I am in partnership on Heather Glen Apartments. The only reason that it was missed was because October had 31 days in it. And so it was posted 31 days after instead of 30. It was just a stupid error, but, you know, that is what happens sometime.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you, sir. Mr. Ryan Wilson.

MR. WILSON: Thanks, Madam Chair, Board, for your time today. I am going to speak on behalf of the military apartments, ARDC military com limited. First of all, I want to thank staff. They are really very receptive and responsive to all of our developer problems out here. So they are doing a good job for you guys.

In terms of the error that we committed, I am not going to offer an excuse today, because it was in the QAP. We missed it. But I wanted to come in front of you guys to let you know that it is not our practice. We have never done that before.

We have done lots of developments with you all. And it wasn't our intent. Our intentions, obviously, in the signage is to let the community know what is going on. We a long time ago have met with the local councilmen. We have also met with the two local homeowners groups that are closest to our development, and actually received a support letter from one of those groups. So our intention was to incorporate local community participation.

And I think as of now, the signage is up, and that is part of what the signage requirement is for. I would like to say that we have did have then also support. There is a tremendous need for this type of housing in this particular area.

So I think that overall, it is a strong development. And I am here to tell you guys that we will wholeheartedly support whatever decision you all make today. I understand that the ramifications of my asking for a waiver don't necessarily just limit to this particular development. All sorts of other stuff. So I support what you guys are trying to do up here.

But I just wanted to communicate that our intention, I think we have demonstrated that we wanted to include the community in the development process. And we value their opinion. And we sought it, irregardless of the requirement of the QAP. So with that, I appreciate your time today. Thanks.

MS. ANDERSON: Ms. Carrington, I have a question. If we -- thank you. I am very mindful of the risks encountered in setting precedents, so I appreciate the staff's recommendation. Is it accurate to say that if we deny this waiver, that these applicants have the opportunity to resubmit and go through this cycle again, post the sign with 30 days' notice and they come back to us for approval of credits?

MS. CARRINGTON: Yes.

MS. ANDERSON: Okay. Do we think that both of these applicants understand that and will reapply? You know, we will just let the clock run again.

MR. SALINAS: Would they lose their credits?

MS. CARRINGTON: No.

MR. SALINAS: They would not lose them? So what is the purpose of --

MS. ANDERSON: This is not a 9 percent deal. This is a bond deal.

MR. SALINAS: So why don't we just waive it and just get it done.

MS. ANDERSON: Because we set a precedent that we are willing to waive this, and we might not want to waive it in some future case, but we will have set a precedent that would waive it. And so, that is how you end up all lawyered up.

MR. SALINAS: Okay.

MR. CONINE: Under Ms. Anderson's example, would that be still using '05 bond allocation?

MS. CARRINGTON: No. They would be coming in under the 2006 private activity volume cap.

MS. ANDERSON: We didn't use all of our 2005 up, did we?

MR. CONINE: No.

MS. ANDERSON: Did we? Robbye says we actually did, eventually, I think. Close.

MS. ANDERSON: So we --

MR. CONINE: Okay.

MS. ANDERSON: So we have a motion and a second. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 2(f) for the Board's consideration is issuance of a determination notice for a 4 percent tax credit development, in other words, a bond transaction. It would be located in San Antonio.

San Antonio Housing Finance Corporation would be the issuer on this transaction. It is a new construction transaction, and it is in the general or family category. The amount of credits that staff is recommending is $714,763.

On the page, on page your action summary, we provide you information that this site is currently zoned for the development, that they have received five letters of support from local businesses, and one letter of opposition from the Northside Independent School District.

It is a Priority Two tax credit allocation. And there is, with our recommendation on the bottom of page 1 of 1, we are recommending that the Board approve the issuance of tax credits, but we are also saying that this award be conditioned on repayment of a Housing Trust Fund predevelopment loan at the time of bond closing.

MR. BOGANY: So moved.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 3(a) for the Board's consideration is the issuance of private activity bonds and the allocation of tax credits for a property that would be known as Harris Branch Apartments. This would be located in Austin. It is 248 units.

The amount of the bond issuance would be 15 million. The amount of the credits recommended is $755,550. We did hold a public hearing on this transaction. There was one person who showed up at the public hearing.

MR. CONINE: Who was that?

MS. CARRINGTON: But no one spoke at the public hearing. Probably our staff person who held the hearing, Audrey Martin. I think she was the only one who was at the hearing.

There are some conditions on the issuance of the bonds and the credits. And that is on page 2 of your multi-family underwriting analysis. We would be looking to review and accept unit floor plans that would confirm the unit sizes.

And then our pretty standard, that show the terms of the proposed debt or syndication change. The transaction would be reevaluated to determine the credit amount, and the bond amount.

MR. CONINE: Must be out in the boondocks, because nobody showed up. Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Resolution number.

MR. CONINE: Resolution number 06002, I believe, isn't it?

MS. CARRINGTON: Yes. I believe that is right.

MR. CONINE: Staying out of trouble, over there at bond camp.

MS. ANDERSON: And you seconded, Mr. Bogany? Did I hear that right.

MR. BOGANY: Yes.

MS. ANDERSON: Thank you. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: Item 3(b) for the Board's consideration is an inducement resolution for one multi-family tax-exempt bond transaction, for filing an application with the Bond Review Board. This would be on the 2006 waiting list.

The proposed transaction is the Residences at Sunset Point. It would be located in Fort Worth, and it is proposed to have 224 units. It would be a Priority One, general population, and it is Resolution Number 06001. And staff is recommending approval of this inducement by the Board.

MR. CONINE: So moved.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

MR. CONINE: She read the resolution this time so we don't have to do it.

MS. ANDERSON: Okay. Thank you, Ms. Carrington. Hearing no discussion, I assume we are ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item for the Board's consideration is the approving of a request for qualifications that would go out for solicitation for financial advisors, for firms interested in providing financial advisory services for one or more of TDHCA's single-family and multi-family mortgage revenue bond issues; both new issues and refundings.

You will remember through the fall that the staff has brought to you RFQs for senior managers, for co-managers, for those who would provide services with our guaranteed investment contract brokerage services and those who would provide us swap advisory services. So what we are doing is continuing our solicitation in updating the firms that do advise the Board.

It has been quite some time since we did solicit for financial advisory services. I think our last one was actually 1991. And we are requesting that the Board approve today the request for qualifications that would go out for financial advisory services.

Our timetable is located as part of this RFQ. It is based on a point structure where right now, the one that the staff is proposing to you would have 97 points.

And the response date that staff would be expecting these back would be February 24th.

MR. BOGANY: I have a question.

MS. ANDERSON: I have public comment on this item. Would you like to hear that first?

MR. CONINE: Yes.

MS. ANDERSON: Mr. Gary Machak.

MR. MACHAK: Good afternoon. Gary Machak with RBC Dain Rauscher. I just wanted to give a few comments on this very quickly.

Number one, we are supportive of the process, and feel like we would like to respond to this. But in having the opportunity to review what was in the package, I would like to maybe make some comments that may be able to give the Board and the Department more information to make this decision.

I did notice that there weren't any questions or any really place to include what I would call a capital markets function for some of these firms. And that includes the ability of a firm to underwrite, become a principal on a swap, and also have a short term desk. This is very valuable in assessing pricing and structures for underwriters.

It is also a model that has been adopted by the top financial advisors in the State of Texas. If you will look at First Southwest, Coastal Securities, Southwest Securities, Estrada Hinojosa, the top five, including ourselves, that is the model that they have adopted, I think, to provide better service for their clients.

The other thing that I noticed is that there are a lot of the financial advisors that do business in Texas also have experience with other Texas issuers and with, for instance, the Bond Review Board. And I didn't notice that there was any information with regards to that.

Just one other thing to consider, there was a big difference between this RFP and what was used for disclosure counsel and bond counsel. The financial advisor is typically on the first line with those two other consultants. And so the Board may want to consider looking at those RFPs too, for some other ideas and structure, in order to get better responses.

And that completes my comments. I appreciate your time.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: I have one question. Can you give me an example of the difference in this solicitation and the one for bond counsel and disclosure counsel. Just give me an example.

MR. MACHAK: An example of a difference?

MS. ANDERSON: Of a difference. Something that is not in this one that was in the other ones.

MR. MACHAK: Well, the -- let's see. I have a copy of it here. I think there was a question on the bond counsel, it looks like 4(b) that allows the firm to discuss their practice in public finance. A general question with regards to that.

So that would be a guard area where they can demonstrate their knowledge of the type of issues and other experience they have. The also -- I don't believe, and I didn't see this. I am not sure. But the RFP for bond counsel was not based on a point system either.

MR. CONINE: And that is the thing that I guess I noticed because I pulled out the other two that we had done for bond counsel and for disclosure counsel. And those were subjective.

They weren't point systems and quantitative. And when you are talking about people who are your advisors, which you want to -- that you have confidence in, it is a little different in my mind than do you have the structure of a sales force, once the deal is already designed and structured and put together.

Do you have a sales force to then market to the country, and to do that on a more quantitative versus subjective basis. I don't know the genesis of this particular RFP. But I guess I would have an issue relative to the scoring process.

I would have an issue on, it seems like, a lack of doing business in the State of Texas, being part of the criteria. The ability for the Board to make a subjective decision based on RFPs that we get in, I think we need to -- I would like to see multiple applicants, not disparaging Gary or his firm, or anything else.

But I personally would like to see multiple applicants. But I also like for those applicants not to just be in the financial advisory business, but for them to have the ability to go over to underwriting or to the swap desk, or other internal features that would give them a straight and honest skinny about what the market is doing, or how the structure may be received at any particular time rather than having a financial advisor who may have financial advisory capacities all over the country, but doesn't have the in-house ability to draw the resources to decide on whether a particular bond issue that we are doing is in the right structure or not.

So I guess I have -- I am curious as to why this is different from the other two. And I know that you can't answer that.

MR. MACHAK: Right.

MS. ANDERSON: Thank you for your testimony.

MR. MACHAK: Okay. Thank you.

MR. GORDON: And I would kind of share some of your comments. To me, it looked like having the experience of being a co-manager and senior manager would add some depth to your ability, because it seems to me that the financial advisor would have to go out and hire somebody that knew that to be able to advise you, possibly.

MR. CONINE: Maybe staff can respond to what we are looking at.

MS. ANDERSON: Would we like for Mr. Byron Johnson to approach the microphone?

MR. CONINE: I would love for him to.

MS. CARRINGTON: I do.

MR. CONINE: That would be the highlight of my day. So far.

MR. JOHNSON: Good afternoon. Byron Johnson, Director of Bond Finance. I guess I start out with why is this RFQ different than the other two?

MR. CONINE: Yes.

MR. JOHNSON: The other two emanate from the Legal Division and are required by the Attorney General's Office. Bond Finance relied upon its prior experience in coming to the Board with this RFQ and wanted to present you with an RFQ that you were familiar with, and that you have seen before in this content and format style.

MR. CONINE: Okay. But the positions are different, I guess is my point. And to be on a competitive basis with seniors and co-seniors and the actual sales team is one thing.

But to do that, to I guess, have a point structure that is somewhat arbitrary at best, but then leaves out a lot of the other functions that we have mentioned here before, gives me a little concern. And, you know, I don't necessarily want to rewrite this thing, sitting here right today.

But I guess I would like to see it more leaning toward, if you have got to go to the Legal Department to have it lean toward looking like what the bond counsel and disclosure counsel, again, because they are partners with us, not salesmen for us, which is a totally different thing.

I would like to see it at least in that manner.

You have got it. I won't dominate the meeting.

MR. BOGANY: I just wanted to know how you came up with it, and why you went to qualitative, and just how did you get advice on how to come up with one, since we haven't done one since 1991, and just how you put it together. Did you go to the financial advisors and say, we need to do your RFP. So how did it come up with it, then. Just how did you put your criteria together?

MR. JOHNSON: I started with other capital markets type RFQs. And I did take a look at other RFQs issued by development agencies, HFAs and whatnot, in their search for a procurement of financial advisors. And the point system, we came up with in an attempt to I guess not be subjective, and try to be more objective and quantitative.

But if -- it is a suggestion, and it is certainly open for revision. And just whatever direction or instruction you provide, we will adapt it.

MR. CONINE: Well, I classify financial advisor in the lawyer accountant range. When you go hire a lawyer or an accountant, you don't necessarily go through a point system to come up with that, because they are very personal. They are very interactive with the staff.

You guys, the Bond Department, especially in

TDHCA, issuances have been a shining star, if you will, over the last quite some time. And I don't want to necessarily want to upset the apple cart.

But on the other hand, I want to see what else is out there relative to the person or the firm that we have in there today, and their particular strengths. And if you are comparing strengths on an unequal basis, that gives me cause for concern.

And again, financial advisors are just extremely important people to the ongoing success of our bond programs. And I just want to make sure we are bringing in the right sort of talent to compete against Dain Rauscher.

MR. JOHNSON: And as you may recall, as Ms. Carrington has mentioned, we have gone out for senior managers, co-managers, trustees, just a whole slew of professionals. And we have, in the past, we have used that scoring criteria methodology. And that is why we included it in this package.

MR. CONINE: I can appreciate that. I just guess my concern is that is it appropriate in this case, or not.

MS. ANDERSON: May I suggest -- go ahead, Mr. Bogany.

MR. BOGANY: I had just one other question. Mr. Johnson, what you came, when you put your scoring and everything, if I heard you right, this is what other state agencies are using.

MR. JOHNSON: I saw both combinations. Some really didn't include a scoring criteria. Others did have, you know, how many points you would get for certain categories. So it is both.

MR. BOGANY: And considering we hadn't done this since 1991, things are changed.

MR. JOHNSON: Over the time period, yes. The financial markets have evolved. And once again, bond finance has always wanted to and is trying to just present a means of being objective. That is the whole basis of the scoring criteria and methodology.

MR. BOGANY: So when was the last time we made a change in financial advisors?

MR. JOHNSON: It was during the Gulf War, I believe.

MR. BOGANY: So the criteria we used --

MR. JOHNSON: I did leverage some of the old -- yes.

MR. BOGANY: Things have changed. What I am hearing is things have changed. So I took a little bit of what we did in 1991, and added some things to bring it more up to date.

MR. JOHNSON: Yes, sir.

MR. BOGANY: Okay.

MS. ANDERSON: I might offer a version of Switzerland here. If we waited since 1991, it's probably not going to be the end of the world if we don't decide this today. I think it is hard to decide it in a live board meeting.

You know, might it be good for Byron to look at this, propose some alternatives in certain places to, you know, maybe leave some things quantitative but introduce things, maybe with advice from Legal Affairs that weight the qualitative side of this. And try to, you know, get some input from Board members kind of one on one, and come back to us, you know, as soon as possible. But not try to get to the bottom of all this today.

MR. CONINE: You just hit Geneva.

MS. ANDERSON: Do you second my motion to table?

MR. CONINE: Yes.

MS. ANDERSON: You can't fake that. So we will have a vote. All in favor of the motion to table, say aye, please.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: This item is tabled.

MR. JOHNSON: Thank you very much.

MR. CONINE: I will give you a call.

MR. JOHNSON: I will give you a call, sir.

MS. CARRINGTON: He will. Yes.

MS. ANDERSON: Item 5 is programmatic items on the Integrated Housing Plan. Ms. Carrington.

MS. CARRINGTON: Item 5(a), we are requesting a waiver for the Department Integrated Housing Rule which is 10 TAC 1.5 for Canal Street Apartments. This is a development that is located in Houston.

When all is said and done, we have actually 1.5 million in HOME funds in this particular transaction. The reason we can do that is because this development does serve persons with disabilities. As you may remember, at the board meeting in December, I guess Joy Cort-Brown, who is Executive Director of New Hope Housing, did bring a Houston magazine with articles about this particular development.

And sort of the bottom line for us is, because of the Integrated Housing Rule which caps units for persons with disabilities at 18 percent, that would have actually been 23 units if it had been the original one million. But now we are up to 1.5 million, and there is actually two ways that HUD says you can calculate these number of units.

But we think we are up now at 33 units as opposed to 23 units, which would violate our Integrated Housing Rule. It would actually put it up at 24.8 percent as opposed to 18 percent.

Again, it is serving persons with disabilities. So we need a waiver of our Integrated Housing Rule. And staff is recommending that the Board grant this waiver.

MR. BOGANY: So moved.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The next item for your

consideration is Item 5(b). And this is approval of awards for fiscal year 2006 and 2007, which are awards in our Texas Bootstrap Loan Program. We have $6,673,322.71 that we are recommending today.

The odd change in that includes the administrative. And this also includes some administrative dollars. We actually were oversubscribed. By statute, we were required to put $6 million every two years into the Bootstrap program.

You all may remember that this is a self help construction program. The families have to provide at least 60 percent of the labor. Our dollars can't exceed 30,000 per unit. Two-thirds of these Bootstrap dollars must go in counties that are eligible under the Water Development Code. The remainder one-third can go statewide.

We were oversubscribed in our applications this year, for the Bootstrap program, and we consider that a very good thing. In years past, we have perhaps not had enough applications. And this year, we actually had I think 23 applications that totaled over 11 million.

And we are recommending to you today 17 of those applications. That is on pages 2 and 3 of the recommendations. And we have divided them by the two thirds, which are the economically distressed areas, and then the one third, which is the statewide, the remainder of the counties statewide.

And then we have also provided for you the 1, 2, 3, 4, 5, 6 applications that were disqualified. So this would use 6 million in Housing Trust Fund dollars and also the 673,000 came from the residuals in a bond program.

MR. BOGANY: Can we take them all at one time?

MS. CARRINGTON: Yes, sir. We can.

MR. CONINE: I hope we do.

MS. CARRINGTON: Staff is recommending the 17 awards that you have on page 2.

MR. BOGANY: So moved.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Audit

Committee, Item 6.

MR. BOGANY: We had a very spirited Audit Committee meeting. And we are going to invite David Gaines up here to kind of --

MR. GAINES: David Gaines, Director of Internal Audit. Good morning, Chair, Board members, Ms. Carrington. I'm not so sure I'll be quite so spirited today. I am going to speak at a fairly summarized level. If you would like for me to drill down, I will be glad to.

We started out by -- I wanted to introduce our newest member of Internal Audit, Colleen Bauer. And she is in the back. And Colleen, rather than go through your impressive resume, like I did this morning, please introduce yourself to these folks when you get a chance. We are glad to have Colleen on board. She started with us last Monday, and is a recent graduate from UT Arlington.

Next, we discussed the Department risk management program. We discussed the goals for the coming year of the program, and the accomplishments for last year. We went into the status of the central database. And we discussed not only the status of the database, but of the Central Database Steering Committee.

And we discussed recent discussions that the

Department has had, that there is a general consensus that we need to revisit the composition of that Committee, the responsibilities of the Committee, and the leadership of that Committee. And as those decisions are materialized, as they are finalized, we will bring back how the Department is recommending to proceed in that respect.

The database itself, there was a series of enhancements to the contract management system. Excuse me, CMTS, contract management and monitoring. CMTS. Monitoring and tracking system. Yes, ma'am. CMTS.

MS. CARRINGTON: Compliance Monitoring Tracking System.

MR. GAINES: Which those goals for the 2005 year planned on were achieved and deployed by the end of the year, the fiscal year. There is two remaining modules left, the program monitoring module and multi-family module release two we are calling it. And there has been some delays in the start dates of those.

The ending date for both of those modules of August 2007 has not changed. The delays relate primarily to redeployment of IT resources for a particular IRS project that needed to be done and was prioritized. The hurricane efforts where IT resources were deployed to assist in that respect.

We then went to the status of internal external audits. Deloitte and Touche completed their audit, and they reported on that this morning. KPMG is in the process of finalizing their federal audit of the state. And that report is generally released late February/March time frame. That reporting includes the results of all state agencies.

While at the Department, they looked at the HOME program, the Section 8 program, and the LIHEAP program. We do expect three findings at this point, in that report. Once that is released, that will be brought before the Board for the Audit Committee.

Status of prior audit issues. The report presented to you, as we have 21 issues. Ten of the issues are being reported as implemented, and will drop from future reports, ten under process of resolution and then there is one issue that has been implemented to the Department believes to the extent reasonable. No further action is intended.

Most of these issues, eight of the 21 and eight of the ten in process relate to the Department's need to establish a monitoring program relating to environmental requirements as prescribed by HUD. They have asked for the program monitoring manual of the Department. That has been provided to HUD. It has been received back with requests for additional information and elaboration, clarification of some of the activities planned for that program.

Currently we are planning on delivering that by the end of the month, January 31. And that will be the target date that you see of January 31, we will consider that implemented, which is eight of those remaining ten issues.

The final agenda item was the status of internal external audits, which I think I have already discussed. So I might have jumped out of order a little bit.

The internal audits that I didn't speak of when I discussed that agenda item is we have four in process with another one planned to begin by the end of the month. With more audits than auditors, we will be able to jump back and forth while we are waiting on information.

The other remaining items on the Internal Audit plan are either ongoing activities or planned for later in the year. And with that, I will be glad to elaborate or answer any questions you might have.

MR. BOGANY: We had a good meeting. We also went into executive session and did an evaluation on

David, which every Board member will get a copy of it, and there are some salary considerations along with that, which will be part of the evaluation. And we just really want to tell David, Ms. Carrington, and his staff, and all the staff that has gotten involved, gotten in line to help us improve the type of audit we heard today from Deloitte and Touche and just really want to tell you we think you guys have done a great job.

(Applause.)

MR. GAINES: The audit with such good results, all credit goes to management on that. That was their audit.

MR. BOGANY: Thank you.

MS. ANDERSON: Thank you. Anything else?

MR. BOGANY: That is it.

MS. ANDERSON: Thank you. Agenda item 7 has been withdrawn from the agenda. So we are ready for agenda item 8.

MR. CONINE: Not really.

MS. ANDERSON: No. No, we are not ready.

MR. CONINE: If we have to, we have to, but we are not ready. 8(a) especially.

MS. ANDERSON: Yes. 8(a) is --

MR. CONINE: She may have a hard argument. I am in kind of a cantankerous mood today anyway.

MS. ANDERSON: Ms. Carrington, would you like to discuss 8(a).

MS. CARRINGTON: Yes, ma'am. I am resigning.

MR. CONINE: No. Not accepted.

MS. CARRINGTON: I would like to read my resignation letter. That would be great. Thank you.

Dear Ms. Anderson and Board members. It is with great emotion that I officially tender this letter of resignation as the Executive Director, effective March 17, 2006. My last day in the office will be February 17.

Since I was hired in February 2002, the Board's staff and I have taken great strides toward making TDHCA a model state housing finance and community assistance agency. I feel that we achieved our collective goal of establishing a state agency built on the twin foundations of transparency and accountability. We have often been referred to as a turnaround agency. And I take great pride each time I hear this.

What began with our successful review by the Sunset Advisory Commission in 2003 and ended in the largest evacuee relocation effort in our nation's history has been a marvelous and richly rewarding professional experience. Having fulfilled many of the goals I have set for myself and the Agency, I find it time to take the next step in my career.

I value and am thankful for all the support you, the Board, and the Governor's Office have provided me over the years, and I am certain that the next Executive Director will lead TDHCA effectively in the future. I wish you all success, and please know that the work you and the Board do on behalf of the State is appreciated, and makes a critical difference each day in the lives of low income Texans.

I might add a P.S. And it was four years ago this month, in El Paso that the board of directors hired me as Executive Director of TDHCA, and it has been a wonderful and marvelous experience, and I have loved it. You all have been wonderful to work for. Thank you. Thank you for giving me the opportunity.

MS. ANDERSON: We will have more to say about this next month, of course. But you have been wonderful to work with, and you have been a wonderful leader of the men and women of TDHCA. What you have you done to rebuild spirit inside the offices and the reputation outside the offices of TDHCA is something that I am forever indebted and grateful to you.

MS. CARRINGTON: Thank you.

(Applause.)

MS. ANDERSON: Agenda 8(b), © and (d) are discussion and approval items for how then we begin the unwelcome but necessary task of looking for a successor to Ms. Carrington, in the role of Executive Director. Mr. Hamby, are you prepared to sort of walk us through this discussion?

MR. HAMBY: Well, actually, I was going to jump back to 8(a). Even though it is not absolutely required, since we have it on the agenda, you probably need to accept her resignation.

MS. ANDERSON: I didn't hear a motion.

MR. HAMBY: She doesn't actually have to stay if you don't accept it. We do not have indentured servitude in Texas.

MR. CONINE: Can we like, chain her up or something?

MR. HAMBY: We could, but then there are all sorts of legal problems with that.

MR. CONINE: Move to accept her resignation letter with regrets.

MR. SALINAS: I will second that motion.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: Now what do we do, Coach?

MS. ANDERSON: Now, Mr. Hamby.

MR. HAMBY: Behind the Tab 8(b) is a draft job description that is based on comments that have been made, the previous job description. And what you would hopefully do is, you have reviewed this, any additional comments that you think need to be made to it, or any deletions.

The Board would need to approve a job description, since this is your employee. You have a --

MS. ANDERSON: This is what would be posted, then, on our web site.

MR. HAMBY: This is what would be posted on wherever you choose.

MS. ANDERSON: Wherever we advertise.

MR. HAMBY: And some of that is, you look into the process for hiring an Executive Director. See, there is also the option, although I am not sure it is one that this Board particularly wants to do from past conversations.

You could always send this out to the public to have some public input on it, and do the whole professional hiring process by an outside consultant. But if you choose to move forward with this, you need to have something that you can post, and can be readily available, be put to the Texas Workforce or to the Texas Job Bank. The Governor's Job Bank website, and make it available in publications or wherever else you want to do it. However you choose to look for this person.

MR. BOGANY: So do we need a motion?

MR. HAMBY: You need a motion if you want to approve this, because this is -- the hiring of an Executive Director is considered to be a highly important issue, and so it is a public document.

MR. BOGANY: I move that we accept the requirements that have been posted and have been drafted.

MR. GORDON: 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The next agenda item for our discussion and possible approval would be the appointment of an interim Executive Director during the transition.

MR. HAMBY: Actually, you didn't address --

MS. CARRINGTON: © and (d) are reversed. It is right on the agenda. The agenda is the process.

MS. ANDERSON: It is wrong in the book.

MS. CARRINGTON: Right. And then (d) is the appointment of the interim, so your materials are reversed.

MR. HAMBY: You probably want to address the job search question first, before you move on to the interim director. And again, this would give direction to staff to express where you would like this to go; trade publications, the process that we have used for other positions, the Deputy Director position. Where would you like to see this?

MR. CONINE: Again, given the -- bringing a little history to the table when we did this last time, I think it would behoove us to go to the obvious; NCHSA, which is the national trade group of state housing finance agencies. I think we need to let other state agencies, Texas state agencies, become aware that the position is open.

We had several applicants from other state agencies last time who were directors at other places. I am sure there are some trade publications that might have a venue for this sort of thing.

MS. ANDERSON: Like Affordable Housing Finance, as an example.

MR. CONINE: Correct.

MR. HAMBY: What I remember is we discussed this. Some of it depends on the back end time line that you are looking at, because of publication and insertion requirements.

MS. ANDERSON: They all have online jobs.

MR. HAMBY: Okay. The online.

MS. ANDERSON: That one has online jobs.

MR. HAMBY: Okay. She is talking about the online question.

MS. ANDERSON: Right.

MR. HAMBY: Okay. Not necessarily in the publications themselves.

MR. CONINE: And I think the normal housing related trade associations, nonprofits and the like, there is 1,000 of them out there. But as Ms. Anderson says, they all have online capabilities and job postings. And I think the word is pretty much out anyway.

But I think you ought to put the formal document out there, so they can at least see. And I suspect, Madam Chair, we need to try to pick a cutoff date on getting, you know, applications in, and going through the painstaking process of reviewing those applications and getting them narrowed down to a particular group, having interviews, having some more discussion.

And then narrowing it down to the top three and then ultimately selecting someone. But that is what we did last time.

MS. ANDERSON: I think we are in a position with the approval of the job description to post it at least on our site. And I think we can accomplish that quickly at NCHSA and Affordable Housing Finance, probably. And so that the application period, I think -- I am not sure last time if we had a deadline or if we left it open.

Or if we want to set -- what the Board's pleasure would be about setting a deadline, knowing that it could -- that doesn't make a deadline the last deadline you could ever set. You could always reopen it.

MR. CONINE: Right.

MS. ANDERSON: But if we get it opened up here about the 20th of January, would a deadline of March 1, is that too soon? I was looking for John Gonzalez, because I thought he was going to try to come back. But I told him 1:30 and it is 3:00.

MR. CONINE: I think it is important that you set one, and create a sense of urgency, because you get all the fence straddlers who I don't know if I want to apply for the job, or not apply for the job. I will just kind of hang on to see who has been applying for the job. I think you need to --

MS. ANDERSON: Well, since her future employer announced this last month, is a March 1 deadline --

MR. HAMBY: Just as a reminder to the Board. Currently, you do not have an April meeting scheduled.

MS. ANDERSON: Well, we will cross that bridge when we come to it.

MR. CONINE: All right.

MR. BOGANY: I would like to see us go ahead, because we have got the rounds coming up in the cycle, to go ahead and set a February 28 deadline to get all the applications in.

MR. CONINE: I think that is plenty of time. You know, we had -- did we have a questionnaire that you filled out, Ms. Carrington, or like a form? Or was it --

MR. BOGANY: We just took her application.

MR. CONINE: Was it just an app. Just an independent resume, drafted up by the individuals, I guess, and submitted.

MS. CARRINGTON: And the State of Texas job application. You do have to fill that out. And you didn't have a deadline. And I can tell you, it is helpful to have a deadline.

MR. CONINE: Right.

MS. CARRINGTON: Help to make up your mind.

MS. ANDERSON: And then, so we would have a deadline of the 28th for applications. We would have some -- I would propose that we have some staff reviewing everything that comes in the door and eliminating people that don't sort of minimally meet qualifications.

MR. HAMBY: And we can work with the online application system. We can set minimum standards with that, if you have the key ones that you want to address, that you pointed out in the job description.

MS. ANDERSON: So that then we could have a preliminary round of interviews, either as a Committee of the whole, or, you know, in some subcommittee. And I sort of want to walk through this process with the Board and do it in a way that everyone is comfortable with, going all along.

And I am mindful that I hope that we are going to have a new board member very shortly. I have a strong hope and reason for strong hope that we are. So that person, although they are new, gets to participate in this process. So that we could then be doing short list interviews, certainly by the end of March or early April.

MR. CONINE: And I think --

MS. ANDERSON: Get somebody on board by May 1, is what I would be hoping.

MR. CONINE: I think, if memory serves correct, last time -- and that doesn't affect what we do this time. But we did have a formal search Committee that narrowed it down I think, to the top three of which the Board was then invited to meet with all three. And it was mainly a time consideration for the other Board members more than anything else, I think.

But if we need some process, we are going to have to set two or three meetings I guess, in the meantime, of executive sessions for interviews. And maybe one just to discuss the applications, just to get it to the interview stage. That is a critical cut down.

MR. HAMBY: And just as clarification, since it is statutorily set, I assume you want to post the Executive Director pay range that is in the budget?

MS. ANDERSON: Yes.

MR. BOGANY: That is it.

MR. CONINE: Afraid so. Okay.

MR. BOGANY: So we are going to -- because I know last time when we met, and went through applications, we did it on an off time where we just came up for that day, and went through them.

MS. ANDERSON: I envision this process as a Committee of the whole, not a separate search committee.

MR. BOGANY: Okay.

MS. ANDERSON: And if as we go through this process, we decide that based on the number of applicants that we have or something that we want to appoint a subcommittee to have some role in this process, then I would be open to doing that.

MR. CONINE: I wasn't advocating a subcommittee at all. I am just saying that we need -- if we could have March 1 as a cutoff, then we need to plan on, Board members need to plan on coming to Austin two or three times over the next 45 days after that.

MS. ANDERSON: Right. That is a very fair comment. We have a board meeting at present scheduled for the 20th of March. And so one time, you know --

MR. CONINE: Be around then.

MS. ANDERSON: So, you know, we might have a two day commitment around then, for example, as one of the times that we need to spend some time together. So I would just appreciate in advance everybody -- I know that everyone is very interested in this. This is a critical decision for the Board. I know the staff is interested in us, you know, giving a very serious consideration on this. So it will take some time.

MR. CONINE: I don't know. If everyone else is bailing out, maybe I ought to, too.

MR. SALINAS: Pat's bailing out. Edwina is bailing out.

MR. CONINE: But I will be here.

MS. ANDERSON: Is that the 20th. Is that what it says.

MR. CONINE: Yes. That is a Monday.

MS. ANDERSON: Oh, that is a Monday. So that makes it kind of hard to come in on Sunday, doesn't it.

But we ought to -- clearly there will be some business around the Executive Director decision around that board meeting on March 20. So (a) the board meeting is critical for everybody's attendance --

MR. BOGANY: Which day is that?

MR. CONINE: Monday.

MS. ANDERSON: It is a Monday.

MR. BOGANY: For the board meeting.

MS. ANDERSON: And I think at that stage, well --

MR. HAMBY: Part of this process is, because you are going to do it in executive session, you are going to have to post a meeting, but go immediately into executive session.

MS. ANDERSON: Right.

MR. HAMBY: And so we still have posting requirements as meeting as a Committee as a whole.

MR. BOGANY: So if we are talking two days, we are talking Sunday and Monday?

MR. HAMBY: Sunday would be an unusual day to conduct State business.

MR. BOGANY: Oh. Okay. It is a day I don't work, though.

MS. ANDERSON: But we might, and of course, I don't ever remember what agenda items are on what monthly board meetings. But what we might need to do is come in Sunday night, or come in early Monday, and have the first few hours of the day dedicated to something like an executive session and do the board meeting in the afternoon.

I mean, I think everybody wants to be fresh and chipper when we are doing such things. So, but it is kind of hard to see until we see what the beginnings of an applicant pool looks like, to know what kind of a size of a short listing process we are going to have.

MR. CONINE: We may have a bigger problem than we think.

MS. ANDERSON: Yes.

MR. CONINE: It will be hard to measure up to Edwina's standards.

MS. CARRINGTON: Thank you, Mr. Conine.

MS. ANDERSON: Do we need some sort of motion, Mr. Counsel?

MR. HAMBY: That will be great. Just the discussion of what you had, the application deadline of February 28, 2006, and post this in places similar to where we have posted in the past to the trade association or public housing agency, question there.

MS. ANDERSON: All right. Publications, trade associations. Other Texas -- we need a mechanism to get to other Texas state agencies --

MR. HAMBY: Well, then it will be posted on the State website.

MS. ANDERSON: Right.

MR. HAMBY: So what used to be the Governor's Job Bank, but now it has a new name, and I keep wanting to call it the Texas Workforce. Working Texas. The Working Texas website, which is also where the state application is available online, for people out of state.

MS. ANDERSON: Okay. And there is not really another mechanism to go out to Eds or deputies, or whatever directly in other state agencies?

MR. HAMBY: We will look.

MS. ANDERSON: Okay. Thank you.

MR. CONINE: Local housing finance agencies.

MS. ANDERSON: So was that a motion?

MR. CONINE: That is a motion.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Thank you. And now then, to the action item on the appointment of an interim Executive Director during the transition period.

And I guess even though state law requires us to have a procedure to designate an acting director, and even though Ms. Carrington is here through the next board meeting in February, if it is the Board's pleasure to designate that kind of a person now, that does allow some transition. You know, working together kind of time.

MR. BOGANY: Do we make recommendations?

MS. ANDERSON: Someone.

MR. HAMBY: Well, I would point out, Madam Chair, that unlike other positions that are interim, the Board has the authority to appoint this, and there is no expiration period of six months. So this doesn't harm the back end, if it takes longer to find an Executive Director.

MR. CONINE: Madam Chair, I would move we appoint Bill Dally as our interim Executive Director during the transition period.

MR. BOGANY: Second.

MR. CONINE: Assuming he will take it. And I will twist his arm pretty heavy.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: Thank you, Bill.

MS. ANDERSON: Thank you, Bill.

MS. CARRINGTON: Item 9.

MS. ANDERSON: Yes, ma'am.

MS. CARRINGTON: Item 9 on the agenda is an information item for the Board, on our proposed disaster relief strategies. It is activities. It is NOFAs that we have out there right now.

We have provided for you a copy of RP54, related to disaster recovery, which is the executive order that I mentioned earlier that was dated on January 10 of this year. And then behind that, we have copies of two

NOFAs for you. NOFAs are Notification of Fund Availability.

The first one is for the Texas Bootstrap Program. It is $1.8 million. And this is in Housing Trust Fund dollars. This NOFA is out now. We made it available on December 30 of 2005.

We are looking to target a large portion of these dollars for those counties that were directly and extensively impacted by Hurricane Rita, but it is not specifically exclusive to those counties. The maximum amount of funding per organization in this particular NOFA is going to be $750,000.

And we are accepting applications now for -- under this NOFA, and we will accept applications until all the funds are exhausted, or August 31, 2006, which would be the end of the state fiscal year.

The second NOFA that we have in the packet for your information is a NOFA of HOME funds specifically for Hurricane Rita disaster relief. And what we have available under this NOFA is $8.3 million.

And we have indicated for you, or listed for you, the 22 counties that are the eligible counties for these HOME dollars. And there is going to be a $500,000 maximum award amount per each applicant.

And we have devised a three tier system for funding under this NOFA, and that is listed for you on page 2 of the NOFA. The tier one counties would be counties with more than 20 percent of the reported damage in the region. Tier two would be between 1 and 20 percent. And then Tier three counties would be less than 1 percent.

And this NOFA is currently out there now. And do we have -- is it February 28, which is our deadline on this NOFA, or is it open until all the dollars are requested? It is February 28, 2006.

MS. ANDERSON: Okay.

MR. BOGANY: Can we --

MS. CARRINGTON: No.

MR. BOGANY: I guess my question is -- okay, we have got this 8.3 million which can go anywhere in the state.

MS. CARRINGTON: No. The 8.3 million is specifically targeted to the 22 counties that we talked about earlier in the tax credit program, except it is 21 rather than 22.

MR. BOGANY: All right. And so the money we are talking about now, how much is it?

MS. CARRINGTON: It is 8.3 million in HOME funds. And it is for eligible HOME activities.

MR. BOGANY: Okay. So I guess my thought is what is the plan to get it out that the people in those areas that could really use the money, know that we have got the money available for them to be able to take advantage of it.

MS. CARRINGTON: That is what our workshops are going to be about, on the 19th and 20th; tomorrow and Friday.

MR. BOGANY: Okay.

MS. CARRINGTON: And then also, when Mr. Dally attended the meeting that HUD convened, back three weeks ago or so, I guess, in Beaumont, we certainly announced that we were planning to introduce this NOFA. The NOFA had not been introduced at that point.

MR. BOGANY: Okay.

MS. CARRINGTON: But we announced to that group that this 8.3 million was going to be available, along with the 1,8.

MR. BOGANY: Okay.

MS. CARRINGTON: The 1.8 in Housing Trust Fund dollars on Bootstrap really is available statewide, although we are trying to target it and focus it to those areas that were impacted by the hurricane.

MR. BOGANY: Okay. Is it possible that we at least do a press conference in those areas? Like down in that region, whether it is Beaumont or Port Arthur or something to that nature, so people really -- I am just concerned.

And I know we have got two meetings. But who is going to be there, and who is going to come. And there may be some non-profits who are really needy, who don't know. Sort of like Mr. Conine, the last guy in the door sort of thing.

MS. ANDERSON: Of course, the HOME funds, the only eligible applicants are counties. All 21 counties know about it.

MR. BOGANY: Okay.

MS. ANDERSON: Now, on the self-help program, with the Housing Trust Fund, I too share your concern that we get the notice, that we spread the word about this.

MS. CARRINGTON: And our OCI staff is in the room. And I see them shaking their heads in acknowledgment that we certainly need to make sure that these dollars are applied for, and applied for very quickly. Because we know that the need is there, we have the dollars available, so we will match the need with the dollars.

MS. ANDERSON: Have we talked, Ms. Carrington, with the statewide Habitat group that wasn't selected under the Bootstraps we just approved? Particularly focused on their lots, the lots they have in Jefferson County?

MS. CARRINGTON: Homer, Mr. Cabello, do you want to come up and answer Ms. Anderson's question?

MR. CABELLO: Homer Cabello. I met with the Habitat affiliates statewide, Tuesday morning at 9:00. We discussed the deficiencies in their contract, in the regular Bootstrap application.

They also informed all the other 80 Habitat affiliates in the state, more particularly the ones in the 22-region county. And the Beaumont Habitat affiliate and the Orange County Habitat affiliate are already preparing applications to submit. And we are also asking the Beaumont Habitat affiliate to consider doing some houses in Port Arthur.

MR. BOGANY: Okay.

MS. ANDERSON: Thank you. All good to hear.

MS. CARRINGTON: And I can assure you, Mr. Bogany, and the Board, that if we are not getting what we feel is a sufficient number of applications to utilize the funds, we will do what we need to do in stepping up and marketing and advertising, press conferences, notices again through our Listserv.

MR. BOGANY: Okay.

MS. CARRINGTON: The next item for the Board's consideration is Item 10. And this is an item that we do need an approval for, from the Board. What we are requesting is approval for TDHCA to be the sponsoring agency for the Texas Association of Realtors Housing Opportunity Fund license plate program.

Texas Association of Realtors approached us, and they want to sponsor a specialty license plate program that would say I am a Texas realtor. And we have a picture of that in the board book.

MS. ANDERSON: Does Mr. Bogany get the first plate off the press?

MS. CARRINGTON: You know, I bet Bennie McMahon gets the first plate off the press. I am not sure, though. And to apply to TxDoT, the Texas Department of Transportation, an entity must have a sponsoring state agency. TDHCA is on that list with TxDoT to be a sponsoring state agency.

So because of our very successful housing initiative with the Texas Association of Realtors, specifically related to our single-family program and the website, and the educational program that we have with them now, Texas Association of Realtors approached us and said, would you be our sponsoring agency for these specialty license plates. So we have provided for you a copy of the letter from Mr. McMahan to me, requesting this.

And they will use, they being Texas Association of Realtors, the dollars -- they will actually receive $22 out of the $30 fee that goes for these specialty license plates, and it will go into the non-profit that the Texas Association of Realtors has created. And that non-profit will fund various kinds of housing initiatives and housing requests around the state.

We did meet last week, I guess with a couple of their attorneys. John Gormley is in the audience. Kevin was there. Bill and I were there. We asked some questions about the mechanics of how this would work. It is my understanding that many request specialty license plates, yet few are granted.

But we are hopeful that this will be a request that will be looked upon favorably by TxDoT. And I gather it will be sometime this summer before we know whether we, whether TAR is going to be accepted. But we are requesting, and staff is recommending that we serve as the sponsoring entity with the Texas Association of Realtors for their specialty license plates.

MR. BOGANY: So moved.

MR. CONINE: Second. A reluctant second.

MS. ANDERSON: Discussion?

MR. CONINE: When you had your discussion with the staff of TAR, did the subject of the funds going over to the Housing Trust Fund instead of their non-profit, did that ever come up?

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

MR. CONINE: Wonder what they would think about that, but they probably wouldn't look favorably on it. But I just thought I would bring it up anyway, to see if they might think about helping us seed the Housing Trust Fund as we move forward.

MR. GORDON: Maybe half of it. We could split it.

MR. CONINE: Yes.

MR. BOGANY: Well, our thoughts are that we have got an affordable housing on our own at the Texas Association of Realtors. And I think this is one of the issues to being able to try to help fund this on the process. And I just think with the good will and the business that we bridge together in trying to improve the agencies, I just think this is something we ought to do to help them, and help them try to fund their affordable housing side of it also on that end.

And I think that is the reason they didn't come to us on our affordable housing side, because they have got the same non-profit setup on their end.

MR. CONINE: The fact that we get to hold $22 of your money for a little while, just excites me.

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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. CARRINGTON: The last action item for the Board's consideration this afternoon is review and approval of the purchase of a software program called HAPPY, H-A-P-P-Y, which is a software program that the Department would use in its Section 8 program. Staff is recommending the approval for the purchase of the HAPPY housing pro software. This was an item that was put in our capital budget in this biennium. We requested $65,000. We did put out a request for offers to look at various software programs that might be available to assist us in the administration of our Section 8 program. We are currently doing the necessary financial and compliance work in our Section 8 program with basically three legacy systems that are internal to the Department. This would combine those three systems into one. This is a system that is well recognized in the industry. Many housing authorities around the country that administer Section 8 programs are using this software program. And I am happy to report that it does look like that our bid is actually coming in at a little bit more than 49,000 on an annual basis, and staff is recommending the purchase of this software. We have provided for you on the back of the action item the variety of benefits that we believe we will derive by implementing this system in our Section 8 program.

MR. BOGANY: So moved.

MR. SALINAS: I will second.

MR. CONINE: I'll be happy second.

MS. ANDERSON: Just to clarify, I think you just said $49,000 a year. That is not what you meant. Right?

MS. CARRINGTON: No. It is not what I meant.

MR. SALINAS: 65,000.

MS. CARRINGTON: The purchase price is a little over 49,000. And then our maintenance fee, I think it was like $5,000 or $7,000. Yes. Thank you, Ms. Anderson.

MS. ANDERSON: Okay. 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.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Ms. Carrington.

MS. CARRINGTON: Board report items. The first is outreach activities for both November and December. In November, we noted our Senate Finance hearing in Beaumont where we had a good contingent led by Ms. Anderson, who did testify at that hearing. We also had December, and as I was looking at this last night, I saw that our December trip to Beaumont did not get included in this report.

The next item is a report item that Mr. Conine asked us for at the last board meeting. And the request was to provide information regarding vacancy status or occupancy status of our multi-family units that were set aside for persons with disabilities.

And 2002 was the first year in the QAP which required Section 504 compliance. We have had 291 units that have been constructed or adapted for persons with disabilities. Of those 259, we currently -- of the 259 that are currently occupied, 32 are vacant, and basically making 89 percent of those units that we have available since 2002 occupied by families or individuals who qualify under the 504 requirements or guidelines.

MR. CONINE: Are you positive about that? And the reason I am asking, is because the way I read this was, it said they were occupied. It didn't say they were occupied by persons with disabilities. And I wanted to clarify that.

MS. CARRINGTON: Well, I would ask Michael Lytle who is our Director of Policy and Public Affairs, or whoever the other appropriate staff person might be. I had understood this to be occupied by families or individuals who were 504 qualified.

MR. LYTLE: Michael Lytle, Director of Policy and Public Affairs. I have asked Patricia Murphy from our Compliance Division to join me, since she worked with me on this project. But my understanding on the data is that those units are occupied by persons with disabilities.

MS. MURPHY: Patricia Murphy, manager of compliance monitoring. Mr. Conine, the information is if they are occupied or not. And we do not have information as to whether those people are disabled or not.

MR. CONINE: Do we have the ability to drill down that deep?

MS. MURPHY: No, we do not. And it is possibly a violation of Fair Housing Laws to require property owners to get that information.

MR. CONINE: Okay. Thank you very much.

MS. ANDERSON: Next.

MS. CARRINGTON: Moving right along. The next one is a report that we provide to the Board on a quarterly basis. And this report identifies changes in ownership on our multi-family properties, both tax credit and bond properties. These approvals are done administratively.

There are many requirements that we require for a new owner who is taking over a property, and the right-hand column of this sheet does provide you the reasons that we had the request for, and did approve a change in ownership on each of these properties. I would be happy to answer any questions you might have on that.

And then the last one is an item that was put on the agenda as a report item at the suggestion of our General Counsel. And this is a process that we are currently using relating to reservations for our 4 percent housing tax credit applications.

As you all have discovered this year, and actually last year, an applicant applying for private activity bonds can basically go part of the way through the process, and then pull out, and then reapply and come back. And we have been asked the question of how many times can they come back.

And at this point, there is no limit to the amount of time that a developer can come back. And there certainly are a variety of reasons for why they might terminate or withdraw from the application cycle.

And so what we have outlined for you are the two options. A better word might be the two processes we are using on these tax-exempt bond applications.

The first one is a process we use if they withdraw and reapply in less than six months and everything stays the same within the application. Then we tell you there what we are requiring from them.

The process number two is if this new docket number, i.e. the number that is issued by the Bond Review Board is issued more than six months after the date of the original application, and if the application does include changes. So this is a process that we are currently using, and we wanted to let the Board know about it and be available to answer any questions that you all may have related to it.

MR. CONINE: Have you had any feedback from the development community?

MS. CARRINGTON: Well, it is a process that we basically are currently using that has been in place for I think a few months, hasn't it? Really, it started probably last year when we had so much volume cap that developers were figuring out if they ran into obstacles or if they missed a deadline or they didn't get their signage up, or if they had some issues with underwriting, that they could pull out and then come back. And we had that happening so much that we basically memorialized how we would handle those applications.

MS. BOSTON: That is exactly right. And I would just follow up. The feedback we have gotten is from the folks who weren't changing anything. They are real happy. They like it much better, instead of having to redo an entire app.

I think for some applicants who may only be needing to do like some minor changes, aren't real thrilled that they have to redo the entire application. But in talking it through, it was kind of a slippery slope. And where do you draw the line on what is significant and what is not?

MS. ANDERSON: Let me ask you a question from a different point of view which is a neighborhood association's point of view. And under option one, if nothing changes in the application, they don't have to renotify. The application doesn't have to -- so let's say we have a development that has significant neighborhood opposition. But the Board in its meeting votes to approve the development and the 4 percent credits for that deal.

Then that applicant withdraws and then submits the same application and the neighborhood only knows that they withdrew. And we don't have to notify the neighborhood that they have -- there is no notification required to be reissued; that they have now come back to life. That doesn't seem fair to the neighborhood.

MS. BOSTON: We are still redoing our notification requirement because it is statutory, and it is an application coming in. But that is an excellent point.

MS. ANDERSON: And what is our -- when you say that we would still be doing our notification.

MS. BOSTON: For the Agency. We also do notifications to anyone who is listed in the applications. So to the extent that they provided us with information about neighborhood organizations originally, we would notify those organizations, as well as all the officials.

MR. CONINE: Elected officials. Yes.

MS. BOSTON: Yes. And if you also file your statement, obviously, the Board did approve it. So I guess --

MS. ANDERSON: Well, but we approved it over neighborhood opposition, and the character of neighborhood opposition can change over time, just as the character of an application can change over time. And you are saying that if the application changes, it comes back to us. But if the application doesn't change, although we don't know that if the neighborhood -- you know, I am just concerned that we have spent. You know right or wrong, we get criticized from time to time about it being insensitive to neighborhood concerns. And this to me --

MR. CONINE: But if we approved it, though, then why don't they go build it? Why would they withdraw.

MS. BOSTON: Well, the circumstance would be if for some reason if they couldn't get it closed quickly enough before the bonds expired.

MR. CONINE: Okay.

MS. BOSTON: Or they couldn't get their zoning title quickly enough, or whatever the case is.

MR. CONINE: Okay.

MS. BOSTON: They, because there is so much extra bond authority right now, they would just return their reservation and then resubmit a new one. And then they start the process back. But the deal remains identical. The main thing that changes is their reservation lot number. I mean, that is the only --

MR. CONINE: Okay.

MS. ANDERSON: I don't think we have to solve it at 3:25 in the afternoon. But I will just be on record that I am not fully comfortable with this, and ask that we need to give us some time, other than 3:30 in the afternoon. Now that I understand what this is about.

MS. BOSTON: Okay.

MS. ANDERSON: I consider it an open item and not a closed case.

MS. BOSTON: Very good.

MS. ANDERSON: We can come back to it at a future time.

MS. CARRINGTON: Is that it?

MS. ANDERSON: Yes. Is that it? That is it. That is all she wrote.

MR. BOGANY: So do we move to adjourn? So moved.

MR. SALINAS: Second.

MS. ANDERSON: We stand adjourned. Thank you.

(Whereupon the hearing was adjourned.)

C E R T I F I C A T E

IN RE: Board Meeting

LOCATION: Austin, Texas

DATE: January 18, 2006

I do hereby certify that the foregoing pages, numbers 1 through 198, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Marian Stasney before the Texas Department of Housing and Community Affairs.

1/27/2006
(Transcriber) (Date)

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