TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Capitol Extension
Room E1.026
1100 Congress Avenue
Austin, Texas

11:00 a.m.
Monday,
March 20, 2006

BOARD MEMBERS:

ELIZABETH ANDERSON, Chairman
C. Kent Conine, Vice-Chairman (Not Present)
VIDAL GONZALEZ, Member
SHADRICK BOGANY, Member
NORBERTO SALINAS, Member

STAFF:

BILL DALLY, Acting Executive Director

I N D E X

P R O C E E D I N G S

MR. GONZALEZ: The first item of business is the roll call.

MR. HAMBY: Actually, Mr. Gonzalez, the first order of business would probably be to elect a temporary chairman since the chairman is absent.

MR. GONZALEZ: Recognize Shad.

MR. BOGANY: I'd like to get this meeting rolling. Our chair and our vice-chair is not able to be here today, and so what we're going to do is elect a temporary chair, and I'd like to move that Vidal Gonzalez be elected temporary chair.

MAYOR SALINAS: Second.

MR. GONZALEZ: We have a motion and a second, seconded by Mayor Salinas.

At this point I would like to recognize the new board member that has been already approved and sworn in, and that's Mr. Dionicio Vidal Sonny Flores. He was previously with the General Services Commission Board; he's currently the president of PEC Corporation; he's from Houston; and he's class of '58 from Texas A&M University. We'd like to welcome you onboard.

(Applause.)

MR. GONZALEZ: We have a motion and a second.

All those in favor, please indicate by saying aye.

(A chorus of ayes.)

MR. GONZALEZ: All opposed?

(No response.)

MR. GONZALEZ: Motion carries.

We'll go over the board of directors roll call at this point. Beth Anderson should be joining us later, she's absent at this time. Kent Conine is absent at this time.

Mayor Salinas?

MAYOR SALINAS: Here.

MR. GONZALEZ: Shad Bogany?

MR. BOGANY: Here.

MR. GONZALEZ: And Mr. Flores?

MR. FLORES: Here.

MR. GONZALEZ: And I do have a question. Do you go by Sonny or Dionicio?

MR. FLORES: I was named after my father and my grandfather, and then my mother was in the receiving room at my house, not knowing that the doctor insisted on a name before he walked out the door, and my grandfather and my father named me after themselves, and my mother balked beginning day one, and I've been called Sonny by her all her life, so if you'd call me that, I'd appreciate it.

MR. GONZALEZ: Okay, that's great. For all the rest, it's Mr. Board Member, I guess.

(General laughter.)

MR. GONZALEZ: We've got some witness affirmation forms, and so we'll go into the public comment. We're going to limit the public comment to two minutes, and I'll start off with the first one, Mr. Granger MacDonald, who has been here since early in the morning, chomping at the bit.

MR. MacDONALD: Thank you, Mr. Chairman. Congratulations, I think. Anyway, you can see after a few meetings whether you think that's good or not.

(General laughter.)

MR. MacDONALD: I'd like to encourage the board to consider forward commitments in Regions 3 and 9 this term. The GO Zone for the Houston Katrina/Rita situation is very well established and very needed, but Dallas and San Antonio are deeply affected by the hurricanes. We've got 100 percent occupancy in both communities.

We finished a property in early September in Dallas, 150 units, it was 100 percent leased by the end of October. I'd love to tell you it's the world's greatest property because I believe that, but I think that the storm had a lot to do with it. There are no available units for people to rent for low income housing right now in Dallas; San Antonio is the same way. We brought 250 units of rehab online in late August, we have a huge waiting list there already.

Both communities should have been somehow considered in the same situation for the additional funds that the GO Zone was, and I'd like for you to consider forward commitments as the time becomes appropriate in the next few months.

Thank you.

MR. GONZALEZ: Thank you.

Our next person is Robert J. Wood, city manager from Flatonia.

MR. WOOD: Good morning. My name is Robert Wood. I'm the city manager of the City of Flatonia, and I'm here to comment briefly on some of the changes that were made recently to the HOME Program. What I wanted to say quickly is that I think some of the changes might actually be quite negative as far as the outcome that they will bring to the people that are involved in the program.

The first issue is with the change that made the grants become forgivable loans -- I think that's the plan for the next application cycle. And the problem with that is that I think it will actually hurt the families in a number of ways. One of those is that if the person should die and the family ends up having to sell the home to pay that loan back, it could end up leading to some people not having a home for one thing, people that live in that house.

It could also cause a problem where when you're trying to get people to apply, they're going to ask the question what happens if I should die, and you explain well, the family would have to sell the house to pay this loan off, and I think a lot of people will end up deciding that they will be better off staying in a substandard home that they own outright and they'll feel that even though it's not a great house, it's their house and they won't lose it when they die and their family will keep the house. So I think there's maybe some unintended consequences there with that change.

The other issue I see with that is I think that the implementation of that new policy -- I think the idea behind the policy, my understanding, is that it would bring money back into the program that could be used to build more homes and keep that program going -- I think the actual implementation of that idea will end up costing more money than it will bring back into the program. It will be expensive to do some of the valuations and have the surveys and different documents done that are going to be required; if you're going to have to get an appraisal done, that's going to cost money; and once you add up all that money, it's going to actually, I think, end up being a negative kind of drain on the program rather than bringing money back in.

The other issue that I think is important, one of the changes is that the term of the program has been lessened from 24 months to 18 months. We're currently involved in a grant right now, we've received a grant, we're working on that; we had to ask for an extension because the 24 months was even not sufficient for us. It's tough to get through that program, so I think the 18 months is going to make it even harder to get it done.

So I hope the board might be able to reconsider those changes.

MR. GONZALEZ: Thank you. Where were you last month?

MR. WOOD: Yes, there was a problem with getting here, but my understanding is that there were people and I sent in written comments because I couldn't make it. I sent in written comments and I heard there were some people here, but it looks like the changes were approved anyway.

MR. GONZALEZ: Okay. Any questions from any board member?

(No response.)

MR. GONZALEZ: Thank you.

MR. WOOD: Thank you.

MR. GONZALEZ: The next person, Mr. Raul Reyes.

MAYOR REYES: Good morning, board members. My name is Raul Reyes and I'm the mayor of the City of El Cenizo. I've come here to protest the changes adopted to the 2006-2007 HOME Program. I understand that public comments have already been heard regarding this issue and that it had little effect on the board's decision.

I'm also aware that this is merely a public comment period, and as such, there is no agenda item regarding this protest for the adopted changes. However, I believe it is immensely important for me to speak out. I have come here today with hopes that enough effort and enough voices that the TDHCA may hear the frustration and disappointment that rural Texas feels concerning the HOME Program.

If you will allow me to, I have some letters here.

MAYOR SALINAS: What are you really complaining about?

MAYOR REYES: Well, in most part I'm going to be complaining about the increased costs associated with the HOME Program, the substantial increase in soft costs due to the closing costs that must be paid for each home. Of course, these fees will most likely need to be paid out from the matching funds that each community will be required to contribute, and especially if a community has hired a management company to assist in the implementation of the HOME award.

This fact seems in direct contradiction to the U.S. Department of Housing and Urban Development memorandum dated October 4, 2005 which you have.

May I continue?

MAYOR SALINAS: Who takes care of the HOME Program on the staff?

MR. DALLY: Eric Pike. Eric Pike is away at a workshop today that he had previously committed to.

MAYOR SALINAS: We did discuss this the last time we approved the HOME Program.

MS. ANDERSON: This isn't an agenda item for us, it's just they're welcome to make public comment.

MAYOR SALINAS: I know. I'm just trying to let him know that we have gone through this whole program a month ago.

MS. ANDERSON: For several months, actually.

MAYOR REYES: And I do understand that. I just thought it's important for you to realize the impact that this will have on rural Texas cities.

MAYOR SALINAS: Well, we understand that, but we talked about it for quite some time and apparently you didn't know about it. Somehow you didn't have the interest to talk to our staff. We had a lot of discussion on it, and we went ahead and did what we had to do. But you can go back and get together with the staff members. I don't know how we can help you.

MAYOR REYES: Thank you, sir.

MAYOR SALINAS: Thank you.

MS. ANDERSON: The next witness is Mr. Jerry Agan of Presidio County, and the next person will be Abrigal Ortega.

JUDGE AGAN: Thank you. My name is Jerry Agan, I'm Presidio County judge. I'm also here today to speak about my concern I have with the soft costs. We didn't make written comments during the public forum, and I also understand that most of the comments made were against the changes in the soft costs.

And I'm here today just to kind of tell you what would happen to this program in Presidio County.

At present we are planning to rehab ten houses under the current program, the changes would drop that down to five, a $250,000 cap. I brought some charts here today to show what that soft cost would add through the changes that you have made to this program.

The way it's set up now is the currently approved rules would require two appraisals, a survey, a home title policy, recording fees, legal document preparation, a homeowner's insurance policy, and possibly flood insurance per home. On average these costs would add up to about $2,500 per home, and if we did five houses at $275,000, it would $12,500 to the cost of the program. Those are soft costs. And we'd have to do away with having an administrator for this project or it would have to come out of the in-kind share which would no longer be in-kind but be cash.

Presidio County is 184th economically out of 254 counties; cash is very important to us, this program is very important to us. This last program we had, we had over 30 applicants and we were able to do ten. So if you add these costs on to it, I doubt that Presidio County will be able to participate in the HOME Program. That's the bottom line.

Yes, sir?

MR. BOGANY: I had a question. Have you went back to the -- are you asking us to pick up this cost with the new changes that we had? Who was picking up this cost before?

JUDGE AGAN: These costs weren't required before.

MR. BOGANY: But if we're making a loan or giving this money, I think we ought to know if it has a clean title on it.

JUDGE AGAN: I understand that completely, and I agree that the program should be administered with this in mind. But we do that now, we make sure that the title is clear.

MR. BOGANY: How do you do that?

JUDGE AGAN: We go through a grant application process. And like I say, we had over 30 applicants this last time around and we boil it down to the ten most qualified. Now, most of our most qualified we have down on the border area in the city Presidio and right outside of it is where the homes are located. We have 15 percent unemployment down there, average income is about $15,000 a year.

What we're doing now, as we rehab the houses, we're asking the occupants -- and these are elderly people, most of them of low economic status -- to move out while the rehab is taking place which is an additional charge, and then the houses that we're doing will be all electric. We don't know what the electric bills are going to do. Fortunately, in that area the winters aren't very cold, but still they're cold, and these are elderly people on fixed incomes, so their utility cost is going to go up. They realize that and they're willing to take that into consideration.

But what we tell them is that after the rehab is done -- because basically what we're doing is we're replacing the houses. The houses are substandard so we scrape and rebuild at a cost of $49,000 per house -- we also tell them to be prepared that the appraisal is going to go up on the house and their property taxes will increase. Now, we're looking at doing an exemption for 65 and over on some of these houses, but they're still going to come up.

So I would just ask you if you would reconsider what the soft costs of the HOME Program are going to do and what it will do to affect the rural border communities.

Thank you.

MS. ANDERSON: Ms. Ortega is the next witness.

We have 17 people who want to address the HOME rules, and as the mayor pointed out, we have been discussing these rules since last fall, and we have a process where we take a lot of public comment and we have public hearings and so forth, and just like you all, as elected officials and appointed officials in your home communities have processes for how you take public comment and have public hearings. So I'm going to ask that the remaining 17 witnesses on the HOME Program limit their comments to two minutes each. Thank you.

Ms. Ortega.

MS. ORTEGA: Good morning. My name is Abby Ortega from Hudspeth County. I've been here before since I was here at the HOME implementation workshop and I was here at the roundtable, and we did try to encourage you all on your decisions that you made. We tried to encourage you and discourage you on some of the choices that you made. Some of them have been addressed already regarding the grants changed to deferred forgivable loans, and since our talking space has been minimized, I just want to speak out my dissatisfaction of your decision.

We did try, I have been here, I have made public comment on the issue, and I just wanted to notify you of that.

MR. GONZALEZ: Can you touch on what specifically?

MS. ORTEGA: The deferred forgivable loan, changed from the grant to the loan. And I know you already made your decision but I hope to encourage you to reconsider, if possible, with all our comments.

MAYOR SALINAS: Do you get a grant?

MS. ORTEGA: Yes, we do.

MAYOR SALINAS: How much is the grant?

MS. ORTEGA: For two homes it was about $124,000 for hard and soft costs and I think it was like $4,000 for administrative costs.

MAYOR SALINAS: You only had two homes?

MS. ORTEGA: For two homes, yes, sir.

MAYOR SALINAS: You're right next to El Paso. Right?

MS. ORTEGA: We're right next to El Paso, yes, sir.

That is my comment. Appreciate your time. Thank you.

MR. FLORES: What county are you from?

MS. ORTEGA: Hudspeth County.

MS. ANDERSON: Thank you.

The next witness is Jamie Welch, and after that, Becky Dean-Walker.

MS. WELCH: Good morning. My name is Jamie Welch and I'm from the City of Deleon in Comanche County, and I have appeared before the board every single time you convened and every roundtable.

The issue I'd like to speak on, once again, is what has been discussed a lot, and that is changing the program from grant to deferred forgivable.

Our county and our city is very passionate about this issue due to the elderly that we try to service, the low income ratio, and Ms. Anderson, you've heard me say this over and over again. The grant program, trying to get people to even believe that a grant program will help them, I went into all of these homes for these elderly people -- and I spoke last time of what grace and elegance they had to be as poor as they are -- trying to convince them to allow us to build their home on a grant.

I know that it's going to be devastating in our city if we go with the deferred forgivable. These people don't have anything except their homes, and to them this is a heritage to hand to their children. There's no way they would take a chance of putting their children in debt. And by saying that, I say that because a home, say you build a home for $49,000 and it's a government-built home, we're building five just like it in the city, if they live six months, they're not going to get $49,000 for that home which tells me, quick math, that that estate is going to go into arrears before they ever get started.

That's some of the issues. Some of the issues that go along with that, even if they're relocated into assisted living, I just have some real concerns about that and how it would serve our community. That's the strongest issue.

Our mayor pro-tem, she could just give you a handout and I'll let you look at that, and that will speak for itself.

MAYOR SALINAS: What you're saying, the grant that we give you for $49,000, don't you think that they'll keep it for as long as they live?

MS. WELCH: As long as they live, but I know on this grant we have a couple that are very elderly.

MAYOR SALINAS: What are you saying?

MS. WELCH: Eighty years old, and if that man passes away, his estate will have to sell that home for whatever they can get for it and repay the loan.

MR. BOGANY: But don't you think the house is worth more now, and if it's not worth $49,000, why were you investing $49,000?

MS. WELCH: It would be worth it in Arlington, Texas or Mansfield, Texas where I came from, but I've lived here five years. Deleon, Texas, the real estate is just not what it is.

MR. BOGANY: So then why is it costing $49,000 to build one?

MS. WELCH: Well, probably because we are a little more rurally located as far as building. Just like the lady who spoke with Hudspeth, I read a report that to build out there costs a lot more because of where you get the materials. It's not like if you're building in Fort Worth and you've got Home Depot and Lowe's. It costs more, it costs more to haul the products in.

MR. BOGANY: Well, what I hear you saying, it costs more to live in a rural community.

MS. WELCH: No. To build, it costs a little more to build. On this grant, it's very well worth it, and I don't want to go away with a negative. This is a wonderful, wonderful program that I've fallen in love with. I hate to see it change to where it won't serve the same people.

MAYOR SALINAS: They don't have to pay it back unless they die.

MS. WELCH: Unless they die. If they're lucky enough to live that whole five years, you're right.

MAYOR SALINAS: Then let's hope they do that.

MS. WELCH: Oh, I do, I hope so. Thank you.

MS. ANDERSON: Thank you.

Becky Dean-Walker, and the next witness is Jimmie Guthrie.

JUDGE DEAN-WALKER: My name is Becky Dean-Walker and I am the county judge from Hudspeth County.

I have heard it said several times that why weren't we here the first time. My administrator was here the first time. We cannot afford to come up here every time there's something that concerns us. We send in our written comments and we do what we can. I'm here to ask you to please, please reconsider.

If this goes through, it will kill the program in Hudspeth County. Like I heard somebody mention before, some of these people, this is all they have, this land is all they have, and what they're doing is signing a contract to lose all that they have. Many of them are elderly, they're sick, and they're going to run a very high chance of losing what they have.

By doing it this way, it seems to make it look like that some of these families are schemers and they're trying to cash in or find a way to make money. How often does an assisted homeowner sell a home that's been given to them to make a profit? In Hudspeth County, they don't, they don't sell it to try to make a profit, and if they did, they wouldn't make a profit, because as the lady said before, real estate is not -- you can't get back out of it, they can't get that much money back out of it. They're not going to do it anyway.

The goal of the HOME Program is not to provide only interim assistance to the homeowners, and that's what this seems to imply. If it's set up like this, the houses will be in our community for a long time and they'll be passed down to other family members who are also low income, and if this stands, the funds of this program are going to be recycled on the backs of the very low income families. And I beg you to please reconsider.

MAYOR SALINAS: Judge, all you have is a lien on those houses and sooner or later you don't have a lien with the state. That's what I understand. Now, you're from a county that I visited with you, remember, on the colonia issue?

JUDGE DEAN-WALKER: What were you saying, if the lien?

MAYOR SALINAS: You just have a lien on the house from the state. Right?

JUDGE DEAN-WALKER: And if the person passes away, they lose their inheritance, they can't pass it to the family. And if there's a daughter taking care of the elderly mother and the mother passes away within the five years, the daughter is out on the street. If there's a grandmother taking care of her grandchildren and she passes away, where are the grandchildren? They have nothing left.

MAYOR SALINAS: But how keeps the house?

JUDGE DEAN-WALKER: Yes, who keeps the house?

MS. ANDERSON: It's a deferred forgivable loan, so it's forgiven over a five-year period.

JUDGE DEAN-WALKER: And so if something happens within the five years, the families are lost. And I can tell you they're not going to take the chance.

MAYOR SALINAS: You know, and I have a problem like this in the City of Mission, and my lien is ten years and we built the house and we hold a lien on that house for ten years. So I think here you only have five years. And I think it's a good program.

JUDGE DEAN-WALKER: I can promise you that it will kill the program in Hudspeth County because the people, all that they have, they're not going to -- the elderly and the disabled, they're going to choose to live in a low, substandard home as to running the chance on losing it to pass to their families.

MR. BOGANY: I was not here at the meeting last month, and I have a question, and it may have been taken through the scenario. So somebody dies within the five-year period and so the house has the lien that we put on it. So we go and the family says we would like to keep our house, we don't want to sell it to pay you guys off. What does the provision allow them to pay that money back to us? Is it a no-interest loan, is it low-interest loan if they said they want to keep it?

MR. DALLY: First of all, let me say that the first thing it was going to do on these particular properties is the reason that an appraisal has been mentioned is that we determine the value unimproved on that property so that that equity, and then there's another deal where we've added in some closing costs. So if there is a sale of that home after somebody's death, that original equity that was part of that lot and some of those closing costs will still be for the family, and the family can pay the remaining piece of that loan. Let's say it's been out there two years; there would only be 60 percent or three years' worth of loan still left on that particular home.

MAYOR SALINAS: But if they're there five years, then they're forgivable, they can keep the house, the family members keep the house.

MR. DALLY: One more thing to add. This was run into a tier program so it's still from zero to 30 percent income it is still a grant, from 30 to 51 it is this deferred forgivable loan, and then if you're 51 percent or higher, it is a 30-year zero percent loan. So that 51 and above, that is still a repayable loan over 30 years at zero percent interest.

MR. BOGANY: Well, I truly believe the education is going to be the key, educating the people that are using this program, and I think if our attitude is negative and we come in with that attitude, we've defeated the whole purpose of the program. And based on what he just explained to me, I see no reason why somebody would not want to do this. And I just think we're going to have to be really educating the people involved, and I know if I go in to a seller and tell them I know this is not a good contract, even though it may be a good one, if I'm thinking it's not good, I'm not going to be able to sell them on it.

And what Mr. Dally just said, I don't understand why an elderly would not see this as a good program. He just said you'd have 60 percent; you would owe hardly anything on the house at this point.

MS. ANDERSON: And have a new house.

MR. BOGANY: And have a new house.

MS. ANDERSON: Let's go ahead.

MR. BOGANY: Okay. Sorry.

MS. ANDERSON: No problem.

Mr. Guthrie, thank you.

MR. GUTHRIE: Jimmie Guthrie, councilman with the City of Bronte. I take two daily newspapers, and you're talking about that you're educating the public. I wasn't aware of this change until lately, and I read both papers diligently.

I'll cut my speech short. I believe the same as the others that have spoken. You say you don't quite understand the elderly's thinking on this. If God gives you time and you get there, you'll be better able to understand. He's got ten years left maybe to his life, to five, he takes this out, this is all he has to pass to his generations that come after him. If he dies and he's gone, he has nothing to leave his family.

Now, we also have a saying in West Texas, if it's not broke, don't fix it. And I thank you for your time.

MS. ANDERSON: Thank you, sir.

Sandra Terry, and the next witness is Larry Bailey.

MS. TERRY: My name is Sandra Terry. I'm from the big town of Toyah, Texas. For those of you who don't know where that is, that's in Reeves County, and for those of you who weren't around two years ago, we had a flood in the desert.

Right now we have two grants: we have a low income and disabled grant going, and a disaster grant going. I have questions about the disaster grant, and both, for that matter.

I'd like to put some names to some of these scenarios. First of all, Sisto Gomez. He's an elderly man that lives in town, he's getting a home on the low income and disabled grant, he has a mentally challenged son. So if he were under this grant and he died, what would happen to his son, where would he live, where would he go, what would he do?

The next one is Armando Falcon and Maggie Falcon. Both of these families have been out of their home for two years, they're just fixing to get to move back into their home. Armando and Maggie have been living in a camper trailer behind the sister in Odessa. Their home was completely destroyed, the flood did, but they're on the low income and disabled as well. Armando is partially blind; Maggie has had two strokes since they had to move from Toyah. Armando has been a rancher most of his life, his income is approximately $500 a month.

The city of Toyah, our flat water rate is $50, our sewer rate is $28, our trash is $16. That's $94 a month they have to pay. These taxes on these new homes -- in Toyah these new homes will only appraise at $30- to $35,000 -- the taxes on that per year for the City of Toyah ISD and Reeves County, that would be close to $1,200 to $1,500 a year. Then next comes their utility bills, then next comes the doctor bills. What do they give up if they have to pay insurance every year? Believe me, I'm probably the only person in Toyah who has insurance. Mine is through Lloyd's of London because that's the only company I could get to insure me.

But I do thank you for your time, and I do wish you, before you really set this in stone, would come visit the city of Toyah, come see us, come to the city of Toyah, see the people, talk to the people, and realize that this may look good on paper but in reality it's not that good.

MS. ANDERSON: Thank you.

Mr. Bailey, and then the next witness is Leo

Bookmiller.

MAYOR BAILEY: My name is Larry Bailey, and I'm the mayor of Rice, Texas, Navarro County. First of all, I want to thank you for all the good you've done in the past and hope you continue doing good. You've helped a lot of people and I hope you continue to help them.

But I do have some questions. How is the lien going to be placed on this property? Does the lessor sign at the closing because they own the property? Who is responsible for the repayment? If the loan is broken, who is going to take care of that if it's broken in five years? Is the lien placed on the name of the lessee? You know, we're using a 99-year lease on a lot of these things. Who is the deed going to be in?

Then a five-year deferred forgivable loan, the lessee or the lessor passes away, who comes responsible to pay that? Who is going to take care of the notes? Who is going to take care of the insurance? Who is going to take care of the taxes? These are a lot of things. Flood insurance, we had a lot of rain last night, flood damage. Who is going to be excluded the next time they have a federal program because of floods if they were on a forgivable loan?

There's a lot of questions that hadn't been answered yet, and that's obvious from sitting in the audience. Even some of the board members don't know all the answers yet and they've done approved the new program. I just ask you to consider it back the way it was.

I've got one gentleman that lives in a mobile home with pizza boxes nailed on the side. I offered him a new home, a $49,000 home, said he couldn't afford it. He had to move into a storage building. One of these days I'm going to have to kick him out of that storage building. The only piece of property he's got. He's a single man delivering papers; that's his only income. He's got nowhere else to go, nothing else to do. You now the reason he didn't want a new home? He couldn't afford the $300 a year more in the payments he had.

The people you have helped in the past are the same type of people you need to help in the future, and that's the low incomes that need it. I think your hearts are in the right place but I think you over-figured this one and I think you'd be better off if you go back to the way it was.

Thank you.

MS. ANDERSON: Thank, you sir.

Mr. Bookmiller, and the next witness is Vickie Emfinger. Mr. Bookmiller?

MALE SPEAKER: He's declining.

MS. ANDERSON: Oh, okay. Thank you, sir. Vickie Emfinger.

MS. EMFINGER: My name is Vickie, I'm with the big city of Goldsmith, and I'd love you to come to Goldsmith. You have given us the opportunity to have two different housing grants and it's been awesome. But kind of like Mr. Bogany said, they're not educated. Some of them didn't know how to pick out brick, didn't have a clue what carpet was. So I do have a lot of questions with it, I'd like to see it go back. I'm going to talk fast.

If you consider the cost of a deferred forgivable loan program on a program-wide basis, it seems that TDHCA is only serving to reduce the amount of money available to assist homeowners, despite the moderate amount of money that may return through foreclosure. Since the 2006-2007 HOME Program is double funded, the total funding could be as high as $40 million.

Assuming that each home constructed cost $55,000, 727 homes could be reconstructed if the closing costs on each home is an average of $2,500. The closing cost alone on these HOME programs would be over $1,817,500. This figure does not include the extra costs associated with administering a loan program for either the agency or the applicant.

Assuming the agency could foreclose on a home and sell it for $55,000 with no cost for the agency, a rather inaccurate assumption, TDHCA would have to foreclose on 32 homes to recap that exhausted funds. This means that TDHCA would be required to foreclose on a minimum of 4 percent of the homeowners assisted in the 2006-2007 program years. It is the intent of TDHCA to foreclose on more than 4 percent of assisted homeowners.

I would really appreciate if you would rethink and help meet the housing needs of the very low and extremely low incomes in Texas. And I'd love to have you come to Goldsmith.

Appreciate it. Thank you for your time.

MS. ANDERSON: Thank you.

Roger Mullins, and then the next witness is Roel Chapa.

MR. MULLINS: I'm Roger Mullins. I'm the city administrator for the City of Grand Falls. If you've never been through there, you blinked probably and didn't notice you went through it.

We're 390 people. We just got the HOME Program this last round, we're right in the middle of the process, and we could only qualify six of the nine proposed homes due to income eligibility requirements.

I've got a nice little speech here I was supposed to read, but you know, I've listened and listened to Mr. Bogany talk about the things that's happened. I feel like I'm going to be beating a dead horse.

So one of the things you had questioned about and I'd just like to address is talking about why does it cost $49,000 to build a home if we can't recover that cost. I just purchased a home in Grand Falls. I'm probably one of the most stupid people around for buying it. The building cost for a home right now is running anywhere from $70 to $75 per square foot to build a home. My home would cost me about $130,000 to replace it; it appraised out for $49,000.

MS. ANDERSON: For the tax appraisal or for market value?

MR. MULLINS: No. That was actual market value.

The smaller communities like we're here representing, we just don't have the tax base and we can't generate the tax base to keep the income levels up, to keep the prices up on the homes. The industry has pulled out the smaller ones and gone to the bigger cities, so our property values are continually dropping to where they're nothing.

A new home, when we get these homes built, it may be a $50,000 home when it's built; the moment they sign papers on it, it drops 10 percent immediately.

Yes, sir?

MR. GONZALEZ: I've got a question. How many homes normally sell there on an annual basis?

MR. MULLINS: Normally? I think we've sold three homes in probably the last 12 years.

MR. GONZALEZ: And is that one of the reasons?

MR. MULLINS: That could be, I don't know. One of the last homes that sold is approximately the same size as the homes we're building. It sold for $10,000. The property values are not there. Life in a small town is great, you can't beat it, it will beat a big city any day of the week, but we can't get these older people -- I wish you could come down with us when we're trying to get these people to apply for it because when they found out the word going around that it was a repayable note rather than being a grant, and you say anything about that repayment and they run backwards from you.

MR. GONZALEZ: Is it the appraisal district or independent appraisers, who is determining that appraisal?

MR. MULLINS: The independent appraisers is who comes in and does them, because their tax roll is way less than what your appraisal roll is.

MR. GONZALEZ: But I guess what I don't understand is on a new home wouldn't they utilize the cost of the construction?

MR. MULLINS: No, because it still has to go on a comparison basis, and if they have nothing to compare it to that's equal to it, they're not going to bring it up to that value.

MR. GONZALEZ: Sure, and I understand the comparable end of it, but I guess what concerns me is if you've got a certain actual cost why it wouldn't [inaudible].

MR. MULLINS: Just like a new car. You can pay $30,000 for a new car and drive it off the lot, it's no longer worth that. That's actual cost on that car is what you pay for it but it's not going to be worth it, and homes are the same way. The depressed areas that we live in, like everyone here that is here today, our areas are depressed and the property values are dropping rather than going up.

So we have to do something, we have to take care of our old people. We're going to be there one of these days. We want our children to come up, and I'm sure everyone here is a parent, you don't want to leave a debt to your children when you're gone at all. So what we're trying to do is we're trying to help out these people that need the help that have been there for us as we were growing up. This is what we can do to help them out is to get them into something that's adequate living.

MR. BOGANY: I have a brief comment. I wasn't here at the last meeting so I didn't vote for this particular program, but if I had been, I would have voted for it. But what I don't think you guys are hearing, if you're at zero to 30 percent income, it is not payment back. So if you're at zero to 30, it's still a grant.

MR. MULLINS: But you have to look at the amount of people we have that are at the 30 to 51 percent and above that still are qualified for a grant, we could still get qualified in under 51 percent that still can't afford to pay anything back.

I would be tickled for zero percent interest on my home loan, tickle me to death, but I'm still young and have a job, and I can improve my income where these people can't.

MR. BOGANY: Thank you.

MR. MULLINS: And I appreciate your hearing us and appreciate your comments.

MS. ANDERSON: Thank you very much, Mr. Mullins.

Mr. Chapa, and then Gloria Flores.

MR. CHAPA: I'm sorry that I didn't come to the first meeting, I can say that right now. And I am in favor of everything that was said previous to me. The only thing that I want to add to you is a little bit about Live Oak County.

We were devastated in 2002 because of the floods. All of the disaster relief that Live Oak County got came in the form of a grant. We couldn't even pay the 25 percent matching for FEMA to buy 36 homes out of the flood plain, but we did it. We did because we found another grant to supplement the 25 percent.

We also got a grant from you. We appreciate that very much, that's adding a lot to our community. But we could not afford anything else. Everything that we got in disaster relief came from a grant, and that's because Valero sued the county and walked away with reducing our tax revenue by almost a million dollars a year. So I hope that you take that into consideration.

You've done a good thing in our community and we applaud you for that. We have 27 new homes coming, but it was a grant. Thank you so very much and I hope that you reconsider.

MALE SPEAKER: Please identify yourself on the record.

MR. CHAPA: My name is Roel Chapa. I'm the flood plain manager for the County of Live Oak.

MS. ANDERSON: Thank you, sir.

Gloria Flores, and then Linda Riojas, and then Cynthia Contreras.

MS. RIOJAS: Good morning, ladies and gentlemen. My name is Linda Riojas. I am the city administrator, newly appointed city administrator for the City of Asherton in Dimmitt County.

We have heard so many comments on the increased cost with this loan-based program, but I too am concerned and I have some questions on the part.

Earlier we heard that some of the fees would be increased associated with the loan program and these would cut down the monies allocated to the building of the homes. This amount would cover approximately five homes and these five homeowners will be able to sustain the program, but if some of these homeowners back out of the services and we've invested some of the monies, then we've lost that amount that they would have spent somewhere else.

You know how difficult the HOME Program can be to be administered. I know that in our city there's only two workers there, so we couldn't possibly handle the administrative part, and not knowing and taking a chance on being in compliance, so we have to make sure that we are in compliance with the requirements.

With the severely reduced fees available to offer a management company, I simply cannot see how we'll be able to hire this project out. I also don't see how the leaders of a rural Texas community can implement this program as well.

I hear that there was some concern, why weren't you here, why are we doing this after the fact. Is it your goal that see that no communities succeed in the implementation of the program? If it is not, why not go back and rescind the motion, why not go back and reconsider. There's public comments made, there were contacts made, and I don't see how we can simply let this issue go, knowing the consequences, knowing the barriers that it will incur on the low income people.

We have been assisted, we're lucky, under the grant program. The loan program, I can tell you that it will have a negative impact on our community. I urge that you reconsider and that you consider rescinding the motion, bringing it back and consider rescinding it and help our much needed communities.

Thank you.

MS. ANDERSON: Thank you.

Ms. Contreras, and then Thomas Bernal.

FEMALE SPEAKER: You skipped Gloria Flores; she didn't get up there in time.

MS. ANDERSON: I still have her form, she's still welcome to speak.

MALE SPEAKER: If it's okay, I have a witness affirmation form. She's asked me to speak for her, she's a little nervous.

MS. ANDERSON: Where is your witness affirmation form? Thank you.

MS. DAVIS: Good morning. I promise I'll be real fast. I'm Tres Davis with Grant Works, and there's just one correction that I think I need to make about one of the comments that's been made, and that is that this is actually not a grant at all if it's below 30 percent. For Hurricane Rita you went out with a NOFA if it was 30 percent or less, it was a grant, but the NOFA that went out for this is strictly in the form of a deferred forgivable or repayable loan. So I did want to correct that. These are 100 percent loans, there is no grant in the 2006-2007 income.

The other thing I wanted to address was this cost of home question, and I think a really good example is Michael Dell's house. He built a $30 million house here, it's appraising at about $10 million immediately because nobody can afford to buy that in Austin. So immediately he saved quite a bit on his taxes.

It's no different -- well, it's hugely different dollar-wise, but the concept is the same. If you're in an area where $55,000 is an inflated value compared to what every other house is selling for, even though that may be what it cost to build it, you can't sell it for that.

So those are the two issues I wanted to address real quick.

MR. FLORES: Excuse me. What part of the state are you from?

MR. DAVIS: I'm actually with the consulting firm Grant Works.

MR. FLORES: Where is Ms. Flores from, what town, what county, what area?

MR. DAVIS: Big Wells

MR. FLORES: Big Wells?

MR. DAVIS: Yes, sir.

MR. FLORES: Thank you.

MS. ANDERSON: Thank you.

Ms. Contreras, and Mr. Bernal will be next.

MS. CONTRERAS: Board members. My name is Cynthia Contreras and I'm the city secretary for the City of Bishop, and I would like to call your attention to the reduction in the HOME Program contract period from 24 months to 18 months.

As the city secretary that has administered the HOME Program, I can assure you that even the most skilled administrator will need more than 24 months to be able to complete this program. There's a lot of environmental clearance, everything that's involved with that, it's the demolitions. We're a very small community, we have our day-to-day operations, and when we get the programs, we need to involve that into our normal workdays, and by cutting it to 18 months, it's going to be very hard for the smaller cities, we're not going to be able to do that.

So if you could reconsider and put it back to 24 months, we would greatly appreciate that. Thank you.

MS. ANDERSON: Thank you.

Mr. Bernal, and then the next witness is from the City of Hitchcock, Mr. Henry Coger.

MR. BERNAL: My name is Tom Bernal from the

City of Austwell that's in Refugio County.

You've made numerous changes to the program, the 2006 program year is a double funding year, and at the same time you've made these changes, by the admission of the TDHCA staff, not all the kinks have been worked out of the current design.

What are you going to do when you see there are multiple problems with the administration of the 2006 awards but have already adopted the rules for 2007? Should I apply for a program when I'm not sure what's going to be necessary to administer the award?

There's an estimated $40 million at stake in this biennial funding cycle. According to your staff, forgivable loans in the past were eventually modified into grants. What's the reason for this change? Was the reason for this change examined before re-adopting the use of a loan?

Maybe what's needed is a trial run of the program design with award to several regions of Texas before experimenting with the lives of residents of our communities on such a large scale.

My goal is to assist as many members of my community as possible, and I believe that your intentions are not different from my own, but the changes you've adopted contradict your intentions. The elderly and disabled low income residents of rural Texas, and community and particular, have everything to lose in this program: their homes.

Please re-examine your decision and support your good intentions with a strong program design. Thank you.

MS. ANDERSON: Thank you.

Mr. Coger, and then the next witness is Marcia De La Rosa.

MR. COGER: Good morning. My name is Henry Coger and I'm a city commissioner for the City of Hitchcock, and we are located in Galveston County, population 7,000, and the mayor couldn't be here so he asked me to come and represent him in protesting this.

I'm not the world's greatest public speaker so I have a prepared statement, if you'd let me read it, and if I run over time, stop me, please.

The agency has used a forgivable loan in the HOME Program design in the past. The use of this loan, however, had several provisions that addressed a majority of the concerns that I have heard presented.

If an assisted homeowner died or was forced to relocate to any assisted living facility, the loan was forgiven. Does the agency have information on the number of home loans that were forgiven under these conditions? If the number of home loans forgiven under these conditions was large, then it would seem that the only intention of TDHCA, when adopting the new rules, was to recapture property that was awarded to people truly in need, as you did not make new rules for eligibility.

If the number of home loans forgiven under these conditions was small, then what reasoning could the board of TDHCA possibly have for not including provisions in the current HOME Program design allowing for a loan to be forgiven upon death or relocation due to health.

The current program rules do nothing to address the common household situation found in rural Texas and seems to only support increased homelessness. If an assisted household consists of the owner and a disabled family member, and the owner dies or must move out of the home, will the disabled family member be forced to either repay the balance for the deferred forgivable loan or be forced to vacate due to foreclosure?

Thank you very much. I appreciate your consideration.

MS. ANDERSON: Thank you, sir. Any questions?

MAYOR SALINAS: Is there any way that Bill can look at working with the staff? I'm a little bit concerned about debt situation in case an elderly cannot or the family cannot pay the loan or vacate the home. We surely do not want to be an agency that is repossessing homes from elderly or the poor.

MS. ANDERSON: Let's finish hearing the public comment. We're not in a position to take action.

MAYOR SALINAS: No, I know we're not going to take any action.

MS. ANDERSON: But we can ask the staff to --

MAYOR SALINAS: -- to look into it because of the testimony that we're hearing.

MS. ANDERSON: We're not able to hear from them this morning, we're just hearing from the other side.

MAYOR SALINAS: Exactly.

MS. ANDERSON: Ms. De La Rosa.

MS. DE LA ROSA: Good morning. My name is Marcia De La Rosa and I'm from the City of Lometa. We have a population of 784 people.

I feel it is important to address the fact that there are a substantial number of unanswered questions to this HOME Program. I feel it is important to understand how the agency will decide the value of a home. Is it going to be the second appraisal after the construction is done, or will it be prior to? The real value based on the second appraisal will more likely be substantially less due to the realities of rural Texas.

Our populations are falling, as well as the others I've heard a lot of them say. We don't have the factories or the work available to our people. Most of our population is elderly and unemployed and we have disabled as well. We are currently working on a housing assistance loan from you, and we thank you for that. We were able to do nine homes and we're still working on that.

I feel that it would be difficult for community leaders to apply for a program which has so many unanswered questions. And despite the fact that it is administered by TDHCA and the State of Texas, it is our community and our residents that we have to answer to and try to provide the best for.

As some others had said, when we went to them with this particular grant that we're working on now, we met with a lot of skepticism because of them actually having their houses torn down and others built, and it's like they were really fearful. And now that they're going to be repaying this, it will be difficult for us as a community to participate in this loan program.

Thank you for your time.

MS. ANDERSON: Thank you.

Kim Overshiner? I'm sorry. Is there any more public comment on the topic of the HOME rules?

(No response.)

MS. ANDERSON: Okay, thank you. Continuing then with additional public comment, Ms. Diana McIver.

MS. McIVER: Chair, members of the board. My name is Diana McIver and I'm the current president of the Texas Affiliation of Affordable Housing Providers. And I'm here today to mention something that is not a problem yet but it's a problem we see on the horizon, and that is the increase in cost of labor shortages, material increasing costs, as a result of the hurricanes Katrina and Rita, and many of our members received tax credit allocations in 2004-2005 and their costs that they submitted on underwriting were predicated on lower costs.

So what we're asking is that the agency consider possibly a solution as this particular era of tax credit projects comes in with certified costs that are higher than their original cost. And what we would ask you to look into would be the possibility of using the national pool that's returned every fall for this particular endeavor, and then based on people's cost audits, potentially award more credits.

Most of the developers and general partners out there have negotiated partnership agreements that allow upward credit adjustors, so if additional tax credits were made available to them based on increased costs, they could actually turn those tax credits into cash and make their deals more feasible.

Again, it's not a problem we have yet because we're not into cost certification on any of these particular developments, but we will be shortly, and so we're just here in advance asking and suggesting a possible solution.

Thank you.

MS. ANDERSON: I want to thank you for appearing before us today, and this is something that's been on our mind, and I have had discussions with a couple of staff members even before the end of the year last year to ask them to begin to look at a series of alternative approaches so that they could bring those to the board at the appropriate time.

MS. McIVER: Thank you. I think this has a real solution, and the pool credits aren't credits anyone counts on, they're not taking away from regular allocation, so it's sort of a plus, it's a bonus.

And by the way, the membership of TAP does want to send their best wishes for a speedy recovery to our missing board member today, and I think you all need to adopt a policy of no skiing for members of a certain age or something. But we do wish him well.

(General laughter.)

MS. ANDERSON: Thank you.

Stuart Shaw.

MR. SHAW: Good day. Thank you for letting me speak. I'd like to pass these out. May I?

I spoke at a recent board meeting and promised to keep you updated on this. I would like for you to be aware of it. It's become very graphic to me; I did not understand how graphic until I presented this.

The first page is a picture of the kind of product we do. We think that we exceed the expectations of TDHCA in terms of the quality of product that we put on the ground, so it's not just safe and decent, we think it's dignified housing for people.

And if you turn to the second page, I just wanted to show you, this is a bond deal we did in 2003 and our rents have been capped for three years -- I think there was just a recent increase but not very much -- however, the utility allowances have not been capped. And so a lot of times in underwriting there's a prediction that rents are going to change 3 percent a year. Well, that's correct in this case, they've gone down 3 percent per year, and we're just now trying to convert.

And so it's real problematic for me. I know that we can go hire a consultant and we do that, and it just costs more money and then you have another risk, but I think that this is a problem, and I wanted you all to be aware of it. I've spoken to staff, and specifically Mr. Gouris, and I just would like for you all to support at least the understanding of this and that it's a problem.

I don't know what to do about it, and people ask me. I don't know. It's a big issue for anybody who underwrote their deal at max 50 percent rents, and I know people in San Antonio are having problems with it as well. This was 100 percent at 50, so our rents have gone down 3 percent a year, a total of $130,000 right off the bottom line. So right now while we're trying to convert, right now while we need to be feasible, we've lost $130,000. I don't mind that people have a great bargain, we want that, but this is working against us. We were supposed to have rents maybe go up a little bit, they've gone down.

So with that said, I just want to say one thing that we could do is --

MS. ANDERSON: Is that because we're building too much product?

MR. SHAW: Oh, no, ma'am. That's because the utilities have gone up and so our rents are predicated on --

MS. ANDERSON: So it's a zero sum.

MR. SHAW: It's $100 less whatever the utility allowance is, and today it's $20, in two years it's $30 or $40, so yesterday I could charge $80, today I can only charge $70.

This particular product -- it's the bottom one on the first page -- is in a market that is going through the roof right now, so it's just the opposite of what your concern was. It's in the Austin market. But you know, we're trying to do a good job, and I don't think this is across the board but I think it's a number of properties.

In the past, TDHCA staff has encouraged me to underwrite to the maximum 50 percent or 60 percent rent, and lenders don't want to give you credit for more than what the market is. The market is the market; I can't dictate the market, neither can any of us; the market dictates to us.

And so what I want to be able to do in the future if I have 50 percent rents is not be penalized if I want to underwrite to a lower amount, because I need a cushion in there, I can't deal with this. This was totally unexpected; we need to have a cushion. So had we underwritten to lower rents, you know, you can say well, maybe you wouldn't have gotten your deal done. Fine. But going forward in the future, I would like to have board support to take the pressure off of us to underwrite to the maximum.

That's it. Thank you very much.

MALE SPEAKER: Identify yourself on the record.

MR. SHAW: I'm sorry. My name is Stuart Shaw.

MS. ANDERSON: Thank you.

I believe that's the conclusion of the public comment we do before we begin to take agenda items. Is there anyone else that wanted to make public comment at the beginning of the meeting as opposed to when the agenda item is presented?

(No response.)

MS. ANDERSON: Okay, great.

Before we begin our agenda this morning, we have some sad news in the department, and I would like to ask those of you all that are with us here today to join me in a moment of silence in thoughts and prayers for the family of Eddie Farris, our director of Community Affairs, whose 19-year-old son was tragically killed in a car accident on Friday. So if we can just take a moment.

(A moment of silence was observed.)

MS. ANDERSON: Thank you.

The first item on the agenda this morning is Presentation, Discussion and Possible Approval of the Minutes of the Board Meeting of February 15, 2006.

MAYOR SALINAS: I move for the approval.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Item number 2 is presentation and discussion of the findings and conclusions of a market study that the department commissioned for the Houston MSA, and Mr. Dally.

MR. DALLY: Yes. We had gotten concerns about the overbuilding in the Houston market, and as part of our budget in the last budget cycle, we went out with an RFP and requested that that market be studied, and we've gotten our report today, and Mr. Vogt is actually here with us today and will bring a short presentation on it.

I do want to set it up just a little bit and say we intend to put this out on our website, and it will be used as an analysis or as a comparison as market studies come in from private folks putting deals together, and we'll look for some compatibility, and if there are numerous inconsistencies, those things will be noted in our underwriting report as we go forward in this new cycle.

And with that, I'll let Mr. Vogt come forward with his presentation.

MR. VOGT: Good afternoon, board members. I appreciate the opportunity to be here this afternoon and be able to talk a little bit about our market study. I prepared a handout that was basically an executive summary of our findings and conclusions and hope that you have that in front of you.

As a matter of introduction, my name is Rob Vogt. I'm a partner with the market research firm of Vogt, Williams and Bowen, located here in Austin, and we have an office in Columbus, Ohio. We conduct probably over 300 market studies a year across the country, so we have a broad base of experience. WE have been hired directly by the states of North and South Carolina, Georgia, Iowa, and New Mexico to prepare their market feasibility studies, so we think that we are well versed in understanding the different methodologies and approaches to doing market feasibility studies.

The goal of the study, as it was presented to us by Tom and his staff -- and I do want to take the time to acknowledge Tom and Brenda for all the hard work that they put into it with us; it was a very big project for us, as you'll see, and we got paid by the amount of paper we generated on that one, it's quite a job, so thank you for that -- he had asked us to evaluate the need for affordable rental housing in the Houston MSA, identify the impact of the hurricane, and to analyze the affordable housing needs by various income groups.

The methodology that we employed for this analysis was basically to take the ten-county region and break it into 32 smaller geographic areas that were basically based on economic and demographic characteristics or the similarities of those areas. That allowed us to get into a lower level of analysis and look at the demographics to establish what the demand for affordable housing was.

Within each of those sub-market areas, we surveyed twelve existing and new market rate developments to establish what rent levels were like, what vacancy rates were, and so on. And then we also identified all TDHCA developments within each sub-market and surveyed about 40 percent of those in person, with the remainder by telephone. So we obviously generated a great deal of information during the course of this analysis.

You can see in the presentation I've included a map showing our different sub-markets.

The results of our survey, we found that we had surveyed 544 rental housing developments, over 115,000 units, MSA-wide. The overall vacancy rate for all of the properties that we surveyed was 6.4 percent; the 317 market rate developments that we surveyed, we found a vacancy rate of about 7 percent; and of the 227 developments that we surveyed, over 38,000 units that had some sort of income restriction or subsidy, we found a vacancy rate of less than 1 percent.

I've included a chart that breaks down the different vacancy rates by the types of projects that we surveyed. We broke out specifically tax credit developments without a subsidy; we broke out market rate developments that included some tax credit development; we broke out government-subsidized properties that included tax credits; and then we also surveyed, as I mentioned earlier, the market rate developments, and that information is presented to you.

The one thing I would note on that one table that has property vacancy rates by sub-market is that if there's a dash in there, we did not identify any of those properties within that sub-market.

As I mentioned earlier, the demand methodology that we employed for this was basically look at a number of different income ranges up to 100 percent of the area median household income. We wanted to identify what the demand was by number of bedrooms and by targeted population. This analysis includes an estimate of demand by family, senior, and special needs populations.

I won't get into too much of the specifics, but basically we used something called HISTADATA which is a little bit of a unique data base that allows us to actually break down household size by income, by tenure, by age, and it's not often that you actually can look at these variables to identify what demand is. We also then took that information and applied information from the American Housing Survey so that we could actually estimate the demand by bedroom type.

Within this there were basically two sources of demand that we calculated. One was through new renter household growth by year from 20006 through 2009. We projected the growth in the number of income-eligible households using this HISTADATA, as I described it, and then we continued to increase the income limits based on what the historic performance had been in the Houston MSA over the last five years.

Some of the other demand factors that we looked at, we considered a well balanced market to be a 5 percent vacancy factor, so that if we had a vacancy rate in excess of 5 percent, we considered that to be a market that was out of balance and that had an excess number of units. In this analysis we also considered the number of units currently under construction with a completion expected this year 2006. We also considered the units that had been allocated by the department in projecting what the demand would be over the number of years.

And probably the last component which might be most controversial is that we introduced a demand component for replacement support -- that is, to replace functionally obsolete product that exists within the market.

You can see in the next chart we have the total net demand by sub-market and then we have an aggregate demand on the next table. Basically what we're showing is a demand for almost 14,000 units to target households with incomes between zero and 40 percent of AMHI. In that same period for 2006, we also had forecast that there's about a 3,000-unit surplus of units targeting incomes between 41 and 60 percent of AMHI.

As a point of clarification, the senior income demand calculations actually is included within the overall demand so it's a component of all demand, and I know that's a little bit confusing so I wanted to clarify that.

We had a discussion of the hurricane impact. Again, I don't want to spend too much time on this, but the net result is we saw a 5 percentage point increase in the overall occupancy within the Houston MSA. We saw an additional 16,000 units added to the school district as a result of the people who were relocated, and we have a calculation then by sub-market of the total number of hurricane evacuees that were identified in our survey projected out to the total number of rental units within the sub-market. So it will give you some sense of the number of folks who have been impacted by this tragedy.

Just as a general note, I think that the greatest impact, from our experience, was that displaced households are located just outside the Loop 610 in the north-northwest portion of Houston. That seemed to be the area that was impacted the greatest by the evacuees.

Our conclusions, the greatest surplus of affordable housing units we found in the Montgomery sub-market and out by the airport and Lake Houston. I mentioned earlier that the greatest demand is for product from zero to 40 percent of AMHI; that's the lowest income households within the Houston MSA. Generally, the tax credit program without subsidies generally targets the 40 to 60 percent of AMHI.

We found that of the 32 sub-markets, 14 of those had negative demand for units in the 40 to 60 percent of AMHI, 11 of the 32 sub-markets had negative demand for senior units targeting that same income range, and we clearly have a great need for trying to get the rent levels lower to reach a broader audience.

We did look at disabled residents and what the need is there. As a general comment, it is very difficult for market analysts to forecast what the need is for disabled residents. If you're reviewing a project that has a disabled resident component to it, really pay special attention to who the provider is because I think it's real critical to find out who is the population they serve and how many folks do they have that have immediate need for that housing.

We found the overall number for hurricane evacuees was about 6,000 households represented by 5 percent of the total units that we surveyed. And again, I talked about how our occupancy rate had increased as a result of that.

With that, I will take some questions if I could. I know I went through it very quickly. I'm sure there will be a number of questions that you'll have over the time of digesting that information, but I'd be more than happy to respond to any questions that you might have.

MR. FLORES: Let me start, being that you're talking about my hometown here.

MR. VOGT: Sure.

MR. FLORES: The Katrina effect is kind of the big unknown. You have to make some assumptions as to how many are going back and how many are staying with us. What was that assumption?

MR. VOGT: We did not make a projection on exact numbers that would stay and who would go. I think, as the news has reported, that's an awfully difficult number to forecast. Our best guess is between 70 and 80 percent will likely stay in Houston as a result of that. We don't have any information that would suggest otherwise, but in this business I'm always surprised by demographic trends and how people make a decision to move, so there is a possibility it could be greater, but I would expect the vast majority to stay here in the Houston area.

MR. FLORES: Seventy percent of that 5 percent is a 3-1/2 percent automatic increase.

MR. VOGT: Right, that's correct.

MR. FLORES: Then you made this chart here talking about the total increases projected, and that assumes the whole 5 percent stay there?

MR. VOGT: That's correct.

MR. FLORES: So therefore, we do have a lot of argument about how many Katrina folks are going to be Houstonians and how many are going to go back to New Orleans, so I could see that being a controversial point.

MR. VOGT: That's right. And in our business it's very difficult always to forecast, and when you throw in that kind of potential, we have to anticipate a plus or minus 5 percent deviation from, I think, these results.

MR. FLORES: Thank you.

MR. VOGT: Yes, sir?

MR. BOGANY: If I hear you right, are you saying that the areas that are oversupplied are Montgomery County, the airport and Lake Houston?

MR. VOGT: That is correct, yes.

MR. BOGANY: So other parts of southwest Houston, inner loop, all of these are under-served and that the issue is the zero to 40 is under-served, not the market rate and mixed.

MR. VOGT: That is correct. Typically, as we all know, the conventional tax credit program typically serves the lower end of market rate rentals, and really the most apparent need to us is at the lower income levels.

MR. BOGANY: What about senior projects? I didn't really understand whether or not we're abundant in that.

MR. VOGT: We did make a very conservative projection on the need for senior housing. The one factor that I think is a bit of a wild card here is the number of homeowners that will likely convert to senior housing over the next several years. So I would state that the information contained in our report is very conservative in terms of the need for senior housing.

I think we will see across the country a larger and larger share of senior homeowners opting to move into a more independent living environment, and I think the tax credit market can do a lot to serve that need.

MS. ANDERSON: If I'm reading this chart right, there's negative demand in '06 and '07 and then it swings positive.

MR. VOGT: That is correct, but again, Ms. Anderson, I would point out that this doesn't consider the conversion factor of homeowners to renters which, quite truthfully, in many of the markets that we have surveyed --

MS. ANDERSON: How can we measure that? How would we measure that?

MR. VOGT: The most accurate way to go in and do it is to actually survey senior tax credit projects and find out what the share of former homeowners were that reside there, and based on our experience nationwide, my projection would be that it would be somewhere in the vicinity of 25 to 40 percent previous homeowners. So if you consider that number, you might add another 8- or 900 units of demand.

But I think if you could encourage the compliance officers to at least ask the question of the share of former homeowners that reside in tax credit projects would be a long way in being able to judge what that factor really is.

MR. BOGANY: So based on all the things that you've shared with us, what would be your recommendations? Is Houston oversupplied?

MR. VOGT: Well, I certainly would have said that before the hurricane that we were oversupplied. I think that with the impact of the hurricane, we have really stabilized the market considerably. I think that in order to avoid any significant overbuilding into the future, that we just have to consider each project on its own merit and find out how it might imbalance the market that it's located in.

So I would say that this is a good starting point, it's not the total answer. I think making sure that we have good site-specific market studies that address the markets is going to be critical in evaluating what that eventual supply might look like.

MR. BOGANY: Thank you.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Well, I want to thank you for being here to make this presentation today, and I want to thank your firm for undertaking this study. This was quite a big move for us to try to retain someone independently to look at the market as a whole so that we could see sort of the forest and then the site-specific stuff or the individual trees. So this gives us some context for decision-making, and I believe that it is also being shared with some of the members of the legislature from the Houston market that have expressed both interest and concerns over time about overbuilding in particular areas.

MR. VOGT: And we will be prepared to respond to any questions that might come up in the future about it.

MS. ANDERSON: All right. Thanks so much.

MR. VOGT: Thank you.

MS. ANDERSON: I do have some public comment on this item. Mark Bower.

MR. BOWER: My name is Mark Bower. I'm with CynoSure Developers.

My concern directly with this market study and implementing this market study as a methodology to evaluate other people's market studies is the potential discriminatory impact that this thing would have on projects and the exasperation of over-concentrating projects in impacted areas or non-impacted areas. So I know part of what we've been asked to do as developers is try to develop in areas that have lower concentrations of low income population and lower concentrations of minorities.

And so specifically here we have one methodology that we've used in the past and has been accepted by the board, and for examples, I can give you like -- which most of you guys have heard of painstakingly -- Willow Creek and our Rolling Creek projects. These projects have not ever had market study problems. Our market studies have gone far enough to go through staff evaluation and agreed that these are great markets.

Our tax credit syndicators have their methodology which is similar to the one that you guys approve and you use that basically says that these are great markets, our lenders say that these are great markets. Then all of a sudden we have a new study that has a new methodology and what is introduced is the concept that turnover imbalances the little bitty sub-market that the goal is to keep that sub-market, one of these 32 sub-markets, balanced.

Turnover has always been one of the highest demand portions having to do with looking at a new project. Now taking that out of the equation, now it says that these are not good markets.

Anyone I know, like I said, that's done market studies on our other projects have thought these are great projects. Anyone that's driven the sites and see that we're next to schools and next to great proximities thought these were good projects. Now to use a study that basically has a discriminatory impact by saying well, now this says we can't do this here because we're trying to keep these 32 sub-markets balanced the way they are right now with their economic and demographic data the way it's set up doesn't seem like that's the impact of what the board was wanting to accomplish.

So really that's the bulk of what I want to say. It seems to me that this is not addressed in their study. Thank you.

MS. ANDERSON: Thank you.

MR. FLORES: Could I ask a question?

MS. ANDERSON: Sure.

MR. FLORES: You've told us what we did wrong. How can you fix it?

MR. BOWER: I would think that you ought to evaluate the methodology that's currently acceptable and compare it to the methodology that you're now using to evaluate something new by and see what does it change.

The methodology that's currently acceptable works. I have a hard time understanding when you have less than a 1 percent vacancy factor in these type of units that that means we have an overbuilding problem or that's now stabilized and we ought to now look and see how it's going to impact.

We shouldn't be taken into account, I wouldn't think, these 32 sub-markets. The goal, as I've understood it, is never to keep ever little sub-market balanced and keep their demographics the same.

MS. ANDERSON: They're not little sub-markets, they're quite large sub-markets.

MR. FLORES: Madame Chairman, the statement he made is that we obviously have thrown out our methodology and replaced it with this one.

MS. ANDERSON: We haven't.

MR. FLORES: I didn't think we had, so I just wanted to correct the record.

MS. ANDERSON: We have very a specific body of rules around market studies and what is expected from the market analysts. What we were looking for is an overall look at the market because on a site-specific market study we allow a great deal of latitude in how the market analyst draws the radius to define the market area, and in other areas we provide a great amount of latitude. And so obviously doesn't usually see deals where the market study doesn't prove demand.

And so what we were attempting to do, after lots of neighborhood input and legislative input and so forth, was to commission a study that looked at the market as a whole to try to give us another point of view. Not that it's directive or prescriptive or throws out our current rules, but it provides a point of view, so that when this study and a site-specific study, if they would ever be diametrically opposed, it would lead us to ask some additional questions.

MR. FLORES: So Mr. Bower, it sounds to me like you've made some mis-statements here.

MR. BOWER: I'm sorry. I made some what?

MR. FLORES: You made some mis-statements. You've assumed that we're throwing out the old methodology.

MR. BOWER: I did not assume that. I assumed that I'm having to now compare to a methodology that's not necessarily acceptable. I understand you guys have put in the discretion that says now you have to explain yourself according to a methodology that's not normally used. We took this new methodology and we're using that to evaluate the whole market, we still accept your current methodology, now you've got to explain yourselves against something that's not a standard.

MR. FLORES: It seems to me that we just got additional information to help us make our decisions.

MR. BOWER: Sure. I have no problem with that.

MR. FLORES: But I just didn't like the idea of the mis-statement saying that we were now taking out one methodology for another one, when we just received a report that just came across the table that I have never seen before and I assume that you all have not either.

MR. BOGANY: And I would say based on his sub-market demand, those projects that you have talked about says there's a need for those particular projects in those areas. So I just look at this as a base of unbiased information for us to be able to make an intelligent decision as a board. And if I looked at his study and looked at where your projects are, it says the demand is in those areas.

MR. BOWER: Exactly. Those are sub-markets 14 and 15 and they show negative demand for the 40 to 60 percentile.

MR. BOGANY: I don't see it that way.

MR. BOWER: If you're looking at the summary report, it's combining all the demand.

MR. BOGANY: I'm looking at the total net demand by sub-market, and I'm looking at that area which is far northwest and Tomball area, and I see a total net demand of 256.

MR. BOWER: But is that broken out by income?

MR. BOGANY: No.

MR. BOWER: So if you were to look at his report where it's detailed and broken out by income, in the 40 to 60 percentile market, it would show negative demand, and then it's at the lower than 40 percent that it shows positive demand and it nets to that positive number.

MR. BOGANY: Okay.

MS. ANDERSON: Thank you.

Mr. Bob Coe.

MR. COE: Good morning. My name is Bob Coe. I am a market analyst with O'Connor and Associates. I have a few comments about the market study that Vogt Williams did.

There are some major, major differences between the way that study was done and the way the TDHCA has requested that market analysts do. Like Mr. Bower said, it doesn't take turnover into account at all which is a huge, huge source of demand. It doesn't take any vouchers into consideration which is also a huge source of demand.

HISTADATA, from the way I understand it, is percentages of percentages of averages, and I don't know of any of the major analysts in Texas that use HISTADATA because its reliability is somewhat in question.

They say that 2.5 percent of the pre '70s product needs to be replaced annually. Well, that would replace that over a 40-year period and just make the problem of functional obsolete supply worse because the first ten years you'll get rid of 25 percent of it and you'll still have 75 percent of it when you get the 70 to 80. So the situation is just going to continue getting worse and worse.

The last thing is that they have allocated most of the obsolete units to the lower income brackets without any explanation of that, and that's what resulted in the 30s and 40s showing demand and the 50s and 60s not showing demand.

Thank you.

MS. ANDERSON: Thank you, sir. Questions? I want to make sure everybody understands the department's intent in doing this was to get another point of view, and we think it's going to be very valuable to have that. And so I'm very grateful to Tom and his staff for working with the firm to produce that.

Mr. Henneberger.

MR. HENNEBERGER: My name is John Henneberger. I'm the co-director of the Texas Low Income Housing Information Service. We're a non-profit organization that works on the behalf of low income families and their need for affordable housing in Texas.

I'd first like to thank the board and the staff for commissioning this study. I think this is an extremely useful, independent view of the need for housing tax credits in the Houston metropolitan area. I'm sure that we will be talking about this for many, many, many months, both at the micro level among those who may quarrel with the study's methodology, but I hope that we begin by considering the macro level -- the forest, if you will -- view of this study.

The study indicates what I think a lot of us have known for a long time is that the great bulk of the demand for affordable housing in the Houston metropolitan area, and indeed in all metropolitan areas in the state, is the zero to 40 market. We've, unfortunately, been given not the right tools to be able to reach that market. Admittedly, the Tax Credit Program is primarily geared at the 50 to 60 percent of median family income market.

With the Hurricane Katrina and Hurricane Rita catastrophes, what we have to do is we have to begin to think about what we can do with the tools that we've been given. And one of the things that we've been discussing and thinking about is a request of the federal government to allow the department, through a waiver or through a rule change, to allocate tax credits based on what the department determines to be the market need by income category rather than simply assign a standard 9 percent. In essence, in the GO Zone you were given an ability to assign 130 percent tax credits.

I would suggest that one of the tools that may be useful in trying to meet this 40 percent of median family income market would be a limited federal rules waiver which would allow the department to underwrite tax credit developments to produce 40 percent of median family income units by adding additional tax credits. We're working on trying to produce some written materials which we will get to you soon on this.

I also have some concerns that the previous speakers raised, I share some of the concerns that the previous speakers have raised about using the limited market impacts as a method of analysis. I think there's some Fair Housing concerns that we need to be aware of in that. But again, this is a very important study and I hope that you will commission similar studies in the San Antonio and Dallas markets soon.

Thank you very much.

MS. ANDERSON: Thank you very much.

We don't have an action item on this. Are there any other questions for staff?

(No response.)

MS. ANDERSON: Thank you. Then we'll proceed with item number 3, which is Presentation, Discussion and Possible Approval of Housing Tax Credit Items. Mr. Dally.

MR. DALLY: Yes, Madame Chair.

The first item here are amendments involving material changes to housing tax credit applications, the first one being the Bayou Bend, Housing Tax Credit Development Number 032454, and they're asking to change their bedroom mix. The one-bedroom was under-reported and two-bedroom over-reported initially, so instead of 13 one-bedroom units and 43 twos, it would be a correction to 14 one-bedroom and 42 two-bedroom units.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The second one is the Villas of Hubbard, Housing Tax Credit Development Number 05243. This change is a change in their site plans. They needed to do some different setbacks and move some buildings around in order to allow for parking on that particular site, and staff is recommending that change.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: On item (b), these are housing tax credit extensions for commencement of substantial construction. They're actually two related properties: Alvin Manor which is Housing Tax Credit Development

Number 04203, and Alvin Manor Estates. This is located in Alvin in Brazoria, it's for general population. They're asking to change from the current deadline for commencement of substantial construction from February 1, 2006 to June 30, 2006.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The next request is from the Commons of Grace Apartments, Housing Tax Credit Development Number 04224. This one is in the Houston area, and you might recall this one had some HOME funds attached with it. There was a suspension of HOME funds in the city of Houston. They anticipate that that commitment will be reinstated at the March 22 city council meeting. It is new construction, elderly. We would be extending a deadline from May 31, 2006 to May 31, 2006, and staff is recommending that change.

MS. ANDERSON: March 31 to May.

MR. DALLY: March 31, 2006 to May 31.

MS. ANDERSON: I have some public comment on this, and I want to do that now before we have more discussion and a motion.

Mr. Charles Taylor.

MR. TAYLOR: Thank you. We would only do the public comment if it was needed; if it wasn't needed, then we weren't going to comment on it. I'm Charles Taylor.

MS. ANDERSON: Okay. Thank you, sir.

Deepak?

MR. SALAKLE: Only if needed.

MS. ANDERSON: Mike Martin? Okay, we'll just hold those for a minute.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

MS. ANDERSON: I have a question, and maybe you know the answer, Mr. Dally. The board write-up says that they were supposed to get approval of these HOME funds at council on March 1, so what is the cause of the delay? I'm a little reluctant to grant an extension without having any idea if the HOME funds are forthcoming or not.

MR. DALLY: I don't know the answer to that.

MS. ANDERSON: Would one of the witnesses like to answer that question for us?

MR. SALAKLE: I'm Deepak Salakle with Southwest Housing.

The delay was because it just took us time to negotiate the HOME loan documents, and so we are on the city council agenda for the 22nd of March.

MAYOR SALINAS: Can we do it subject to their approval?

MS. ANDERSON: But you were on the agenda for March 1.

MR. SALAKLE: For March 8.

MS. ANDERSON: But the letter from Coats Rhodes says March 1.

MR. SALAKLE: We could not get on to the March 1 agenda; we were on the agenda for March 8 but there have been some delays in negotiating the HOME loan documents, and they didn't have a city council meeting on the 15th of March, so we had to move it to the 22nd, and we are on the city council agenda as we speak.

MS. ANDERSON: And you can finish this project in the time that you have left to do this before the credits?

MR. SALAKLE: Yes, we can. And if there are technical questions on the construction side, I have a construction schedule with me, and the head of our construction company.

MS. ANDERSON: I just want you to tell me you can get it finished.

MR. SALAKLE: Yes, we can get it finished.

MAYOR SALINAS: Can we do it subject to the approval of the city council?

MS. ANDERSON: Yes, we can.

MAYOR SALINAS: Are you okay with that?

MR. BOGANY: Yes, I'm fine with that. I accept that amendment.

MAYOR SALINAS: The amendment would be to approve subject to the city council approval.

MS. ANDERSON: Approval of the HOME funds. So shall we vote on the amendment first? So for the amendment. All in favor of the amendment, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The amendment carries. And now the vote on the main motion, which is to grant the extension. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: Item 3(c) is a technical amendment to the QAP. We inadvertently put April 1, 2005, to accept local support for this particular credit round, and we need to change that to April 1, 2006 for the acceptance of local official letters.

MR. GONZALEZ: I move we approve that.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The next item has to do with review of five 4 percent tax credit determination notices where we have other issuers of the tax-exempt bonds. The first item is the Lindberg Parc Senior Apartments located in Fort Worth. The issuer would be the Tarrant County Housing Finance Corporation; total units 196; total development $18,790,155; the applicant is proposed tax-exempt bond amount of $14 million; the requested credit allocation is $740,255, and we are recommending that amount.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

MS. ANDERSON: Do we need a resolution number?

MR. DALLY: We're not the issuer so we don't need a resolution number.

MS. ANDERSON: That's usually Mr. Conine's job. All in favor of the motion, please, say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The second is the TownParc at Bastrop. Let me go ahead and read in the development number here: 05450. It's located in Bastrop; Bastrop Housing Finance Corporation would be the issuer; it's a total of 244 units; total development $24,708,208; there would be a tax-exempt bond amount of $15 million; their request and our recommendation is for $760,050 of tax credits.

MR. GONZALEZ: Move for approval.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The third one is 05454, Lodge at Silverdale Apartment Homes. The location is in Conroe; Montgomery County Housing Finance Corporation would be the issuer; it's a total of 160 units; the tax-exempt bond amount would be $7,945,000; they've requested and we are recommending $606,538 in 4 percent tax credits.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The fourth item here is 060402, the Hillcrest Manor Senior Community in Lubbock. Lubbock Housing Finance Corporation will be the issuer; 220 total units; the tax-exempt bond would be $10,500,000; the requested and recommended amount of tax credits is $629,797.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: The fifth and final one would be the Sea Breeze Apartments, 060405, located in Corpus Christi. Sea Breeze, a public facilities corporation, would be the issuer; the proposed bond amount is $7,855,000; their requested and our recommended amount of tax credits is $612,571.

MR. GONZALEZ: So moved.

MR. BOGANY: Second.

MS. ANDERSON: Bear with me just a second. I think that there's somebody here from Corpus Christi that would like to speak. I know I saw it in here.

MALE SPEAKER: After you've made your decision, I'd like to thank you.

(General laughter.)

MS. ANDERSON: I have a couple of questions for staff about this, Mr. Dally; I don't know who you'd like to have field those. I find things interesting in here like does Skyline Drive exist, and does that make any difference to us. The staff seems to impose -- and remember, board members, this is the one where we're taking it, at the applicant's request, on an accelerated basis. So normally this thing would not have come to us as quickly, and there are a number of conditions here. And so I just wanted to ask staff if they are comfortable that this deal is ready to proceed.

MR. DALLY: I would ask Tom Gouris to come forward.

MS. ANDERSON: Those of you who were here last month when Corpus Christi asked to be put in the queue, I asked that this thing come in I think my word was in a pristine fashion since the staff was going to extra efforts. So I just want to know what you think.

MR. GOURIS: Tom Gouris, director of Real Estate Analysis.

These are issue that they are still going to address, a couple of conditions that are in here. There were similar issues when we looked at this the first time, and we kind of had expected these to be remaining outstanding. It's not atypical.

One hundred percent pristine, I can't say that it was, but sufficiently pristine so that we can move forward with affirmative recommendation, definitely.

MS. ANDERSON: Thank you. Anybody else have any questions? Discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Mr. Franco.

MR. FRANCO: Thank you very much. I"m just here to thank you on behalf of the City of Corpus Christi Housing Authority and Sea Breeze Seniors. You're very gracious and your staff did a terrific job in getting it up to sufficiently appropriate, and we thank you for that. And by the way, Richard Franco.

MS. ANDERSON: Thank you, sir.

At this point we are going to take about a 30-minute break, the board needs to have an executive session. And some of you all want to have a bite to eat before the Capitol Grill shuts down its range of options, so I'm guessing, Mr. Hamby, we'd be ready to reconvene in about half an hour, we hope?

MR. HAMBY: Yes.

MS. ANDERSON: So then I have to read this little speech. On this day, March 20, 2006, the regular session meeting of the governing board of the Texas Department of Housing and Community Affairs was held in Austin, Texas. The board adjourned to a closed executive session as evidenced by the following: the board will begin its executive session today, March 20, 2006, at one o'clock p.m.

The subject matter of this executive session deliberation is as follows:

The board may go into executive session (close its meeting to the public) 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 Texas Government Code, Section 551.074 for the purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment, duties or dismissal of a public officer or employee, or to hear a complaint or charge against an officer or employee of TDHCA.

Consultation with attorney pursuant to 551.071 of the Texas Government Code: With respect to pending litigation styled Hyperion, et al v. TDHCA, filed in State Court; with respect to pending litigation styled TP Seniors II, Ltd. v. TDHCA , filed in State Court; with respect to pending litigation styled Gary Traylor, et al v. TDHCA, filed in Travis County District Court; with respect to pending litigation styled Dever v. TDHCA, filed in Federal Court; with respect to pending litigation styled Ballard v. TDHCA and the State of Texas, filed in Federal Court; with respect to the administrative hearing styled as Public Utility Commission v. The Low Income Energy Efficient Program, SOAH Docket Number 473-06-0862; with respect to any other pending litigation filed since the last board meeting.

So we stand in recess.

(Whereupon, at 1:00 p.m., the meeting was recessed, to reconvene this same day, Monday, March 20, 2006, following conclusion of the executive session.)

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

(Time Noted: 2:00 p.m.)

MS. ANDERSON: We will come back to order. The board has completed its executive session of the Texas Department of Housing and Community Affairs on March 20, 2006 at two o'clock 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 Section 551.103 of the Texas Government Code, that the agenda was posted with the Secretary of State's office seven days prior to the meeting, pursuant to 551.044 of the Texas Government Code, that all members of the board were present with the exception of Kent Conine, and that this is a true and correct record of the proceedings, pursuant to Texas Open Meetings Act, Chapter 551, Texas Government Code.

The next agenda item we're going to take is the addendum to the agenda that was posted on the 16th of March, as provided by our statute. This is Presentation, Discussion, and Possible Approval of Appeals Timely Filed Pursuant to 2306.6715(d)(t) for 4 Percent Housing Tax Credit Applications. Mr. Dally.

MR. DALLY: The first item would be an appeal for the Creekside Manor Senior Community which is located in Killeen, Texas. It is a 4 percent tax credit deal where we are the issuer on the bonds.

Do you want to take the appeal first or have our staff recommendation?

MS. ANDERSON: I think I would like to have a staff discussion and then we will hear the several people who are here to make comment on the appeal.

MR. DALLY: Okay. Then we received new information after the posting of the board book on this particular item. The income levels came out and rents were recalculated after the posting of this particular item, and at that time this was a do not recommend. We've since looked at that, and at this time I would recognize Mr. Gouris to give us some discussion on what's changed since this do not recommend.

MAYOR SALINAS: What item is that?

MR. DALLY: This is item 4(a)

MAYOR SALINAS: 4(a)?

MR. DALLY: Creekside Manor Senior Community.

MS. ANDERSON: At the time of the board book, Mayor, both of these were not recommended by staff and the applicant has appealed and worked with staff, and I think we're preparing to hear from Mr. Gouris on the first of the two on Creekside Manor.

MR. GOURIS: Tom Gouris, director of Real Estate Analysis for the department.

We had been working with the applicant in trying to get to some accommodation for the differences we have with this property. The key thing that has changed, however, was that on Monday, the day we posted our report to the website, our statewide rents came out, maximum rent levels came out, and in this particular market, as a result of an increase in the income levels posted by HUD a couple of days earlier, the rent for the tax rate units in this property look to be able to go up about $16 per unit. That's a rent that is achievable based on what the market study suggests to us. That provides another $28,600 in annual income; that increases the ability for the property to service some debt; it reduces their need to defer developer fees.

So knowing that information, we can get comfortable with the transaction as meeting -- the deferred developer fee meeting the repayability 15-year period. I can give you some more numbers if that would help you, kind of walk through it with you.

MS. ANDERSON: And that your issue that one of the measures by which you determined it's financially unfeasible was that under the prior rent levels the developer fee could not be repaid?

MR. GOURIS: Yes, ma'am. The net operating income that we projected based on our operating expenses, based on income and what-have-you provided insufficient cash flow over the first 15 years to repay what we projected the deferred developer and contractor fee to be. The increase of $28,600 in income annually allows another $669,000 in debt to be achieved based on our analysis. That would increase our estimate of the debt at permanent to be $9,400,000; that's up from the $8,699,000.

So that increase in debt then also reduces by the same amount the amount of developer fee or contractor fee that has to be deferred, so we end up with contractor fee to be deferred of $2,201,809, and the 15-year cash flow now is a little bit higher, it's $2,425,603, so it's greater than the amount of deferral. They will still have to defer some contractor fee, but in this case they're a related party, and so that shouldn't be an issue.

MS. ANDERSON: Any questions for Mr. Gouris?

MR. DALLY: I've got one. So Tom, are you then in agreement with the requested credit allocation and bond amounts as they were requested? They had requested $390,353 in credits.

MR. GOURIS: Yes, that's what they requested. Now, we couldn't get to that credit amount, and in the back of our report you'll see an Excel spreadsheet that we have there. The box is circled around a credit amount of $378,287 and that's the amount that we would recommend.

MR. DALLY: $378,287?

MR. GOURIS: $378,287. On the debt side, the typical transaction, we expect the lender to finalize the amount of the bonds and that amount is $10,300,000. We then evaluate that to see if there might be some portion that's going to be set aside in a kind of a redemption situation in case they don't meet the expectations of the lender. In our situation that amount would reduce the bond amount to $9,040,000, but we're recommended the $10 million three, as is our custom, to allow them to have that.

MS. ANDERSON: There were comments in the transcript of the public hearing about building a road, and I think it was a conversation between Mr. Turek and Mr. Whitis. And I think, Mr. Turek, will you address that in your comments to us in just a minute?

MR. TUREK: I sure will.

MS. ANDERSON: Any other questions for Tom?

(No response.)

MS. ANDERSON: Thank you. Mr. Turek.

MR. TUREK: First of all, I'm David Turek. Let me address Ms. Anderson's request first. The road has been built. That comment was made in a TEFRA hearing, the initial TEFRA hearing over a year ago, but that road is now built, and he was not present at our last TEFRA hearing. So the road has been built. And as it turns out, we had a reissue on this and had to do a second TEFRA hearing, but the road is now built.

MS. ANDERSON: I see what you mean. Okay.

MR. TUREK: First of all, thank you for hearing our appeal today. I think the main thing that I want to address today is some of the differences that staff and I have relates to certain cost-saving measures that we are bringing into account that at this moment in time I don't have the proof that it works, but I'll give you some ideas.

Actually, I've got some books here that I'd like to hand out, if I may approach.

First of all, being a senior property, we're finding that we have a lot less wear and tear on our properties than we would in a family situation, and a couple of things that we're doing to help along with this is we're putting laminate wood flooring in which is taking away the need to replace carpets and do carpet cleaning which is a significant expense. We're putting granite counter tops throughout which is solving the problems of having counter top repairs.

As far as savings on things we're doing here, we're putting in now dual-flush toilets which is kind of the latest and greatest on water-saving features where you actually have -- I hate for this to be on public record, but you have a number one button and a number two button, and the number one button is a .8 flush and the number two is a 1.6 flush. Our reports are showing that has a significant savings in water and there are some reports in these things that I've given you.

Additionally, we're drilling water wells for our irrigation, and I have not had a chance to tear it apart but I just got some information in today from Killeen indicating that on similar properties approximately 20 percent of the water usage on the properties is for irrigation. So we're doing things of that nature.

We own tree farms and so we're saving a tremendous amount of money on our landscape maintenance and doing things of that nature. So we're doing a lot of work here to alleviate some costs, and we feel very confident that our costs, though they're not in line with the database, I'm hopeful this time next year that we'll be sitting here and having hard proof on these properties. We have one property that is now 98 percent leased that has many of these items in it, and we'll have that full year of operation.

But we feel very strongly that it's going to be a successful property and will make the $10 million three. Our lender is ready to close, our syndicator is ready to go, and they've underwritten these things also after doing some work with us. So that being said, thank you for your help.

Any questions?

MS. ANDERSON: Thank you, sir.

MR. BOGANY: I have a question for Mr. Gouris.

MS. ANDERSON: Tom.

MR. BOGANY: Tom, these are cost-saving ideas that they are recommending that they will put in. Does that have any effect on whether or not the cost of operation is going to be less in these properties?

MR. GOURIS: We certainly hope so, but as Mr. Turek said, we have been struggling with the inability for them to prove that up as far as historical operating expenses show.

MS. ANDERSON: That's not why your recommendation has changed?

MR. GOURIS: Yes, ma'am, that's not why our recommendation has changed.

MR. BOGANY: Okay. Thank you.

MS. ANDERSON: I also have witness affirmation forms from Tom Langdon, Collin Whittier, and Richard Shaw.

MR. SHAW: I'll pass for now, unless you have any questions.

MS. ANDERSON: And you are, sir?

MR. SHAW: I'm Richard Shaw.

MS. ANDERSON: Thank you.

MR. LANGDON: Tom Langdon, same.

MR. WHITTIER: Collin Whittier, same.

MS. ANDERSON: Thank you.

Any other discussion? Hearing none, I assume we're ready to vote. All in favor of the motion -- do I have a motion?

MR. BOGANY: So move on staff recommendation.

MR. GONZALEZ: Second.

MS. ANDERSON: And do we have a resolution number on this one?

MR. DALLY: Yes, we do. It is resolution number 06-0112.

MR. HAMBY: Actually, this is the appeal of the staff's do not recommend, so you're not voting on the main motion yet. You would be voting on the main motion the next time which would have the resolution. This deals with the staff's recommendation, the do not recommend, and with the new information, they have changed that recommendation for purposes of the appeal, so you would be agreeing with the staff's new information as opposed to the information that was included in agenda item 4(a).

MS. ANDERSON: So the motion is to approve the applicant's appeal.

MR. HAMBY: Correct.

MR. GONZALEZ: That's what we thought, yes.

MS. ANDERSON: Is everybody okay with that? Okay. All in favor of the motion, please say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

Now, do we do the other appeal?

MR. HAMBY: You can do them in either order.

MS. ANDERSON: I'll now entertain a motion to approve the development.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

So now we're on the appeal for the second development, Generations at Mansfield.

MR. DALLY: The Generations at Mansfield is located in the town of Mansfield in Tarrant County. Up in that second paragraph you'll note that there are a considerable number of letters of opposition, including from State representatives Toby Goodman, Bill Zedler, State Senator Kim Brimer, Mayor Mel Newman, and School Superintendent Vernon Newsom.

Staff is recommending to not approve the issuance of multifamily housing mortgage revenue bonds 2006 and housing tax credits because of the repayment of the deferred developer fee in less than 15 years and the inclusive capture rate exceed the department's 25 percent requirement.

MAYOR SALINAS: But they're appealing?

MR. DALLY: Yes.

MS. ANDERSON: Right. Mr. Gouris, would you like to elaborate a little bit on your thinking on this?

MR. GOURIS: Sure. On the 15-year issue, the cash flow issue, they also had some new information. They had indicated to us that the rents had changed prior to finishing this write-up, and we did take that into account in our write-up, still couldn't get there. But they have also included a loan commitment from Tarrant County Development Corporation which is a subsidiary of Tarrant County, and they have committed to a $750,000 cash flow loan that is to be paid after the deferred developer fee, and so with that, they would resolve the primary issue with the 15-year cash flow issue.

What would be left on that piece of it would be the amount that is over and above on the contractor fee that has to be deferred because, to my knowledge, it's not a related party contractor. That would still have to get resolved. The applicant has indicated to us that they should be able to get us a letter on that issue to resolve that.

However, we still have the issue of the inclusive capture rate issue, and we haven't been able to make any additional progress there. We understand their position but we're kind of stuck with our calculation and how we are looking at it, and I think they have some information they want to discuss with you about it.

MR. BOGANY: So at this point in time, Tom, you would still not recommend this project?

MR. GOURIS: That's correct.

MR. BOGANY: And it's based solely on the capture rate?

MR. GOURIS: That's correct.

MS. ANDERSON: And the contractor fee?

MR. GOURIS: Contractor fee deferral which I think we can get resolved, but that's still technically lingering.

MAYOR SALINAS: Have you gotten any call from those state representatives? You have about six or seven opposing it. Who are they?

MR. GOURIS: My position is to work on the real estate transaction and the effects of the collateral and the financing. I think Robbye Meyer would be better able to speak to that issue.

MAYOR SALINAS: But you can only use two of them.

MS. ANDERSON: That's in the 9 percent round. They don't score the letters.

MAYOR SALINAS: Why are they so much opposed to this project? Can somebody answer that? I mean, when you get six or seven people.

MS. MEYER: Robbye Meyer, manager of Multifamily.

I actually did this hearing and a lot of the community was there. Most of the people that actually sent in letters weren't at the public hearing, however, there were quite a few citizens that live right there.

This particular development backs up to the National Mansfield Golf Course and there are some rather expensive homes in that particular area, and that's pretty much it.

MAYOR SALINAS: That's why they got the state reps?

MS. MEYER: The representatives and elected officials haven't specified exactly what their oppositions are.

MAYOR SALINAS: They just didn't give you a reason.

MS. MEYER: They're supporting their constituency.

MS. ANDERSON: Well, and the capture rate doesn't prove up. I mean, how often do we see a deal where our underwriter doesn't end up getting comfortable with the market study that was submitted? We don't see very many deals come in that get this far to us that have a capture rate exceeding 25 percent because they don't get to us.

So there are comments in this transcript on page 60 where some witness named Ms. Spiegel is talking about there being four deals in the last four years. I don't know if that's accurate or not. Usually Robbye does a nice job in these hearings because they're not easy situations.

Was the developer at this hearing?

MS. MEYER: Yes, ma'am.

MS. ANDERSON: Did the developer meet with the neighborhood before the hearing?

MS. MEYER: No, he did not.

MS. ANDERSON: We do have public comment on this topic from the developer.

MR. BOGANY: Can I ask another question of Tom? The reason you're not recommending this project is because it does not meet the capture rate that we need to have to do this.

MR. GOURIS: That's correct.

MR. BOGANY: So everything else but it does not meet the things that we use as a barometer to okay a deal.

MR. GOURIS: Based on the way that we typically calculate it and looking how we validate that calculation, we weren't able to get to a capture rate that was acceptable.

MR. BOGANY: What was the capture rate for this complex and what is deemed acceptable?

MR. GOURIS: And this is an inter-generational development so there's two pieces to it: there's an elderly piece which is allowed to go to 100 percent capture rate, and then there's a family piece and this is an urban area so that's allowed to go to 25 percent.

We have gone back and forth several times with the market analysts and kind of worked on this, and the final capture rate that they had come to is 24.5 percent.

MR. BOGANY: What is your thoughts about that?

MR. GOURIS: We thought it still underestimated the capture rate, we thought it overstated demand. And I can explain why that is, if you'd like. I mean, there are some mitigating factors to this in that it's a growth area, and a lot of demand for developments in our methodology, in the traditional methodology that's used is dependent on turnover, and if it's in a growth area that has few rental units -- which this is the case -- it's much more difficult to show a demand from turnover because there aren't many units to turnover. And that's one of the main problems with this transaction from how did they get there.

You know, there's a lot of evidence, a lot of anecdotal evidence of the growth that's occurring in the area and that can be very persuasive, but our formulaic approach to determining appropriate capture rate doesn't allow us to take that into consideration unless they can put it down in an equation that you can see how they're going to get to that demand number.

MR. BOGANY: Thank you.

MS. ANDERSON: I have one more question. This is a Priority 3 transaction. Is that right? I mean, that's what the write-up says.

MR. GOURIS: Yes.

MS. ANDERSON: And in years past we didn't see a lot of these because we never got that far down the list, but is my recollection correct that tax credits are not required with Priority 3 transactions, that the bonds can still be issued, don't have to have 4 percent credits associated with them?

MR. GOURIS: That's true. The financial feasibility of the transaction would be separate.

MS. ANDERSON: But these things are not mandates, they're tools.

MR. GOURIS: Correct.

MS. ANDERSON: Mr. Spicer.

MR. SPICER: Thank you very much. I appreciate the board allowing me to take this opportunity to speak with you, and I want to speak with you specifically on the capture rate because that's the real issue that we're talking about here.

As Tom pointed out, our market analyst did come up with a capture rate that they felt made sense and did meet all TDHCA's criteria that was just under TDHCA's threshold of 25 percent.

What I also want to speak to, and one of the reasons we're appealing, is that the idea behind the capture rate is really to prevent the TDHCA from doing deals and approving deals that are not market supported, that there's no demand for, and are going to cannibalize other deals out there. What we're looking at here -- and they had talked about other deals in the area, four deals in the area -- we don't have an unstabilized deal in over six miles of this transaction. That's a pretty substantial area away from this.

In addition, we have a very rapidly growing city. The city is growing at a pace of almost 10 percent a year, and because of that growth, we're really seeing factors that are not conducive to the capture rate analysis. What we have is this a community that is a bedroom community, has been for years. Suddenly they've reached a critical mass that's saying most of the people here have come that live there. We have an 85 percent homeowner rate in the city; there's very few multifamily units available in the city. Most of those people do not work in Mansfield, they are leaving the city.

Now that we've reached a critical mass in the city of population, this city is exploding from an economic perspective. They are really growing and growing rapidly. On the demand side, there's only 228 tax credit units in the market now. What we've seen is that those are at a 96 percent occupancy rate, a pretty good indication of demand in the area.

In addition, we are seeing new construction of a brand new hospital within two-thirds of a mile of this site. In addition to this hospital which is supposed to open its doors in December of '06 -- substantial construction has already commenced on that -- there's another 72,000 square feet of medical office right across the street from that that is about to break ground.

In addition to that 72,000 square feet, there's like 200,000 square feet of medical office that is in the works. In addition to that, less than a mile and a half from our site there's construction of a newly approved 1,200,000 square foot mall. That's going to add somewhere between 2- to 3,000 jobs to the area. The hospital is expected to add another 500 jobs to the area. While not all these jobs will hit our tenant base, the majority of them actually will be who we are targeting at this site.

We're only talking about 152 units when you take the senior component out. This is a substantial new development in the area. We think the demand is there. We are looking for you to approve this development based on the demand in the market.

Unfortunately, the anomalies of the capture rate methodology are not there to prove it up, but as our lenders have gone through and done substantial work on this, they believe -- and they're the ultimate test for us -- they believe the demand is there, we believe the demand is there, and we think because of some of the anomalies Tom is not official able to get comfortable with it -- I think would like to approve it but we have some anomalies.

For example, in the data, one data source says that the city has grown 22 percent, another data source says it's grown up to about 90 percent in the last five years. We show school district data that says school district population has increased by over 90 percent. We think that alone is a pretty good indication that this area is ready for development, this area needs this type of housing, and without this type of development, Mansfield will not see again a housing tax credit development and this population will continue to be under-served in the area.

MS. ANDERSON: I'm sorry. Would you repeat that?

MR. SPICER: I believe that if this development doesn't go forward you will probably not see another tax credit development.

MS. ANDERSON: On what basis do you draw that conclusion?

MR. SPICER: Limited supply of multifamily zoned land, the unwillingness of the city to re-zone land.

MAYOR SALINAS: Is this zoned by the city?

MR. SPICER: It's currently zoned multifamily, it meets with their master land use plan.

MAYOR SALINAS: And they're in favor of your project?

MR. SPICER: The city is not in favor of the project because it's in a upscale neighborhood.

MAYOR SALINAS: But that has nothing to do with the zoning.

MR. SPICER: The land is zoned, and we've specifically selected a site that we've tried to put as far away from any single family housing as possible. It's surrounded on three sides by multifamily zoned land and on the frontage by retail and on the far side by golf and recreational uses.

MR. BOGANY: Is this the project where you've got the seniors living in the same complex?

MR. SPICER: That is correct.

MR. BOGANY: And so it was sort of an experimental type deal?

MR. SPICER: That is correct. We've got 100 units of seniors in this development and 152. And the market capture rate that we're discussing is really the senior meets the criteria, the 100 units meets the criteria, the family is the only portion of this in which we have a capture rate issue.

MS. ANDERSON: That stands to reason because the capture rate on seniors is 100 percent.

MR. SPICER: That's right.

MS. ANDERSON: Talk to me about your interaction with the neighborhood. Did you meet with the neighborhoods? I know this area very well because I have driven this road, so I know there's a lot of raw land kind of down where you are.

MR. SPICER: There is, and there's over 200 acres there zoned multifamily. The pricing of that has gone skyrocketing, especially with the announcement of this development. In addition to this, we're trying to develop another 240 units of market rate right next door which is a substantial amount of market rate. We see the demand there, as the lenders do see the demand there being substantial.

MR. BOGANY: Do you have any opposition with the market rate?

MR. SPICER: No, we don't. The city has specifically said, We don't mind multifamily there, we just don't want low income multifamily there.

MAYOR SALINAS: Can they do that, can they say that when they zone it themselves?

MS. ANDERSON: There are some things going on in this neighborhood that I'm going to talk about in a minute, but I want to hear it because I have spent time down on this road recently. I'd like to hear from Jerry

Wright.

MR. SPICER: Jeff Spicer, State Street Housing Development.

MR. WRIGHT: Thank you, Ms. Anderson. I'm Jerry Wright with GMAC. We're the construction and permit lender on the transaction.

I won't try to go too deep into the numbers. I think Tom has actually done a very good job of explaining what the view of the market is right now. We visited the property several times; we visited the property surrounding this area. We love this property. We think that the situation that it is in which is actually an upper income area with very good location, very good accessibility, extremely good future as far as growth, and the school district growth and the city growth and employment that is going to be coming in, this is going to be a tremendous property.

It may not, if we had the transaction up and leased right now, again fit all of the capture rate issues that the department looks at, however, it fits every single box that a lender and that an investor looks at which is feasibility from our perspective.

We don't believe that the capture rate issue is wrong. We think that with the department, they actually look at more transactions than any lender in affordable housing or any investor in affordable housing looks at, and they have, I'd say, a fifth of the staff that each of us have, so we need to have a box that is a round peg into a round hole. Unfortunately, there's a one-to-five chance that a transaction that's out there doesn't fit that box, and this is such a transaction.

Were we to actually look at developing a deal say in River Oaks, maybe in Highland Park or even in a high growth area like Frisco, then you would see the same thing. It would show that there are very, very few low income residents, therefore, the capture rate is very low. What we look at isn't who the residents are right now in the area, we look at if this property were available, given the amenities that we have, given the rent structure that we have, would the residents be willing to move into that area. Our answer is unequivocally yes.

And other than trying to go through all the demographics that we have, I'll try to leave it with that, that we have faith in our development team, and that's the first thing we look at is the development team. The second thing we look at is the neighborhood and the market, and we have tremendous faith in that.

And the third thing is the structure of the transaction, and this transaction is structured in such a way -- it is a little bit of, I guess to say, an anomaly in the structure with the seniors and with the family units, but that also gives us some comfort as well. We don't have 250 units of seniors, we don't have 250 units of family, we have two different sectors of the market that we're having to fill up and that's all, and we're having to fill it up in a very, very high growth area.

And with that, I'll take any questions you have for us.

MS. ANDERSON: Questions?

(No response.)

MR. WRIGHT: Thank you, ma'am.

MS. ANDERSON: Thank you.

I feel like I need to share what I know about this. Several months ago -- I don't know whether you all remember or not -- we approved a deal over substantial community opposition and it's sitting on this map right above this circle. Prairie Ranch in Grand Prairie, it was a Hal Thorn, the city council opposed it. We have put a lot of stuff in Grand Prairie in the last couple of years and the record would reflect that Mr. Conine has spoken on the record about how much stuff we've put up in Grand Prairie which is right here.

And this is 360 and it's a freeway and then it becomes like a four-lane -- it's not six, I don't think -- four-lane with a big grassy undeveloped median in the middle. And I think the Prairie Ranch deal, they were already in the process of doing this, but that was really the straw that broke the camel's back. They have now passed some very restrictive development guidelines for that city because they have so much affordable multifamily.

And so now we're in a situation, as we are from time to time, where where you draw the line in the market study is what makes all the difference. They conveniently leave out zip code 76018 which lets them leave out Artisan at Rush Creek. I mean, this is part of why we wanted the Houston market study, we probably ought to do one in Fort Worth or the Dallas-Fort Worth Metroplex also because we've got to be able to step back sometimes from a deal-specific deal.

And I believe, first of all, that these deals have to be good real estate deals, and so I appreciate Mr. Wright being here from GMAC, because if they're not good real estate deals, they're not good affordable housing deals.

But this department, this board has a broader role than just looking at the real estate feasibility of the deal. You know, we do have to look at this deal in the context of other deals around it. If they think that the demand for this deal is going to come from areas outside of Mansfield, my concern is it's going to come from all the stuff we've just built and are in the middle of building in Grand Prairie which felt it was already overbuilt, and so it just causes me concern.

This is one bright line that the staff draws for us is the 25 percent capture rate, and we don't see very many deals get this far, get to us because they go away, we never see deals that the staff and the applicant work together and decide they're not going to move forward on. So it is very unusual for us to see a deal that gets all the way to us that the staff doesn't recommend, and if we don't have a bright line with capture rate, and as much as we hear from neighborhoods about over-concentration, then I think everything is a slippery slope.

MAYOR SALINAS: Do they have an elderly project there also?

MS. ANDERSON: Yes, there's some elderly units here. We've built a lot of elderly in Grand Prairie too.

MR. BOGANY: Can I ask Tom a question?

MS. ANDERSON: Sure.

MR. BOGANY: Tom, I didn't know where this was. I guess Mansfield is a suburb pretty much of Grand Prairie.

MS. ANDERSON: South Dallas.

MR. BOGANY: He mentioned in his capture rate that if somebody was going to do one in Highland Park that you would have a hard time with the capture rate there. Is that true? Because I'm looking at the mandate that you spread them around, scattered housing, don't concentrate them all in one area. So would we have a capture rate if somebody decided to put it in River Oaks or West U in Houston?

I'm just wondering how that comes into play because I had never even thought of it from that standpoint: if you're going into a high end area, you're going to have a hard time with the capture rate there. At least you know people would want to live there but you don't have any hard data. How does that work?

MR. GOURIS: I think it would depend on how the market analyst draws the market area, and a market analyst could draw a market area that would be exclusively Highland Park and exclude any other areas that are nearby that might provide some areas of demand that you could get some renter turnover from. Clearly, if a market analyst drew a market area in a higher income area with very few rentals, they'd have a very hard time of proving up capture rate.

MR. BOGANY: And the capture rate, as Beth just said, is your determining factor, just one part of the deal to make sure everything fits.

MR. GOURIS: Right, and it is a bright line that we try to provide as a backstop to say, you know, what is beyond what we can recommend.

MR. BOGANY: One last question and I'll be through. Why does the city have it zoned for multifamily and he's going in with another multifamily right next door, and I can see on my map -- the first time I saw it, I didn't see all these units, it actually looked like there wasn't any units around it at all, I think on one of the maps that I saw, but now that I'm looking back and after Beth explained there are quite a few units in the area, but I guess I'm just wondering why they zoned it multifamily, why they're letting another market rate go right on in there.

MR. GOURIS: Because it's zoned appropriately.

MR. BOGANY: I'm just wondering it was there. But it is a lot of units in that area, now that I see this map, but on this map it didn't look like that.

MAYOR SALINAS: You're not recommending the project?

MR. GOURIS: That's correct.

MAYOR SALINAS: Not necessarily because of the state representatives or the City of Mansfield's decision on it, you're just saying that it doesn't work.

MR. GOURIS: I'm saying it doesn't meet our inclusive capture rate.

MR. BOGANY: Based on the capture rate.

MAYOR SALINAS: That's what I want to know, that it doesn't meet the capture rate and it's not a doable project, according to you.

MR. GOURIS: It's not one that we can recommend based on our rules.

MAYOR SALINAS: That's what I need to know.

MS. ANDERSON: Other questions for Tom or for Mr. Spicer or anybody?

(No response.)

MR. BOGANY: I move we accept staff's recommendation not to approve this project.

MR. HAMBY: Actually, in this case you're acting [indiscernible] you're denying the appeal.

MS. ANDERSON: We're denying the appeal.

MR. BOGANY: I'm sorry. Thank you. I move that we deny the appeal.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Now do we have to go back since we denied the appeal on this one?

MR. HAMBY: Yes, you still have to vote on the agenda item to not recommend.

MS. ANDERSON: Okay. So now I would entertain a motion to not approve the Generations at Mansfield.

MR. HAMBY: Actually, you'd be accepting staff's recommendation to not approve. I'm sorry. The first one was you were denying the appeal of the applicant for the staff's recommendation, and now you're voting on the project itself.

MR. BOGANY: I move that we do not grant the appeal.

MR. HAMBY: You did that.

MS. ANDERSON: You frame the motion.

(General laughter.)

MR. HAMBY: On agenda item 4(a), the Generations at Mansfield that you approved staff's recommendation to not move the project forward.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: Now backing up, the next one on our agenda would be Bella Vista Apartments in Gainesville, Texas. This is 144 elderly units. The applicant is requesting approval of issuance of fixed rate tax-exempt bonds in the amount of $6,800,000. They have requested $519,968 in credits, however, our recommendation is $518,676. And staff is recommending this deal for approval.

There is some opposition that was registered with the department. It was received from the Gainesville Housing Authority, the Gainesville Hospital District Board of Directors, and the city council passed a resolution in opposition.

MS. ANDERSON: And I do have public comment on this item, so at your pleasure, if you want to hear that before.

MAYOR SALINAS: But staff is recommending this project?

MS. ANDERSON: Staff is recommending.

Mr. Jerry Henderson.

MR. HENDERSON: My name is Jerry Henderson. I am with the Gainesville Housing Authority.

There are a couple of things I would like for you to think about in considering the project. Number one, is it needed, and number two, is it wanted. I think you've got comments from all of the governmental entities in our area, and you should also have results of the public hearing that we had in Gainesville which makes it crystal clear that the property is not wanted in the city of Gainesville.

I will not address that, but what I would like for you to do is consider the market analysis that was presented and maybe go back and revisit some of those items. I realize that this analysis has aged some since it was initially presented. Our research indicates that there are significantly more vacant units in the market area than is indicated by the market analysis.

For example, we show that there are presently in excess of 150 units of multifamily housing available in our market area. There are two recent housing tax credit developments in our market area. One is a 206-unit development which has been on the market for two years and has achieved only a 75 percent occupancy rate. Of that 75 percent, half of those are supported by Section 8 vouchers. There is a 76-unit complex in our market area that has been actively and aggressively leasing since September. To date they have achieved only 35 rented units; half of those are supported by Section 8 vouchers.

MS. ANDERSON: Okay. I have a question for you, sir. The applicant contemplates receiving a 50 percent tax exemption. Do you have any knowledge about the likelihood of that tax exemption being granted?

MR. HENDERSON: Based on what I hear -- and we have a couple of public officials here that would address that -- I would think it would be very unlikely that that would be granted. I am hearing opposition to that.

MS. ANDERSON: Okay. Any other questions from the board? Go ahead.

MR. BOGANY: Are you guys I opposition of it because you're saying you don't need more Section 8 housing?

MR. HENDERSON: I think we're in opposition because we have a large number of vacant units already in the market area. As I mentioned, there are right now in excess of 150 affordable housing units available on the market. In addition to that, if you would consult local classified listings, you would find in excess of 100 units of single family as well as market rate multifamily units on the market.

Part of the rationale used -- and I'm not an expert on the market analysis aspect or what your parameters are, but I found it interesting that in that market analysis they only used the apartments or the multifamily units that would be within the corporate limits of the city of Gainesville, while when talking about employment and income, they have a much broader market area which would include the entire Texoma region which would include Grayson County.

They have cited in part of that that there are something on the order of 62,551 jobs, non-agriculture related. We're a town of 15,000 people; we do not consider Grayson County part of our market area. And of the eleven employers listed providing those 62,000-plus jobs, only one of those major employers is actually within Cooke County.

So I would encourage you maybe to revisit that market analysis and look at some of those things for yourself.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: Thank you very much.

Beverly Snuggs.

MS. SNUGGS: My name is Beverly Snuggs. I'm here representing the city council of Gainesville.

And in answer to your question that you posed earlier about the tax exemption, we have been told state law will give preferential treatment to this type of property, and instead of the property tax being levied on this $12 million project that they're proposing, they're proposing a 50 percent exemption on a 100 percent occupancy of this particular project which comes out to a figure that the project has given us, as the city, of $12 million. If you take and divide that out, first you divide it in half for the 50 percent exemption, then you times that by our tax rate, the taxable value for this piece of property for the City of Gainesville would be $4,038 a year. At the $12 million full property tax rate, it comes out to over $80,000 a year to the City of Gainesville.

So this piece of property, if it's developed in this particular manner, will be a detriment to the City of Gainesville from now on because we will never receive full taxes from this.

They have proposed in their information that they've sent us that they're building affordable housing. They have given us two different figures. For example, for the one-bedroom apartments, one figure was $546 a month, another figure is $606 a month. Well, in the city of Gainesville, top price for a one-bedroom apartment, high dollar price right now is $450 a month, well below their projected figures. So if they're talking this to be affordable housing, it's not in the city limits of Gainesville or in our area.

When they had their public hearing, probably six weeks or more ago, we had a Ms. Morales from the office down here came and led the public hearing, and in one part we were talking about how they could justify getting these rental amounts, stating that our top dollar was $450 a month. She commented at the meeting: I guess technically, if you want to get down to it, they can charge lower than that, but again, you have to keep in mind that these are tax-exempt bonds and they do have a debt service to pay, so it's not going to be financially feasible for them to charge much lower rents if they're not going to be able to meet their debt service.

In other words, to get these to be affordable, they're going to have to charge a lot less rent, it's going to go back to Section 8 housing. We have a lot of Section 8 housing in Gainesveille, we do not need to have any more, and our market will not hold onto the rates that they're proposing.

Thank you very much.

MAYOR SALINAS: Is this a non-profit?

MS. SNUGGS: They are claiming to be a non-profit organization, sir, yes. And also, our city council voted unanimously to deny this application for this tax rate; the county commissioners in our county denied it; we have a college there that denied it; the hospital board denied it; and our Gainesville ISD also denied it. Today we found out that some of the letters weren't received down here, but every taxing entity in the county of Cooke has denied the application.

MR. BOGANY: Because it's tax-exempt.

MS. SNUGGS: Well, because it's going to hurt us, it's going to hurt every governing entity tax-wise with this exemption that they've applied for, and by state law, they will get. We don't really have a choice.

We don't need it, we have plenty, and as Mr. Henderson stated, we have a lot of vacancies in Gainesville.

MR. BOGANY: Thank you.

MAYOR SALINAS: Where is the staff that was there at the public hearing?

MS. SNUGGS: I have her name as Ms. Morales.

MAYOR SALINAS: Can I ask her something?

MS. ANDERSON: Sure.

Thank you for your testimony.

MS. MORALES: Theresa Morales, Multifamily Bond administrator.

MAYOR SALINAS: How many people showed up for that public hearing?

MS. MORALES: Approximately 30.

MAYOR SALINAS: How many were in favor?

MS. MORALES: That signed in as being in favor, approximately five to eight individuals.

MS. ANDERSON: Were they affiliated with the developer?

MS. MORALES: No, they were not. I believe, if my memory serves me correctly, two individuals were doctors within the area and there were also some citizens there who also were in favor of it.

MS. ANDERSON: Was the developer at the hearing?

MS. MORALES: Yes, ma'am, and also the consultant with the developer was there as well.

MS. ANDERSON: To your knowledge, had the developer had a community meeting with the neighborhoods before the hearing?

MS. MORALES: I would defer to the developer.

MS. ANDERSON: Yes, we'll hear from them in a minute.

Any more questions?

MAYOR SALINAS: Thirty people, is that all you had, 30 people?

MS. MORALES: Those were the people who were in attendance, but after that there were also petitions in support of this development that were received by the department.

MS. ANDERSON: Anything else? Thank you.

Lisa Bellows.

MS. BELLOWS: I'm Lisa Bellows. I'm president of the Gainesville Independent School District Board of Trustees.

Last fall we fought a very vicious battle to pass a bond in Gainesville, one that had been defeated three times. We skimmed down everything we could take out of this in order to provide a facility for our kids for the best quality education that we can. We passed a $29-1/2 million bond. That means for every $100 value of taxation for people in the Gainesville Independent School District, we'll be paying 29 cents.

If we bring more properties into Gainesville that are not taxed at full rate, it's going to cause our residents and our businesses to leave our town. We cannot afford it, we can't afford to have more of these types of projects in Gainesville. We've got ample housing of this nature.

And to answer your question about the association with the people who attended that in favor of it, one was the property owner that will be selling the property for this project, and yes, he is a doctor. I think that the people most in favor of this live outside our school district. That gain the most, it's the property owner that ready to sell this property, and the developers that are going to be constructing this.

I think if it's approved it will be at the detriment of the quality of education that we're trying to provide in Gainesville, and at the expense of our children. So I'm asking you, in fact, I'm begging you to deny this in our town.

MS. ANDERSON: Questions? I have a question. How do you then explain a petition with 287 signatures in support of it? Did the landowner go door to door in the city? I mean, that just doesn't make any sense.

MS. BELLOWS: Could I ask that you look and see what school district those people signing that petition live in? I don't think that they live in the Gainesville Independent School District; I certainly don't think 280 of them do.

MAYOR SALINAS: When you sold that bond issue, did you get any monies from the state matching?

MS. BELLOW: Not at this time.

MAYOR SALINAS: You're taking the whole $29 million out of the taxpayers?

MS. BELLOWS: Yes, sir, at this time. This is a tremendous sacrifice that our citizens are taking on, and it's because they want a quality education, and they can't afford it but they passed it.

And I really want you to look at this long and hard before you approve it because I think that there are some things that are not clear as far as who is in support of this. Every taxing entity in Cooke County has voted unanimously to deny this: city, college, hospital, county, and ISD.

MS. ANDERSON: Other questions?

MR. GONZALEZ: Excuse me. You stated that if we pass this that you would lose your town. Can you describe what you meant by that?

MS. BELLOWS: Well, the doctor that's selling this property lives in Lake Kiowa, and that is a prestigious area and there are a lot of homes that are very prestigious, and they are in the Callisburg School District.

MS. ANDERSON: They're in what school district?

MS. BELLOWS: In the Callisburg ISD. Four miles away we have a German Catholic community, Lindsay, and a lot of our citizens who can afford homes over there move over there. And so we're burdened tremendously in a school district to support 3,000 kiddos that do live in subsidized housing and so forth. So we're supporting all of that with not a very large tax base and we don't have a lot of jobs in Gainesville.

Any other questions?

MS. ANDERSON: Thank you.

MS. BELLOWS: Thank you.

MS. ANDERSON: We still have some public comment from others, but I have a question for Tom. Is the whole market area in the market study in the Mansfield ISD?

MS. BELLOWS: This is Gainesville ISD.

MS. ANDERSON: The Gainesville ISD?

MR. GOURIS: No, ma'am. The primary market area was the entire county.

MS. ANDERSON: The entire county.

MR. GOURIS: So I would assume there are other school districts within the county.

MS. BELLOWS: There are other school districts in the county, but this is going to be in our taxing district of Gainesville Independent School District.

MS. ANDERSON: Then I have another question for you. So are you intimating that possibly these people from this other ISD signed this petition in support of it because they want it in your school district, not in their school district?

MS. BELLOWS: Absolutely.

MAYOR SALINAS: Tom, deferred developer's fees, what are you talking about? Are they getting any tax breaks?

MR. GOURIS: I think there are two questions there. On the deferred developer fee, we did see a slightly larger amount of deferral based on how we calculate what would be deferred, but in essence, it's the same amount that they had anticipated, they're just using some other source of interest income to compensate for it, I believe.

So the deferred developer fee is at an acceptable level, but that is subject to the 50 percent property tax exemption. We believe that the statute is pretty clear and that they would have an entitlement to that exemption, and so we underwrote it accordingly. Without that exemption, the project, under this scenario with bonds, would not be financially feasible.

MAYOR SALINAS: So it's an actual 50 percent deduction. So it's automatically they get a 50 percent on all school and city.

MR. GOURIS: That's what the statute calls for, yes.

MS. ANDERSON: I have a question. One of the witnesses said something about the property taxes only being $4,000 a year, and I literally can't find that page in the underwriting report, but I thought the property taxes, even with the exemption, were a lot more than that.

MR. GOURIS: And I apologize. I heard that statement too and I couldn't follow it. Our estimate for annual property tax for the property, with the 50 percent exemption, would be about $56,460, and only a portion of that would go to the school district.

MS. ANDERSON: Dr. Les Schachar.

DR. SCHACHAR: My name is Dr. Les Schachar. I'm from Gainesville, I'm a physician in Gainesville, and I'm the doctor selling the land that they've been referring to. First of all, my deepest appreciation for allowing me to present at this open forum.

Let me begin by saying that there is incontrovertible evidence that Gainesville, Texas is in dire need of affordable housing. A simple sample taken over the course of ten days polled almost 300 signatories in favor of the Bella Vista Apartments. The exception is overwhelming with no one abstaining or objecting.

When merchants in the approximate vicinity were canvassed, like Blockbuster, Sherwin Williams, Radio Shack, Dress Barn, their response sustained the overall approval for the Bella Vista development.

I was wondering why the city council of Gainesville would viscerally oppose a vital positive need for its citizenry and why was there such a great disconnect. Upon further investigation, it was revealed that the main opponent, a councilwoman who sits on the city council and owns her own housing complex, was instrumental in initiating and obtaining a negative resolution by the city council toward the construction of Bella Vista housing.

By the way, according to the conflict of interest laws in Texas, namely Article 171, anyone sitting on a city council, having property, and asked to vote on issues of property where self-interest may be in question, must file an affidavit with the city council stating there is a conflict, refrain from voting on the issue, refrain from discussing the case.

Their principal objections, the first one being that the legal allowable 50 percent exemption afforded Bella Vista would have negative taxing consequences of the City of Gainesville. In response to this, the proposed 13.5 acres upon which Bella Vista will be developed has rendered the city $500 a year for the past 30 years, totaling $15,000 net gain.

I'll finish up quickly. Bella Vista would be taxed at $123,000 a year, according to the Gainesville chief appraiser, Doug Smith, and would render the city $3.5- to $5 million over the next 30 years. Bella Vista would become the top 10 percent taxpayer in the city with

Wal-Mart the largest at $350,000.

What it all boils down to is is it a question of influence here, of political influence of people sitting in high places in city council and not an interest of the public need, what is needed, what is fair, what is just for the citizens of Gainesville. Unarguably there is a need, there is a great benefit, there is overwhelming consensus, the people of Gainesville have spoken. There are absolutely no negatives for the city, and I implore you to approve this project, and I thank you very much.

MS. ANDERSON: Thank you, sir.

Clifton Phillips.

MR. PHILLIPS: Thank you very much. I'll try to be brief to keep it in the time limit. It's Clifton Phillips with Round Stone Development.

The project is 144 units, it is desperately needed. There's been a lot of numbers thrown around on taxes and on the stated housing market. I just want to stress, first of all, there have been three market studies on this. The latest market study was done two weeks ago by our equity partner, and looking at their numbers, the current numbers that are in the market at this time are 100 percent and they're '70s construction. There's only been two projects built that are not subsidized units, per se, since 2000, one with 60 units and one was a tax credit for seniors. The tax credit for seniors deal is in lease-up and has leased up at eleven units absorption per month which is high for a tax credit seniors deal, especially in a rural market.

There's a clear demand here if you look at the existing housing stock, and take a look at what is out there and you'll understand why the rent levels are where they are and why we actually have over 287, we've gotten 40 additional signatures. They are from the city of Gainesville, we didn't go to a specific area of town. We actually stood within probably, I would say, 500 yards, one group did, at the Wal-Mart and just got people coming in. They're all city of Gainesville, they signed, they put their address, they've got their telephone numbers, so they can all be verified.

As far as the taxing number, let's just at least say if you go off the TDHCA, it's a minimum of 50. We've underwritten it at 95, and that's based on just our financial model, looking back and going off how we think the appraisal district will do it. The appraisal district may be higher, they may be where Tom is, we don't know since we're not the appraisal district, but we'll pay 50 percent.

And I'm sorry if I seem a little indignant, but I take issue with the fact that they said that we claim to be a non-profit, because not my organization, I represent the developer, they have thousands of units in the state of Texas, they help thousands of people, they have social programs, financial assistance programs, and they're very dedicated people, and so just that innuendo that we are not who we say we are. We are there to develop affordable housing, we believe that there's a definite need for people to have quality, affordable housing in Gainesville, and that's why we're there.

And I'll take questions. Thank you very much.

MR. BOGANY: I have a couple, if I can. She made a statement that the rents -- or maybe the housing authority made a statement that the rents were $450 and you were charging $555, so why would somebody want to pay $100 more. And the other statement he made was about that he had a lot of vacancies in the current units that they've got, so why do we need some more units here.

What's your thoughts, and how did your market analyst look at that when he was trying to make a determination?

MR. PHILLIPS: Like I said, our market analyst is actually here that we presented to the TDHCA, and as I said, we do have two additional studies. One was done for a market rate developer who couldn't get their deal done because they couldn't justify the rents. Their rents were in the tax credit range but they couldn't do market rate rents. We had worked with the developer before, they gave us the market study, it justifies 188 units in the same area.

The second study by the equity, when you look at their numbers, they show, as I said, 100 percent on the older units. The only one that is showing vacancy is the lease-up currently because it just finished back in November, so it's still under lease-up and they're approximately -- as of the market study they were 50 percent leasing about eleven units a month.

MR. BOGANY: Well, what about the units that he was saying from the housing authority side? He was making a comment that they had a lot of vacant units from Section 8 housing that was there.

MR. PHILLIPS: I mean, unfortunately, I can't speak to that. Our market studies also looked on the subsidized unit side. The one that is not affiliated, that we didn't requisition for the TDHCA showed only ten vacancies. So I mean, there's a clear discrepancy between the numbers.

But again, we've had three studies, they all showed that even the, quote-unquote, subsidized units are at high occupancies.

MR. BOGANY: One last question. The older units that are in the area, I heard you mention 1970s units?

MR. PHILLIPS: Right.

MR. BOGANY: So the people that are going to lease your units, are they going to come from those older units, migrate over, or what are you anticipating?

MR. PHILLIPS: I think we'll get a portion from some of the older units, and actually, if you look at the TEFRA notes, there were some people there that probably are higher level people in the community that were specifically worried about that. And they told us afterwards you're going to take the cream of the crop from our apartments.

The units that are on the ground now don't justify the rents that they're even getting, personally, but there's just nothing else out there and that's why the stock is at 98 to 100 percent on the existing units. I think we'll get some people from that and just other people that there is a pent-up demand within the market, actually, because people choose not to live in that or they do choose to live in other areas. People drive great distances. From speaking with another doctor, not this doctor that is selling the land, he has patients that drive great distances to work in different areas and live outside the city and come in simply because there's not housing.

And we're not for building in an area that there's no need for housing. We did our research and we strongly believe that there's a market here.

MR. BOGANY: Thank you.

MS. ANDERSON: Any other questions? Thank you.

Then I have Michael somebody.

MR. EATON: Eaton, E-A-T-O-N. Good afternoon. I'm Michael Eaton. I'm counsel for the developer and for the general partner, Unified Housing Foundation.

A couple of quick comments. Unified Housing Foundation has been around for over a decade and has over 3,000 units of affordable housing throughout the United States, and it's headquartered in Texas. They've partnered with Round Stone Development for two prior successful developments with TDHCA in the tax credit arena: Blue Lake at Marine Creek at Lake Worth, Texas in Tarrant County, and the Plaza at Chase Oaks in Collin County in Plano. They worked together to produce a quality product.

Unified Housing Foundation has an excellent array of services that are supportive for the particular constituencies and populations that are at these individual developments. We expect that to be another opportunity for growth in this area.

There's about 15,000 people in Gainesville and about 36,000, roughly, in the county. As Clifton said, there have essentially been three separate market studies. So there's no market analysis that says there's a demand for these units, there have been three independent market studies, all of which validate the notion that there is a serious and constant demand for affordable housing in Gainesville, Texas.

With respect to the tax exemption, State Tax Code Section 11.1825 creates that exemption. I don't think that my client should be sullied for actually following the law of the State of Texas. If the local taxing jurisdictions have an issue with the State Tax Code, they can lobby their legislators to effect a change. That's the way we do things. And that's the way 11.1825 came into existence because previously Section 11.182 -- which would have applied had it still be in existence -- would have allowed for 100 percent property tax exemption for this project. It doesn't.

Cooke County is not one of the three most populous counties in the state, so they don't have any option to say we want to give the exemption or not give the exemption, it's a matter of right as long as the applicant fulfills the requirements and the provisions of the Tax Code. This applicant does fulfill those requirements.

The 50 percent exemption being a matter of state law, I would strongly suggest to the board that you should follow the recommendation of staff in approving this transaction. Thank you.

MS. ANDERSON: Thank you. Mr. John Pitts.

MR. PITTS: Thank you. I was going to yield my time to Mr. Eaton if he wants more time.

MR. EATON: I think I'm good unless there are questions.

MAYOR SALINAS: Is that inside the city of Gainesville:

MR. EATON: Yes, sir.

MAYOR SALINAS: Are you going to be able to get a permit?

MR. EATON: We don't anticipate there being any problems with that. In point of fact, we actually had some facilitation for some of the platting processes by cooperation with the city manager's office.

And I do want to say something that hasn't been raised previously, and that is this project was attempted as a 9 percent tax credit deal first and they proposed to pay 100 percent of the taxes when it was a 9 percent tax credit project, and they still received opposition from the city. So for the city to come forward now and propose that their opposition is based exclusively upon a 50 percent property tax exemption -- which is a matter of right under statute to my client -- I think it's disingenuous.

MS. ANDERSON: Yes, you made that point. I was mistaken, but you don't need to make that point five times in two minutes.

MR. EATON: Yes, ma'am. May I be excused?

MS. ANDERSON: I'm sorry, but it's very difficult to sit up here all afternoon as a board and deal with these deals where there is a lot of community opposition where I have no evidence the developer has met with neighborhoods and community entities ahead of time. And ever since I've been on this board, I have urged developers to do that, and so when I don't have evidence that that was done, at a minimum it's disappointing to me.

Mr. Pitts, would you like to testify?

MR. PITTS: No, ma'am.

MS. ANDERSON: Okay. Mr. Bob Coe.

MR. PITTS: Maybe I do.

MS. ANDERSON: Okay. You're welcome to.

MR. PITTS: I am John Pitts, a consultant to the developer, and I'm being told that the developers did meet with the community and visited with them about this project before they moved forward. That's all the testimony I have.

MS. ANDERSON: Thank you. Mr. Bob Coe.

MR. COE: My name is Bob Coe with O'Connor and Associates. I was the market analyst that did the original market study for the TDHCA.

There's been a lot of information about the market. I'm basically here to answer any questions you've got. Like they said, the market study is a little bit dated now, it was originally done in August, but I did check with several sources and occupancy is still over 98 percent on average in Gainesville, there still appears to be the demand that was there in August when the market study was done.

MR. BOGANY: Did you see any evidence of what the housing authority said, that they had enough Section 8 housing that was vacant?

MR. COE: None whatsoever. Single family housing we typically do not take into consideration. I'm assuming that maybe a lot of the demand was there. But the multifamily complexes all showed 95-plus.

MS. ANDERSON: Other questions? Thank you.

What's the board's pleasure?

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

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

MAYOR SALINAS: No. I will go ahead and vote no.

MS. ANDERSON: Okay. Motion carries.

MR. DALLY: The next development is Skyline at City Park Apartments; it's 05627; location in Houston; it would be a total of 248 units; the tax exempt bond amount would be $13,300,000; their requested and our recommended credit allocation is $821,219. Would you like a staff presentation?

MR. BOGANY: Yes, I would, because I've got some questions on this.

MR. DALLY: Okay. Tom Gouris.

MR. GOURIS: Tom Gouris, director Real Estate Analysis. Mr. Bogany, I'm glad to answer questions.

MR. BOGANY: Tom, I don't see any way we could have another project like this in that location. I counted ten to eleven projects in the area, and if we just had one in Grand Prairie, it is not way that we could approve a project here. And I know we need the housing in Houston but it just bothers me that we're in an area that's got at least ten that I've counted, and if they're not in the market area, they're so borderline you could walk across the street and you'd be there.

There's absolutely very little commercial development, there's not even a grocery store in that general area of any way, and I just find it hard -- that area is probably 70 percent minority -- that we are concentrating all these units in one particular location.

Now, if you go past the beltway, then you get into Pearland and that general area there, and I just find it hard that we are constantly concentrating all these in minority areas, and that area there there's no shopping. There's one that's not on your list but it is across the street on 288 from a market rate development, one market rate unit at City Park that's right there, but across the street there is a white sign with little black writing on that says there's another project going in right there.

And I just say if you talk about concentration, this is the poster child of concentration. I don't care how the market study looks up, this is just something, it's too many units in this one area. And you're not going to get any opposition because there's not any single family. They're beginning to get some single family in the area, but the majority of it is industrial, the majority of it is our units as far as the number of units. I just don't see how a market or anything could justify this location.

MAYOR SALINAS: Are they one mile apart?

MR. BOGANY: They're close enough. Some of them look like they're two to three. I just know that area extremely well, and if you drive down 288, there's not any shopping there. It doesn't pick up until you get to Pearland on the other side of the beltway. And we have approved a project right across 288 because I know the sign is up there, and there's one down on Reed Road that does show. If you go right inside within two miles, there's another one at Yellowstone that we've done. Then you circle that area, it's about ten to eleven in that area.

MR. GOURIS: If you go to the back of the underwriting report, there is a map and it does show.

MR. BOGANY: Yes, I saw it on here. That's how I could count how many it was. And it's just a heavy concentration of units in the southeast area that has no shopping at all. The only units there are our units, and there's nothing else there for that area. And you have very little commercial growth in that area. Pearland is the hottest area in Houston so you know the growth is coming in there, but to have all these units right there just seems we're overdoing it. You're not going to get any opposition because there's nobody there but us.

MR. FLORES: Tom, your job is to check the financial aspect of it. Right?

MR. GOURIS: And it's also to look at the capture rate, like we did in the previous study.

MR. FLORES: Who is in charge of looking at the social aspect of it, what staff member?

MR. GOURIS: As far as?

MR. FLORES: Concentration of the units in one geographical location. Who looks at that?

MR. GOURIS: That would be our area, there where the inclusive capture rate comes in.

MR. FLORES: Do you think we ought to do this? Is it one of our policies to concentrate all the poor people on one side of town?

MR. GOURIS: Well, again, our inclusive capture rate is somewhat formulaic and it does heavily emphasize turnover, and as the case might be where there is a lot of existing rental housing that has a targeted income band, there will be a higher turnover, a higher calculated demand in that area than there would be in an area that has less rental units.

MS. ANDERSON: There is a very unusual unit mix here, if what is on page 9 of the transcript is accurate. They have 10 percent of the units for 30 percent of AMFI and 90 percent of the units for 90 percent of AMFI. Am I reading that right? That's at least what the transcript says.

MR. GOURIS: Yes. One of the things that they're attempting to do here which I think is something that was mentioned earlier in the day as a way to drive some development into the lower income brackets where there is clearly more need than the higher income brackets. The way to do that is to marry up a project that has 30 percent units and 60 percent units.

In this case the developer did that on his own volition and is willing to restrict them that way. We have some mechanisms to require that for points and what-have-you, but in this case he wasn't required to and he did so. It does two things for him: one, it gives him the ability to address that lower end, but it also gives him the ability to share that income band for the market study so that he --

MS. ANDERSON: But his rent analysis is not based on 90 percent AMFI.

MR. GOURIS: I'm sorry. Where are you?

MS. ANDERSON: On page 9 of the TEFRA transcript, Mr. Bower, the developers says, We have basically earmarked 10 percent of the properties for families that make 30 percent of the median income and the other 90 percent are for families that make 90 percent of the median income.

MR. GOURIS: It should be 60 percent of the median income. It's 100 percent restricted, 90 percent at 60 and 10 percent at 30.

MR. BOGANY: And Tom, if you go in that general area, right down the street is a targeted area for housing, for single family housing, it's just that in this location -- you know, we were talking about earlier drawing from older complexes, well, all these complexes are fairly new in that area, and there is absolutely nothing in that area but apartments. They're beginning to see some single family on the right side; on Almeda-Genoa Road, KB Homes has a subdivision going in right in front of City Park -- I'm assuming that's why they're calling it City Park.

There's a housing development, about 400 homes, then there are market rates, but every other apartment complex in that general area is tax credit, every one of them, and there's not a place in that area for them to shop, not one, not even to go to the grocery store. We have a Walgreen's on every corner in Houston, there's not even a Walgreen's in that location, or a CVS.

(General laughter.)

MR. BOGANY: I'm just saying, to me this is over-concentration, this is a poster child, and you're not going to get any opposition because there's nobody out there but us. I drive this area every day.

MS. ANDERSON: And they put the 30 percent units in because they want to do what Mr. Henneberger was talking about this morning, or to the comment in the underwriting report, because without those they would have an inclusive capture rate in excess of the department's guideline, to Mr. Bogany's point?

MR. GOURIS: Well, in this instance the idea didn't come from us to put the 30 percent units in, they brought it to the department and they said it at the TEFRA hearing, and I imagine that was before they had finished their market analysis to determine that also helps them in that regard. I think the underwriting report may have taken a point beyond.

MS. ANDERSON: We don't see very many 4 percent deals with 30 percent units in them, it's very unusual.

MR. GOURIS: Well, the Priority 1 bond transactions actually call for that, or 50 at 50, 50 at 60, so that is a structure that has been conceived of. On the Priority 1s it's usually 15 percent at 30 instead of 10 percent at 30. But like I said, they just volunteered that because they knew they needed to get some of that population.

MS. ANDERSON: That leads me to my next question. The preliminary board write-ups said that this was a Priority 2 transaction, the final board write-up says it's a Priority 3 transaction. Which is it?

MR. GOURIS: I believe it's a Priority 3.

MS. ANDERSON: What, in your view, are things the board ought to know about the distinction between a 2 and a 3?

MR. GOURIS: A Priority 2 requires that 100 percent of the units be rent-restricted tax credit units. Priority 3 allows, number one, to have some market rate units in there, and number two, it doesn't necessarily -- like I said earlier, tax rates don't have to go with it for eligibility for that priority. Other than that, there's not any difference.

In this case, they've sort of wiped those differences away by doing 100 percent tax credit with 10 percent at 30 percent.

MR. BOGANY: And Tom, the other thing is where it's located at, they've got a circle drawn around it. There's nothing but vacant land in that one little circle so it's hard to say you're going to have a three-mile radius because it's just vacant land that's there. We turned a project last year on Hiram Clark which was to the far left of the map, but it's just amazing here, you're just not going to get any opposition. There's nothing but junkyards along Almeda. I mean, it's an industrial area and the only really new residences in there are our units, and then we're coming back and putting another complex there.

MR. GOURIS: And just for your reference point on these maps, we try to draw out the market area that's identified in the market study as the primary market area. That's the area you see in yellow. The circle reflects a one-mile radius. We show that so we can see if there are any other properties within one mile. But you're correct, the only property --

MR. BOGANY: In that one-mile area, that's all industrial, vacant land, and we've got a complex going right across the street that we voted on -- because I've seen the sign up there -- that's back behind this new home subdivision, that KB subdivision there.

I just think it's a heavy concentration, and I know we need it, but these people, where are they going to come from? They're going to come from all these older complexes that we've got. I mean, all of them are brand new right there in that area.

MAYOR SALINAS: Well, that's what happens to a city that doesn't have any zoning.

(General laughter.)

MR. BOGANY: And if you go down 45, there's another complex -- I mean 610 South closer to 45, there's a complex on the loop; if you go right inside the 610 loop there's one on Yellowstone that's not even counted. I'm counting at least twelve complexes in this one area. Come on.

MS. ANDERSON: We do have some public comment. Mr. Bower indicated willingness to answer questions, but you might want to take the opportunity to make some comment to the board.

MR. BOWER: And I agree with your concerns, and so I'd like to show you how we've got them addressed. My name is Mark Bower from CynoSure Developers.

I want to address two things you brought up. One is where are the people going to come from, why would people live there; and two is there's no retail, there's no commercial. They're the same maps but different, they tell you the same thing. And I apologize I didn't bring enough, I didn't know I'd have to.

The developer that's developing City Park has a 450-acre development. There's two market rate apartments in there that are full, there's 1,500-plus single family that are all spoken for by homeowner builders that's in that diagram. It's built over about a fourth of the way and everything is selling fast, it's selling like hot cakes. The development that goes all the way across is all normal size single family type housing, we're the only tax credit unit around there. All the stuff alongside the highway is all retail and commercial.

So you're describing a census tract, if I were to look at it originally and say this is a low income, high minority population census tract, but the truth of the matter is there are only 3,400 people in that census tract, that's a very small population, also as you indicated.

What these developers have done and what KB Homes have done is basically they're raising the income substantially which is attracting the commercial. The commercial is coming. I know of specifically multiple contracts they're talking. There will be a Wal-Mart there, there will be a grocery or something is going to be in there that is going to serve that community that it so desperately needs.

The gas station corner has sold which is going to put a corner grocery store, like gas station convenience store. It's on the east side of the highway, on the northeast side of Orem Road. The lot directly across from our property has already been sold; in December it closed to the Houston Independent School District because they see the need and they see the growth and they want to put new schools in there.

You're going to have the market. Why would people come here? Right along side our property, Kirby

Road is going to finish out and come there; on the left side people can get to Almeda and they'll be able to get there in about six months or before we finish. Between 288 or Kirby Road or Almeda, there's direct access to the largest employers in Houston in less than five minutes. You can drive up those roads and be at the Houston Medical Center in less than five minutes. You can be in downtown Houston driving during rush hour and get there in seven to eight minutes.

So the reason this master development is so successful is because there really aren't places in Houston that you can develop -- for whatever reason, that area never developed -- there aren't places you can develop and get downtown and get to the major employers in five minutes and it's a hot spot. And all these things you say are all happening; the retail is happening as we speak.

MR. BOGANY: Well, my opposition to it is not because there's no retail, that's just one point. My opposition to it is that it's all concentrated of about twelve complexes that will truly be able to take advantage of some of this retail that's there. I'm not knocking your project, what I'm knocking is putting them all in minority areas. Those 3,500 people that live in that area, 70 percent of them to 80 is probably minority homeowners.

And even in the apartments and KB, you go to that KB subdivision, it's 90 percent minority living there. If you go to citywide, and I just differ a little bit, that Hanover Homes are not selling them as quick as you think they're selling them, because I sell over there so I know that they're moving them but they're not moving them as fast as they would like.

So I'm just saying it's just so many in this one little area, that's all that's there. There's nothing but our projects there. We've got as many projects probably as we've got individuals in the single family.

And everything you're right, they're near the medical center, near downtown, everything is there, but you've got nothing but apartments in that area that are all our units, and we're just over-concentrated.

I have no doubt with the Katrina victims there, if we had not had Katrina, all these areas would be soft. We had a soft apartment complex, and now we've got Katrina, everything is 100 percent, just about, in tax credits. I realize that. I'm just saying that long term we're concentrating people that are low to mod in just one little area, and to me, overall that's going to hurt the development of 288 period. You want to know why it hasn't hit sooner, because it's always been a minority area. Developers didn't want to come out there anyway.

They had a mall going in at Reed Road and 288 for ten years, never happened. I guess they wish it would happen now, but before, it didn't. And you know why? Because the market study justified all the people are going to be poor coming over there to shop because it was right there.

It's not you, it's not your complex, it's just if you would put that in Pearland, I'd have no problem. But I'm just saying that's my concern.

MR. BOWER: I understand your concern, and I would just that I disagree. All this stuff that is market rate, market rate apartments, the single family homes that are traditional single family homes, and from talking to the owners, talking before Katrina happened -- because I know the owners of the other market rate apartments -- those things were filling up normally. Katrina may have had some impact on it, I'm sure it did, but this is a desirable area to live in because of the access to employers.

MR. BOGANY: Well, you've got two market rates right there at City Park, right up front you've got two market rates there, and I'm not denying that, all I'm saying is you've got ten to twelve complexes in the area. Come on. That's my negative is just the concentration issue. And I know why your market study said it was okay because where your property is there's not a whole lot, there's a lot of vacant land in that area. So when you draw your circle, you've got industrial, no opposition, but I just happen to know that area, and there's one going up across the street from the market rate -- at least I've seen the white sign.

MR. BOWER: There's a white sign on the north side. Are you saying across the street, across 288?

MR. BOGANY: No, not from you but on the north side of 288 there's another complex coming on.

MR. BOWER: Our market guy can address that one.

MR. BOGANY: Because there's one going up just the other side there that's not even showing up on our map. That's my opposition.

I think you do a fine project, don't have a problem, love those ones out in Willie Wonka or wherever they are, but this one, I have an issue.

MR. BOWER: And just so you know, we did the 30 percent/60 percent combination because we had the opportunity and financially we thought it was a good thing to do.

MR. BOGANY: Thank you very much, I appreciate it.

MS. ANDERSON: We've got some more public comment, but I have a question for Tom Gouris, please.

You know how in the 9 percent round if they change the unit mix and they build two-ones instead of two-twos, or if they ask for a different number of units at different income levels -- like they said in the application they were going to build 40 units at 50 and 40 units at 60, and then they changed their mind and they want to build 60 units at 60, they have to come back to us -- is that true of a 4 percent deal also?

If they changed their income mix as they got into this and didn't do the 30 percent units, would they have to come back to us?

MR. GOURIS: Yes, ma'am. We've recommended that it be included in the LURA, and to change the LURA, they'd have to change that. I think it's also in the bond documents. So yes. It would be very difficult for them to do because they'd have to get all those folks, the bond folks to sign off on it too.

MS. ANDERSON: Because the capture thing would be out of whack if they didn't have those 30 percent units in there today.

MS. MEYER: On the bond transaction we had put it in the regulatory agreement, so we'd have to go back through this whole thing all over again if they wanted to change the regulatory agreement.

MS. ANDERSON: Okay. Thank you. Bob Coe.

MR. COE: I know you are getting sick of hearing from me today. Basically I'm here to answer any studies about the market study or what the market is doing there right now.

MR. BOGANY: It's just a concentration issue with me.

MR. COE: And I understand that. I don't know which property you're talking about that's on the north side of 288.

MR. BOGANY: There's one on the east side of 288. You're on the south side, on the east side. You've got KB on the south side, and then you've got another complex that's right at Airport that's there. So you've got one that's going to be across. You've got two market units right there and then one across the street. I just don't remember the complex.

MR. COE: The one across the street must not be an approved one.

MR. BOGANY: They've got a sign up talking about a public hearing. And then you've got the one we just approved on Cullen, and I even thought that was too many at that point when we approved that one, and now we turn around and we're putting another one. It just seems like a lot there. And I could see when you did you drawing if you also note that all the complexes around it are brand new.

I have no doubt that this is going to be a successful project, none at all, but we're putting all poor people in the same location, that's my problem.

MR. COE: I understand that. The demographics are obviously changing, though, with the houses that are right there by City Park, with the market rate units. It's not probably going to end up a poor neighborhood anymore.

MS. ANDERSON: Any other questions, or are you complete with your testimony?

MR. COE: Yes.

MS. ANDERSON: Thank you, sir. Bill Walter.

MR. WALTER: Good afternoon. Thank you for your time. My name is Bill Walter and I'm with Coats Rhodes, we represent the applicant here.

I just wanted to make two quick points about this. Mr. Bogany has concerns about the concentration issue in that area, but of all the approved recent TDHCA deals in there, I would venture to guess that not many of them are going to be serving this very lowest income band like this project is, so I just think that's important to note.

And also, even with these concerns, staff was able to get comfortable that this would be an acceptable project, and so I would just ask that you rely on the judgment of your staff here and follow their recommendation.

MR. BOGANY: One thing I would like to say is that if all these homeowners knew that they were surrounded by twelve tax credit programs, the home sales would stop in a minute in that location, and it's just that to me you're deterring home ownership in that area. And I don't mind one or two complexes, I don't have a problem with that but not twelve. Come on. I've just got a problem with it.

But thank you very much, appreciate your listening.

MS. ANDERSON: All of you will be glad to know that this is the last such deal we'll be discussing today.

There's no more public comment.

MR. FLORES: I move that we go against the staff recommendation.

MR. BOGANY: Second.

MR. FLORES: An did want to say a few words about all this testimony you heard. For all of you who don't live in Houston, what you've got here is you have the greatest employer in Houston, the Texas Medical Center, creating huge amounts of jobs. Of those jobs, there's a huge number of professionals that live in Pearland, Texas, a straight shot down 288, and what you have now is very successful doctors and the research scientists and so on that rush down to Pearland every day and rush through this ghetto that is this area here, and this ghetto is going to become much more of a ghetto if you keep concentrating the poverty in there and not allowing home ownership.

And I don't care how many studies Mr. Coe does and all the rest of them, but that's where you're headed if you keep doing this. The staff can figure all the dollars they want on it and make all the dollars come out right, but on a social basis all you're doing is you're concentrating a large part of the city into essentially a minority ghetto. And I don't want to be any part of that, and for that reason I'm asking you to deny this.

MAYOR SALINAS: And I agree with him, but the thing is very simple, we're going to end up at the courthouse because the City of Houston -- which are the city council members -- are not doing anything about this. You know, we're trying to do their zoning for them, we're trying to fight their fight for them, because city people in Houston don't really care if you have twenty of them together. You know, I have to say that sends a message.

What staff has done here today is recommended this project and I guarantee you where we're going.

MS. ANDERSON: Well, just like the one we just rejected a few minutes ago in Mansfield because it was over the 25 percent capture rate, they've recommended this one because it's just shy. So it's their job to have rules and to stay within their box and it's our job as a board to exercise discretion and common sense when we think it's called for.

And you're right, sometimes people determine that they want to see us at the courthouse about something and that's their right, and it's our right to litigate it on our side. So the board, really our role here is to call them prudently as we see them, and I'm very proud of this board's record in doing that on a case-by-case basis.

But it is easier in places that have zoning.

MAYOR SALINAS: A lot easier.

MS. ANDERSON: So we have a motion on the floor to deny the staff's recommendation.

MR. FLORES: There is a second here.

MS. ANDERSON: Oh, you did second it. I'm sorry, Mr. Bogany, I didn't realize that. Is there more discussion?

MR. FLORES: The only discussion I want to make is there's a representative of Mayor Bill White back there, the lady standing up, and she's going to take that message down there to the city council and the planning commission. So Mayor, we don't have zoning but we have means and ways of protecting neighborhoods. But I'm not sure they knew about this one.

MAYOR SALINAS: Well, but they've known for quite some time and they don't care where people go. I have to criticize Houston for not caring about putting people together, and I agree with Shad on what he's saying, and I'm going to vote for your motion and his second because I really believe that Shad has a point.

But you know how we feel about those lawsuits and I've had some in my own city, but we do have zoning and we decide where we go and we decide what we have to zone our properties for, and we have committees that do all that for us. Houston doesn't have that -- I hate to say that -- and this is what we have today.

MS. ANDERSON: I'm sorry. I have one more person I have a witness affirmation form. Ms. Flores.

MS. FLORES: Thank you, Madame Chair, members of the board. My name is Nicole Flores and I represent P&C Bank. We're the proposed equity participant in this transaction.

I want to just come up here and address a couple of the comments because, like Mr. Bogany, I am familiar with this area of Houston, I've spent a lot of time with the developer in the master planned subdivision that is City Park, and I just wanted to point out a couple of things.

The nearest comp to this project is Alta Cullen. P&C is the investor in Alta Cullen. Alta Cullen completed construction recently and started the stabilization process. We've been leasing that property at over 25 units per month. The demand of that property as the nearest closest comp has been a very big supporter of our continued underwriting on this project.

The highlights of this site, this site is one of the best sites I've seen in south central Houston. It is one of the best sites because it is part of a master planned community. I believe the number of homes in that community now is pressing 300. I can't speak exactly how quickly the home sales have been going, but if you drive through this community, it is an award-winning community of single family homes based on its design, based on its access. The median price of the homes in that community are starting at $140,000.

The Houston Independent School District did just purchase the piece of property directly across the street from this site for a future elementary school location. The build-out, and as the developer has indicated, all the single family lots, over 400 acres of single family lots, are spoken for by developers, and the median price of those homes is projected to be in the $160- range by later this year.

So I would have to just respectfully decline the position that we're creating a ghetto in south central Houston. I think what we're doing is we're opening up a primary transportation corridor with the master planning that's happening at the subdivision, you're opening up commercial parcels.

As many of you probably know the impediment to development along 288 for many years was the utilities, the utilities not being there and the flood plain improvements not happening along Sims Bayou. If you drive this area, if you drive the banks of Sims Bayou and you look at the hundreds of millions of dollars that are being poured into infrastructure in this area, you can tell this is a primary development corridor for the city of Houston. I'm sure the mayor's representative could indicate that as well.

I'm urging you to please reconsider your position on this property. I think it is very well located within a master planned community, behind two large market rate properties that are over 95 percent occupied. Our own comp in the immediate marketplace shows that there's demand which is why Newman Capital, the bond purchaser, has already approved this project, why P&C is moving very rapidly to a closing table by the 6th of April.

This is a property that's plan specified into the city, ready to go, and it is not part of a ghetto, it is part of an improvement project in south central Houston. And I just wanted to bring that to you.

MR. BOGANY: Ms. Flores, I'd like to disagree with you. The price range of those homes started off at about $80- to about $160-. That was the Park Side homes.

They're now up to the $90s for the small homes.

The issue that I have is the concentration. Yes, you have market rents on the front side of it and now we're putting a tax credit on the back side of it. This is an area that reminds me of the concentration of Fondren southwest with all the apartments, all the people who have custom homes that are surrounded by apartment complexes, and this complex here is the same issue that's going to be there.

And then on top of that, the majority of all the people are going to be minorities in this area. That's all that we're doing, all we're doing is concentrating them right in that same general area, and that's where my issue is, the concentration, not the developer or any of that.

And I do believe as you drive 288/610, this is the poorest of the area. Then we get to the beltway and then it gets into Pearland where the homes are much more expensive in that general area. Everything in this area is affordable, the single family homes are. On the back side they're doing 800 homes on 521; Almeda is going on there behind it. It's everything affordable but it is a highly minority area, and it just seems like we're putting them ten or twelve. The one on Alta Cullen, trust me, I would have voted against that one but I thought we wouldn't see any more because of the concentration issue, but here we get even more, but it's all minority.

And by the way, 90 percent of that area demographics is Afro-American in that general area, almost 90 percent of it. It's nobody there other than the market rate, the market rates are there. Look at those people that are buying in City Place. And I'm going to share something else with you, City Place, Park Side, those projects are the hardest to resell that I've ever seen. They're easy to buy because they're cute, but when you get ready to resell them on the market, they have a hard time, and then concentrated with apartments around it, I think it's going to be hard. If those people all knew they're driving in they pass apartments, the back side of apartments, it's just a lot of concentration in that area.

And it's nothing about the project, just put it in Pearland, put it in Manvel, anywhere except that location because as you drive through, that is a ghetto area pretty much. And the improvements of Park Side, the ones that we put in there, the only places new in the area is our tax credits, that's just it. And I just feel that little section is a ghetto that you're trying to improve, and I truly believe that, but I'd rather see market rates.

And I guess my question to the developer, would he do market rates at that spot.

MS. FLORES: Well, there are two market rate properties that are over 95 percent occupied in front of the project.

MR. BOGANY: Well, I just have a problem. I just know the area and it's highly concentrated to too many minorities and it goes against what I think that we should be spreading them out.

MS. FLORES: Well, obviously this is your home community and we have to respect your opinion, but I just wanted to bring to your attention that being the investor in the nearest comp, we are seeing extreme demand for the properties in that area, so even with the concentration, and I can't control the historic demographics of the area, but I think we can bring better properties, we can bring the households that bring the commercial that help the whole area to develop.

And I don't think there's any developers left in the room, but I don't think there's a developer who wouldn't love to do a deal in Pearland. We can't do a deal in Pearland; there's no land and they would never let us do an affordable deal there, and we all know the realities of that situation.

And I think all we can do is we can look at undeveloped areas like along 288 and see what we can do to improve those.

MR. BOGANY: It's going to be a sea of apartments, though. That's my point.

MS. FLORES: The only thing I see that differentiates this is it's part of a master planned community that has been well thought out and I think it is being well received. And I just wanted to bring that to your attention and talk about the demand that we're seeing at our sister properties.

And I appreciate your time and your patience today. Thank you.

MS. ANDERSON: Thanks. Any more discussion?

(No response.)

MS. ANDERSON: We have a motion on the floor and it's been seconded to deny the staff recommendation; nobody is withdrawing that motion. Discussion? Hearing none, I assume we're ready to vote. All in favor of the motion, say aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Item 4(b), Mr. Dally, is an inducement resolution. We have no more public comment -- at least I don't have any more forms.

MR. DALLY: Correct. We're requesting to put two applications on the Private Activity Bond Authority 2006 waiting list. Those particular properties are: the Parkwest Apartment Homes, proposed development located approximately at Parkwest Central Drive and Highway 6 in Houston, Harris County; the second is the Ennis Senior Estates, the proposed development located at 6600 Rudd Road in Ennis, Texas. And staff is recommending approval for this inducement.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

MS. ANDERSON: Can I just ask you a question, Mr. Bogany? Do you know where this Central Drive at State Highway 6 is?

MR. BOGANY: I am getting to that map as we speak.

MS. ANDERSON: I'd like to have that before we induce something and the developers go off and spend money.

MR. DALLY: And there is a resolution number associated with this. It would be 06013.

MR. BOGANY: And what's the location of this one?

MS. MEYER: It's Parkwest Drive, it's to the west of Houston.

MS. ANDERSON: Parkwest Central Drive at State Highway 6.

MS. MEYER: Which is 1960, over to the west side of Houston, just below I-10.

MR. BOGANY: I don't have a map. I know where Parkwest is and that's going toward Katy and I-10. I don't have a problem with that location.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

It's getting late. Mr. Dally, you are challenged to move as quickly through these items as we'll let you.

MR. DALLY: All right. Item 5(a) is the Section 8 streamlined 2006 Public Housing Agency Plan. It is required for the board to approve this. This is the second year that it's under our master five-year plan. This plan is not proposing any new amendments to that five-year plan. Staff is recommending its approval.

MR. GONZALEZ: Move for approval.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: Item 5(b) is HUD allows us to set rents within a band between 90 and 110 percent of fair market rents. This is a proposal to move rents up. This is out of 33 counties we're recommending 110 percent of fair market rent -- out of 37 counties, 33 we're recommending to go to 110 percent of fair market rent, two counties will increase from 90 percent to 110 percent of fair market rent, and two counties will increase from 100 to 110.

Staff informed me that last year we had lowered some of these fair market rents and subsequently the schedules have come out and the fair market rents have been lowered, however, the actual rents for Section 8 tenants, we have not seen that same decline. And so in order to continue to serve the population group that we have now, we need to raise these particular rents up to 100 or 110 percent in these counties, and there's a listing on the attachment behind this.

MS. ANDERSON: It's not very consistent with what we heard this morning about all the HOME rules and about how everything goes down in the rural counties all the time. Maybe I'm missing something about these four counties that are going to 110.

MR. DALLY: Those particular counties are next to metropolitan areas and so there is a higher demand there and so the rents are higher in those particular.

MS. ANDERSON: Yes, Denton and Ellis. Where is Johnson County or Caldwell County?

(Simultaneous discussions.)

MS. ANDERSON: What this means maybe that we serve fewer people, theoretically, if there are very many vouchers in these counties but we get better utilization of the vouchers because they can actually find somewhere to live. That's sort of a tradeoff.

I don't think we have a motion.

MR. GONZALEZ: I move that we approve staff's recommendation.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: Now moving on to item 5(c). Back in November 2005, the department released an open cycle notice of funding availability for 2006 HOME Rental Developments. That cycle is open and we're now bringing forward two applications for commitment. The are not yet underwritten or have any commitments yet, so this is basically a commitment tentative upon their actually getting the rest of their financial deal put together.

The first, Northwest Residential, is located in Georgetown, Williamson County, Texas. It's new construction; 180 units targeted to families. Although the board write-up says elderly, it has changed to families. Income set-asides for the property, would reserve 50 percent of the units for households earning 60 percent or less of area median income and 15 percent of the units for households earning 50 percent or less of the area median income.

The HOME portion of the application is being presented prior to the receipt of the reservation of allocation due to the preliminary HOME requirements so that site and neighborhood review and environmental review can be done ahead of time because of the time constraints associated with the bond or 4 percent tax credit transaction.

And the staff is recommending approval of conditional award of $1,950,000 in HOME Rental Development funds for the Northwest Residential apartments.

MR. DALLY: I have some questions probably for Ms. Boston. If the board approves Northwest Residential and Hayden Ridge, that would be a total of about $2-1/2 million so about half of what we've got in the HOME Rental Development awards.

MS. BOSTON: Correct. We'll have $2.6 million left if both of these were approved.

MS. ANDERSON: Would that fund every 9 percent deal that has requested HOME funds that looks like it has any chance of being in the money?

MS. BOSTON: No. The amount of tax credit applications that we have that also submitted a request for HOME funds that are non-CHDOs far exceeds, and actually there's a list in your package.

MS. ANDERSON: I wasn't sure how to read this.

MS. BOSTON: If you look at the table that's titled HOME Rental Development Pipeline Report, the first two are the two you're considering today, and all of the ones below that are ones that are also being requested. And I apologize that there's not a grand total on here, but it definitely far exceeds the $2.6 million balance we would have.

The NOFA for these funds is a first come, first served, and so you'll note also on this report that Northwest Residential and Hayden Ridge both submitted their applications in December.

MS. ANDERSON: Well, but I mean, I can't support making a conditional award of funds that's going to stop somebody in the 9 percent round because we've got this tied up, got a million nine which is 40 percent of our HOME Development funds tied up so it's not available for the 9 percent round.

And some of you may or may not remember that several years ago we got ourselves in the same box where we didn't have enough Rental Development money to fund 9 percent deals that asked for HOME funds typically in rural or rehab, those kinds of things. The department took a lot of criticism on it from the public, at multiple legislative hearings, and so I have tried every year to say, when we go through the consolidated planning process, is this number going to be enough to fund the 9 percent deals.

And so I think I telegraphed how I intend to vote on this, and I think it is not prudent of the board to approve this conditional award when we have all of the -- we don't know how many of these in the pipeline are going to end up being in the money, in the 9 percent, we won't know.

MS. BOSTON: And also to point out, this is something the board has talked about in the past, but as a policy issue we may want to bring back up again over the next few months, is just because they check the box with their 9 percent application that they want to compete for HOME doesn't mean they really need HOME.

Mr. Gouris generally underwrites saying it's feasible with and it's feasible without, so it's just another point as well.

MS. ANDERSON: Well, I have been very clear about my policy preference for the four years I've been on this board, and that is to have enough HOME Rental

Development funds available to put with 9 percent deals for deals that need it.

I mean, I hear everything you're saying but I am tired of being in hot water with the legislature because the developers that do need HOME funds, care about it very much and make their feelings known, and I understand where they're coming from. So I just don't want to be in hot water.

MS. BOSTON: Could we take this as a direction then, that as we move forward with our 9 percent program that we perhaps should be looking at them a little differently as we underwrite and be notifying you of the ones that don't need it, basically?

MS. ANDERSON: Well, that would be up to the board as a whole. I would think that would be helpful, sort of forward visibility. Not that I don't want to do these, although I do question, since we've had these workouts that we've been doing in Williamson County, why we're doing a family deal in Georgetown.

MS. BOSTON: And actually for clarification, Hayden Ridge has indeed been underwritten, is ready. The only one that was still conditioned on proceeding and is layered with 4 percent was the Northwest Residential. So Hayden Ridge is just a HOME only and is ready to proceed.

MS. ANDERSON: Thank you. I'm sorry?

MR. SHAW: I'm sorry to interrupt. I had asked to speak on this.

MS. ANDERSON: I bet you have and I just lost the piece of paper. I'm not having the best day. Come up, Mr. Shaw.

MR. SHAW: Thank you. Again, I'm Stuart Shaw with Bonner Carrington, we're a developer here in Austin, and that's my project.

I totally respect your thoughts, I'm not aware of that as an issue, but I'm aware of my issue. I've been trying to get that project done for a while. I am so far 0-for-5 on 9 percent deals. I have been choosing good real estate, good locations over where I could score the highest, and maybe I need to change.

But I have done really nice quality locations. The one that I showed you a moment ago, I was talking about the utility allowances, the one on the bottom, that's Cypress Creek at Lakeline Boulevard. It's currently 96 percent leased and 95 percent occupied. This would be Cypress Creek at Northwest, so it's another Cypress Creek just like the one I just showed you, and we cannot get it done without these HOME funds.

We just happened to be in the right place at the right time. We own the plans and had to turn our reservation back last year because we couldn't get it done. We really need that assistance.

I don't know about the workouts in Williamson County, I'm sorry to hear about that. I do know -- and I can point at a map and show you -- where deals have been done by lenders and TDHCA, everybody, in all parts of Williamson County that were not good real estate deals. And I come at this from being a market rate developer and I look at real estate first and I try to serve people in those locations, and there are deals in Williamson County that I'm guessing are the ones you're talking about that were terrible locations, and I'm so sorry about that. I'm trying to do a good job in good locations and I just ask you to please take that into account.

We want to put Cypress Creek at Northwest, there right across from the seniors project you approved for us and we closed last October. We are currently extending this street through in a very nice area of Georgetown west, in an existing neighborhood, 30 acres. We've got 20 acres under construction with seniors and we want to do the ten acres with family. If I can't get those HOME funds, I can't do it. And so I'm asking you to please take that into account.

And I do want to say that we never, ever, ever do a development where we don't meet with the neighborhood and everybody in town first. And in closing, we have support from the city council for this project and from the political base up in Georgetown, so I'm just asking you to approve it, please.

MS. ANDERSON: Thank you.

MR. BOGANY: I have a question for the Chair. I was listening to you. What's your major opposition to this?

MS. ANDERSON: I'm not opposed to this, I'm opposed to, after I have said every year let's make sure we have enough HOME Rental Development money to go with the 9 percent deals that get awarded -- because I'm tired of going to the legislature and getting beaten up about that and having a very well regarded developer come and testify to the Program Committee twice in the last two years and beat us up about that -- so I think to conditionally tie up 40 percent of this $5 million in HOME Rental Development money, and it will be tied up past July when we award the credits, I just think it's a chicken-and-egg, it's a timing thing.

I don't understand how we got here. We'd have to go back and look at the transcript when we voted.

Mr. Shaw, would you sit down, please?

MR. SHAW: Yes, sure.

MS. ANDERSON: I think we've had our public comment on this and now the board is just having a conversation about it.

That's what it is, I don't like tying the money up, Tom hasn't underwritten, I don't know what his capture report is going to say about Georgetown or where this thing is, and it's tying up 40 percent of this Rental Development allocation.

MAYOR SALINAS: But we've got to tie it up sometime.

MS. ANDERSON: Well, it's tied up, and we don't know that we're going to need it all here for the 9 percents either.

MAYOR SALINAS: But at least we've got this project in, what is it, Williamson County?

MS. ANDERSON: I'm obviously not making myself clear. My preference -- I'll just be real clear about it -- is to use these HOME funds for 9 percent deals to the extent 9 percent deals need them, and not to the exclusion of other deals but to tie up 40 percent of an annual allocation in one project -- and that's a pretty heavy subsidy in one project in Williamson County that hasn't even been underwritten.

MAYOR SALINAS: Why are you doing that?

MS. ANDERSON: Because that was the application they got.

MS. BOSTON: And we did recommend in our write-up -- we also do not want to see it tied up, and we had recommended that the applicant would have 120 days from today -- and by our calculation that would be in June, so before the June meeting -- if they hadn't already gotten their 4 percent credits and been back to you and gotten full approval, then they not only would probably have trouble proceeding with that part but they would lose the HOME funds, and either could reapply and they'd have to start their clock ticking, and their first come, first served status would obviously fall behind all the 9 percent applicants.

MS. ANDERSON: Isn't 120 days July 20?

MS. MEYER: It would actually be the July meeting.

MS. BOSTON: I mean, if the board so desired, that condition could be changed if you even decide to approve it.

And I meant to say this too when I was talking about the HOME issue. The other dynamic for why a lot of people are applying for HOME funds -- and I'm not trying to say that some people don't need them, but we also have this part of our statute that says they need to apply for things to get points.

MS. ANDERSON: Yes, I know.

MS. BOSTON: So a lot of the folks asking for the HOME funds are doing it because they want/need the points.

MR. BOGANY: But we could make 9 percent deals go a lot better and get more of them out there if we could have this HOME funds to work with.

MS. ANDERSON: They not only get points for applying for the HOME funds, they can go for some of the lower income targeting if they get the subsidy and they get points in that bucket too, so that also has a public policy benefit.

MS. BOSTON: Sure. And what we may want to do, too, is move away from that open cycle NOFA concept if we clearly want the funds to always be programmed in conjunction with the 9 percent round.

MS. ANDERSON: Well, I just remember when had a shortage in my first cycle which was the 2002 cycle and we have not had a shortage the last three years.

MS. BOSTON: For these non-CHDO funds, they've tended to be moving towards being over-subscribed.

MR. BOGANY: I'd like to make a motion that we use our HOME Rental Funds for 9 percent. I knew something would get you up.

MR. HAMBY: You can't make that Motion because it's not on our agenda. You can deny this particular project in anticipation and we can put it on.

MAYOR SALINAS: I just feel for the staff that they come here with this recommendation and for us to kind of reroute it somewhere else. Maybe we need to send them a memo on what they can and cannot do on these projects.

MR. HAMBY: I think the staff probably has direction that you'd like to see this on your May agenda, but at this point, we can't make a policy --

MS. ANDERSON: I think if you look at the transcripts of the consolidated planning process for the last four years, I have consistently asked is there enough in the Rental Development bucket to take care of the 9 percents and any other purposes. Do you remember me saying that, Michael? I have. And so I'm very disappointed when I find out otherwise.

MR. HAMBY: And I'm not disagreeing with you, you just can't make a policy motion that's not on the agenda at this time.

MS. ANDERSON: One option would be to defer action.

MR. HAMBY: Surely. We can defer action to your May meeting.

MS. ANDERSON: Has this development, Northwest Residential -- does not have a reservation today. Right?

MS. BOSTON: That's correct, it does not. At this point, the BRB has not issued a reservation. The last we checked, the BRB had not issued a reservation.

MS. ANDERSON: And I know that it's not free to hold land and I'm perfectly cognizant of that kind of stuff. There appears to be enough money in the multifamily cap, and I understand we've got another applicant that's in this position very soon where they didn't get a deal done before a reservation expired, there's plenty of cap, they go get another reservation, we don't make them -- theoretically, we would not make them come in with a whole new application. So you get more bites at the apple with the 4 percent thing where the 9 percent thing is one point in time that is 130 days away.

MR. BOGANY: Can we defer this until staff can take a look?

MAYOR SALINAS: But I think staff has already done everything they can and made a recommendation to us, and I agree with Beth on if we want to change policy, that's fine, but it kind of looks bad for us to be dictating to our staff. They're recommending this project, Northwest, and we're saying we do not have enough for July?

MS. BOSTON: And for the other deal, Hayden Ridge, which is on here, it's fully recommended, HOME is the only source generally that would work. Our minimum unit size for a tax credits and bonds is 16 units. In small communities like Granbury, there would be no other way for them to fund this.

So while I definitely appreciate the desire to make sure that there's enough HOME money for the 9 percent, I also want to make sure there's some HOME money out there for the deals that couldn't work otherwise, and this second deal is in that boat.

MS. ANDERSON: Right, wouldn't work any other way.

MS. BOSTON: Right.

MS. ANDERSON: Why are we being asked to approve Hayden Ridge before it's been underwritten?

MS. BOSTON: Hayden Ridge has been underwritten. I think it was just a clarification that Bill inadvertently was referring to both, and indeed, has been underwritten, it's fine. Northwest is the only one that had not been underwritten out of the two.

MS. ANDERSON: Do we usually not see underwriting reports on HOME deals?

MS. BOSTON: I apologize. It's the Multifamily Division's responsibility to get it in there. I'm sorry.

MS. ANDERSON: It's okay.

MS. BOSTON: Tom did it.

(General laughter.)

MR. GOURIS: I can tell you about if, if you'd like, since it wasn't in your board book.

MS. ANDERSON: Okay.

MR. GOURIS: We looked at it. They ended up with $420,000 in cost for eight units; two are one-bedroom and six are two-bedroom. We ended up with a higher cost estimate of $487,000. We believe that there is the potential for them to repay at a 1 percent rate versus the zero percent rate that they asked for.

Because that difference in cost is a pretty significant one and there's not a lot of cush in their budget, we've suggested that they be prepared to defer 100 percent of developer fee, and to find $2,504 in additional support, or provide a fixed price contract or some other mechanism to show us that they can actually build it for as cheap as what they're recommending. Because what we don't want to have happen is that they have to come back and ask us for additional money, we'd rather get it taken care of at the front-end.

MS. ANDERSON: And we're really the only source of funding for this thing other than this $2,504 they're supposed to go off and find.

MR. GOURIS: That's correct.

MS. ANDERSON: Which is more like what we're used to seeing on most of our HOME stuff.

MR. GOURIS: That's correct. And this is like the third or fourth phase of a development of eight to ten units and this would be the last phase in that section.

MS. ANDERSON: Sort of like an Affordable Housing of Parker County kind of gig.

MR. GOURIS: Exactly. And which you'll see in a little bit which we also have underwritten, but I think that report did make it to the book.

MR. FLORES: Madame Chair, what's it going to hurt if we postpone this for one month?

MS. ANDERSON: Mr. Hamby is signaling about six weeks, May 4.

MR. HAMBY: The next board meeting will be May 4 that we have an open agenda; our April meeting is reserved.

MR. FLORES: But the question is still the same. What does it hurt to wait that period of time and kind of get our act together and decide what our policy is going to be, and then kind of take all this under consideration?

MS. ANDERSON: I would put them as two separate items because they're very different deals. Now, I know we can have a motion here right now to approve one and not approve the other one today.

Is that officially a motion to table?

MR. FLORES: No, not to table but to postpone until the next meeting.

MS. ANDERSON: Table till the next meeting.

MR. HAMBY: Actually, he's correct. In Robert's Rules of Order, it's postpone; table is when you're going to take it back up on this agenda.

MS. ANDERSON: I obviously got to brush up.

(General laughter.)

MR. HAMBY: Can I get a clarification on that as far as are you saying to postpone both to the next meeting or postpone one?

MR. FLORES: That was the intent, both.

MR. HAMBY: To postpone both.

MAYOR SALINAS: But if you do both, you lose one for sure which is the Granbury, Texas.

MS. BOSTON: Yes. I mean, in my opinion, with all due respect, I don't see necessarily a reason to postpone the Hayden Ridge deal because it is indeed solid and is a typical use of our HOME funds.

MAYOR SALINAS: Why don't we go ahead and postpone the Northwest Residential in Georgetown and approve the Hayden Ridge at Granbury.

MR. BOGANY: I second the motion.

MR. FLORES: Well, let me change my motion then to postpone only that one project.

MAYOR SALINAS: And then we go ahead and approve the smaller project which is very important. We'll probably lose it if we don't approve it today.

MS. ANDERSON: So the motion on the floor is to just postpone -- that's all we're voting on right this second -- the motion on the floor is to postpone action on Northwest Residential to May. That's all we're voting on right now.

MAYOR SALINAS: Yes, that's right.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.

MS. ANDERSON: Motion carries.

MS. ANDERSON: Now we might be ready for a motion on what we want to do about Hayden Ridge.

MAYOR SALINAS: I move to approve the Hayden Ridge at Granbury, Texas.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: The last item under item 5 is presentation, discussion and possible approval of HOME CHDO Rental Development and Operating funds to Affordable Housing of Parker County. They're requesting $358,800 in HOME CHDO Rental Funds with $16,000 in Operating funds. this would be for the Family Estates of Bridgeport, number 05265.

The application is in the final phase of a multifamily development and will include 56 total units when completed; six of those units would be for general population.

MR. BOGANY: So move.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: Item 6 was for the financial items for the Single Family Bond Program, and at this time I would recognize Mr. Byron Johnson to go quickly through those items.

MR. JOHNSON: Good afternoon. Byron Johnson, director of Bond Finance.

Shall I read the items, or how should we proceed?

MR. GONZALEZ: Basically, we went over this in our Finance Committee meeting. The recommendation was that we would recommend to the board that they approve the proposed Single Family Bond schedule as reflected in the table above. If there's any questions from anybody not on the Finance Committee.

MAYOR SALINAS: Second.

MS. ANDERSON: I have just have one question, I hope it's real quick. On these tables, both on the first agenda item and in the second one, there's no Program 60. Was there just not a Program 60?

MR. JOHNSON: Program 60 was an MCC program.

MS. ANDERSON: Okay.

MR. JOHNSON: We have representatives here from CitiGroup Global Markets, and at the board's pleasure, they have some information pertaining to market dynamics that I think would be of interest to the board. It should take no longer than five minutes.

(General talking and laughter.)

MS. BARTOLETTI: I'm Amy Bartoletti from CitiGroup Markets, and as Byron said, I'm just going to take a few minutes here. Time me and give me a warning.

I just want to talk a little bit about the interest rate market and how that affects single family programs like that of the department.

The last couple of years, I think as most of you know, have been quite difficult. There were very high rates of prepayment, there was very little spread between what conventional rates were and what can be had on a single family mortgage program financed with tax-exempt bonds, and there was extreme negative arbitrage. The good news is that those conditions have abated; the bad news is that the market is still quite competitive.

And Byron actually did a little presentation last week at a conference and many folks were very impressed by some of the radio commercials that you guys have, and I'd like to say that's a very effective way to reach borrowers in the state and I think that will very much help reaching the competition in getting the program out there.

If you turn to page 2, it just shows what's happened with short term rates. As you know, the Fed has increased rates 14 times since the middle of '04. With that, taxable rates, short term rates have increased; tax-exempt rates have gone up as well but not nearly as dramatically, as you'll see.

On the next page, page 3, we just give you a brief indication of what's happened with long term rates. As you see, 10-year treasury yields are still at historic lows. There has been a modest increase in those over the last year, but not nearly as much as the increase on the short term side.

Turning to the next page, what this means is that the treasury yield curve has flattened very considerably, to the point where it's now even a little bit inverted. And by that I mean that the one-year treasury rate is actually higher than the 30-year treasury rate today.

On page 5 the municipal curve has flattened as well but not quite as much. It still does have a little bit of a curve to it. That means that bonds that you use, such as serials and PAC bonds, still do have some benefit today and you'll continue using those probably in the program going forward.

On the good side here, what does this all mean for you and for the program? As I said, negative arbitrage is no longer a concern. What I mean by that is if you go out and invest your bond proceeds today in a short term instrument, you're not going to have that negative arbitrage that you had in the past. In fact, the six-month treasury rate is about what you're going to earn on a long term fixed rate deal, so there is zero negative arb, and if you invest in investment agreements, that's actually even higher than the long term bond deal today. So that's great news for the department.

Relating that to what has happened in the conventional mortgage market versus the rate you get on mortgages funded with tax-exempt bonds, over the last couple of years it's been very, very difficult to produce a competitive mortgage product. That's why you've had to turn to things such as interest rate swaps to even get a product that could compete with conventionals. The good news is with the increase in rates, that spread has widened a little bit. So if you do a deal today, you're going to see some spread between conventionals and the rate you would produce, and Byron will talk a little bit about the rates you're going to see in this market.

I'm going to skip the next page because it's not particularly important, just talks a little bit about forward swaps. But some additional implications on the bond side is that premium PACs are still being widely employed. I think you're going to be very happy with the performance you get by using premium PACs to fund down payment assistance. Today the spread to MMD -- which is a municipal market curve that we use to gauge things -- the spread to a comparable yield is about 65 basis points today, it was about 100 basis points just a year ago, so you're getting very good rates on that.

And you're also seeing increased participation on housing bond deals; investors are out there reaching for yields. So not only do you have Freddie Mac participating, you also have many insurance companies coming in and bidding for the bonds which is great news for the department.

That's it.

MR. JOHNSON: So with that, I would entertain any questions you have about the first item.

MS. ANDERSON: Is there a recommendation of the Finance Committee?

MR. GONZALEZ: Approve the Single Family Bond Schedule.

MS. ANDERSON: Is that a motion?

MR. GONZALEZ: Yes.

MAYOR SALINAS: Second.

MS. ANDERSON: Do we have a quorum, the three of us?

MAYOR SALINAS: Not right now.

MR. GONZALEZ: We need one more.

(General talking and laughter.)

MS. ANDERSON: Thank you, Mr. Gerber. We never did announce Mr. Gerber. We are, of course, very pleased to have Mr. Mike Gerber from Governor Rick Perry's office with us today, as always. I don't think we have any other members here today.

So we already had a motion on the floor?

MR. GONZALEZ: Yes.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: Item (b) pertains to the preliminary approval of our Single Family Mortgage Revenue Bonds issue, 2006 Series A and some other series.

As you know, in the past in our most recent transactions we've used a combination of fixed rate bonds and variable rate bonds. Also, as you may have noticed in the market, we had slight movement in rates going up recently. So Bond Finance has deviated from its normal practice of coming to you with a recommendation and we've come to you with three scenarios that represent current market conditions.

The first scenario shows under 100 percent fixed rate bonds what the interest rates would be using that traditional structure. Scenario number 2 reflects what would happen if we included in with the 100 percent fixed rate bonds a refunding transaction. And then scenario 3 reflects fixed rate bonds with variable rate bonds and the refunding transaction.

By including the refunding transaction, we pick up like 20 basis points or so in lowering the mortgage rate and subsidizing the mortgage rate, and then by including a swap and variable rate bonds on top of that, we would pick up another 28 to 30 basis points.

So you can see just by going to market with a traditional 100 percent fixed rate bond issue, the mortgage rate unassisted would be 5.58 percent. If we incorporated the 40 percent variable rate bonds and hedged them with an interest rate swap and included a refunding, the rate would be about 5.07 percent. In comparison to the current market rates for FHA loans with two points, that would equal about 5.75 percent.

So I guess the objective here is to achieve a lower cost of debt and also achieve a lower mortgage rate and ensure that our funds originate.

So this to illustrate the differences in what's occurring in the marketplace, I know rates have gone up but rates have not gone up to the point where we still can build in that full 90 to 100 basis point spread below conventional market rates. So that's why Bond Finance is recommending that we consider going with scenario 3 which would include a fixed rate bond portion, variable rate bond portion, hedged with an interest rate swap, and including a refunding transaction.

MS. ANDERSON: Well, is that your recommendation? I'm a little confused because typically you do bring a recommendation and you bring a scenario, and this time you're bringing three scenarios. So this is a preliminary approval.

MR. JOHNSON: About 60 days.

MS. ANDERSON: You're going to come back to us on May 4 at that board meeting for sort of final approval?

MR. JOHNSON: Yes, ma'am.

MS. ANDERSON: Were you going to run the traps on all three scenarios and make a recommendation?

MR. JOHNSON: Pretty much. I wanted to show you that right now we still haven't achieved that full spread between a tax-exempt rate and a market rate, and right now we're focused on scenario 3, but if market conditions change between now and May, we may revert back to one of these other two scenarios.

And we left out a 100 percent variable rate issue because at this time -- 2005-A was 100 percent variable rate, but at this time that structure is not producing the benefits it did a year ago because rates have risen a little bit. So we have excluded that from consideration at this time, but who knows in 60 days, 45 days, rates may move down again and it may come back into play. But as of today, we're focused on scenario 3.

MR. HAMBY: Madame Chairman, as you are aware, the Finance Committee met today and the recommendation from the Finance Committee was that the staff move forward with this item 3 and bring it back.

MS. ANDERSON: I wasn't there so I'm just trying to understand.

MR. HAMBY: That was the Finance Committee's recommendation.

MS. ANDERSON: That's fine. I'm just asking some questions.

Yes, Mr. Bogany?

MR. BOGANY: I have no questions.

MS. ANDERSON: And then you talk about an interest rate cap, and we've done an interest rate swap, and as you are aware, I had a conversation with Mr. Dally where I asked that those things be explained to me. Can I look forward to that in May as well in a written explanation?

MR. JOHNSON: Yes, ma'am. And may I? An

interest rate cap is a different type of hedge, completely different from interest rate swap. You can use interest rate caps to build a swap, but they're two separate instruments, and it's an alternative hedge we're considering, once again, because of those market conditions.

MS. ANDERSON: And just so I have some clue about what it is I'd be expected to vote on on May 4, I just need a lot more information here than one sentence.

MR. JOHNSON: Yes, ma'am.

MS. ANDERSON: Just to understand the relative merits, why we would choose to do a cap when we've done a swap in the past. That kind of information would really be helpful. Okay?

MR. JOHNSON: Yes, ma'am.

So we're asking for preliminary approval of our structuring plan.

MAYOR SALINAS: So moved.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. JOHNSON: The next item pertains to an approval of Resolution Amendment for Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B.

Last year we came to the board and requested approval of adding an additional type of mortgage product, a zero points mortgage product. What we failed to do in that resolution was state that in addition to the zero point product, the trustee could also purchase assisted loans and unassisted loans. So what this is is merely a clean-up resolution to say: Trustee, you can buy all three types of loans.

MR. GONZALEZ: The Finance Committee recommended that we approve the resolution amendment for Single Family Mortgage Revenue bonds, 2004 Series And 2004 Series B, Program 61.

MR. BOGANY: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: The next item is an approval the department's Investment Policy.

Pursuant to Texas Code Public Finance Investment Act 2256, the department is required to maintain an investment policy. Even if we did not have that requirement, we still would recommend maintaining an investment policy.

The board is required to review and update and approve the policy on an annual basis, so what we have done is gone through and compared it to last year's policy and taken a look at any new legislation, and we've made two revisions. One revision was the addition of certificates of deposit that are offered by banks not domiciled in the state of Texas, and the other was a revision to the definition of investment officers. We took out the chief of Agency Administration and added in the director of Financial Administration. So the financial officer is really two individuals: the director of Bond Finance and the director of Financial Administration.

And those are the only two revisions we made: the definition of investment officer, and the addition of banks not domiciled in Texas offering CDs. And we've included a black-line copy for your review.

MS. ANDERSON: I just have one question on page 3. I just think there's a word -- I think it's just a typo, I think there's a word missing in the thing about the director of Bond Finance and the director of Financial Administration. Because the sentence reads: "Responsibility for the operation of the investment program is hereby delegated by the executive director of the director of..." I think you mean "to the" or something.

MR. JOHNSON: Yes.

MS. ANDERSON: So if you could just clean that up.

MR. GONZALEZ: The Finance Committee recommends approval of the policy.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: All opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. JOHNSON: The next item is Approval of the

Loan Star Mortgage Program Interest Rate Reset.

Last September we released a new mortgage program that provides 8 points of assistance along with a market rate for homebuyers who are not necessarily first time homebuyers. We felt there was a need for this product and it complements our mortgage program that addresses the needs of first time homebuyers.

We have been a little bit disappointed by the origination trend with the program since September, and in an effort to, shall we say, kick the reservations into a faster mode, we're proposing that we reduce the mortgage rate by reducing our fees that we earn on the program.

The Texas Department of Housing is reducing its fee from one point to 40 basis points, and CitiMortgage is foregoing its 20 basis points of administration fees, and that's really a 100 percent decline in revenue for them from an incremental basis. They will still earn their servicing fee once the loans are originated.

But we're hoping that in addition to additional marketing -- as we discussed this morning -- this rate would make the program a little bit more attractive to the lenders participating. It is a new program, My Community Mortgage from Fannie Mae is also new, there have been many changes, but we're just trying to do all we can to make the program successful.

MAYOR SALINAS: Six seventy-five?

MR. JOHNSON: Six seventy-five to six fifty to six and three-eights, six twenty-five.

MS. ANDERSON: What did you say the FHA number is today?

MR. JOHNSON: About five and three-quarters, five seventy-five with two points.

MAYOR SALINAS: Move for the approval.

MR. GONZALEZ: I second the motion that we approve the Loan Star Mortgage Program Interest Rate Reset.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. JOHNSON: The next item is Approval of 2006 Mortgage Credit Certificate Program.

We have executed three MCC programs over the past two or three years. We've had very good success with the programs.

As you can see on the page, the first table, we have about $3.2 million under 2005 and we have approximately $4 million on the 2005-A. Both of those balances are comprised primarily of targeted area reservation monies. On the 2005 program, that should be expiring pretty soon; I think the 2005-A program is further in the year. But in conjunction with the schedule for the year, we want to go ahead and start the documents are and get this process rolling and hopefully close the program and release a new program around July. We just would like to have a continuous flow of certificates available.

MR. GONZALEZ: The Finance Committee recommends that we approve the 2006 Mortgage Credit Certificate Program.

MR. BOGANY: Second.

MS. ANDERSON: I just have one question on the resolution. On page 2 of the resolution there's like a blank. Is there a number to go in there?

MR. JOHNSON: Yes. That should be $100,000. My apologies.

MS. ANDERSON: That's all right. I just never see anything but the signature pages on anything I have to sign.

Discussion? Hearing none, I assume we're ready to vote. Wait, on page 4 there's another blank.

MR. JOHNSON: On page 4 it should be $100,000.

MS. ANDERSON: Thank you.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. JOHNSON: Those are all of the Bond Finance items. Thank you.

MR. DALLY: Item 6(g) is Approval of Asset Management Oversight Agreement with Texas State Affordable Housing Corporation.

Back on April 30, 2004, the department published an RFP. We did get responses on that. We then went out with a team of myself, Ruth Cedillo, and Tom Gouris and interviewed the groups and looked at their work product.

It was our conclusion that Texas State Affordable Housing Corporation was the best choice. As you know, they have been the ones that have done our bond deals and 4 percent deals for some time, however, two or three years ago we actually took back the right to actually contract that out ourselves. It was a foregone conclusion that the Texas State Affordable Housing Corporation would do those asset oversights.

In our discussions with them, basically the proposal that staff is recommending is there will continue to be a $25 per unit fee. That would be split between the Texas State Affordable Housing Corporation at $22 and $3 for the department.

Then there was some discussion about the term of the contract. They originally wanted a minimum of five years. We've since discussed having it with a six-month termination provision by either party.

The final recommendation is for the board to authorize the executive director to enter into negotiations and finalize and execute an agreement to provide asset oversight services.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: Next under 7(a), this is a discussion of our disaster relief contracts. As you know, back in September and then again in October, the board moved to allow the executive director to approve contracts. We had funds set up of $1.8 million in the Housing Trust Fund under a Self-Help Bootstrap Program. We have two contracts that have come in: one, the Habitat for Humanity Texas in the amount of $470,000 for the Jefferson, Polk and San Jacinto counties; we then also have a second application from Port Arthur Affordable Housing Corporation for $750,000. That totals $1,220,000, plus administrative fees of $48,000. I've already signed those two contracts and so I'm asking for a ratification

We still have a remaining $531,200 that we're still accepting applications on. Homer Cabello has been marketing that and reaching out to other Habitats, and we're currently in discussion with some of them to take the rest of the funds.

MR. BOGANY: So moved.

MAYOR SALINAS: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

I want to thank Homer for his work on this. And I guess the only thing I sort of have a twinge about is where I see this language about we'll take apps until such time as the funding has been committed or the current fiscal year ends on August 31. And I think we might, as we move through the calendar year, want to revisit that statement. I mean, we've set it aside for Rita. My hope is that in your work with some of these other Habitat or other self-help kind of entities, we can get that money programmed and we won't still be looking at any on August 31.

When we're going to Washington asking for CDBG money and stuff and saying we have all this need from Rita and then -- we just need to make sure we're not sending a mixed signal, so we just need to be as aggressive as you can possibly be in finding capable grantees that could operate in these counties. Thanks.

MR. DALLY: The next item shows you our $8.3 million in partnership HOME funds that we put out for application, deadline February 28. That was fully subscribed from the 22 counties, and you'll see a list. We did use a tiering method which allowed Jefferson, Orange and Hardin counties to each get $2 million; there was then a second tier for Jasper County, San Jacinto, Tyler, Polk, Newton and Angelina counties for $300,000; and then finally St. Augustine, Trinity County and Shelby County would receive $166,667; for a total of $8,3000,000, plus admin funds of $332,000.

The contracts have not been drawn up so I have not signed off on them, but this proposal has been brought to our ERAC committee and approved.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: Motion carries.

MR. DALLY: The next item 7(b) is a discussion of the $74-1/2 million of Community Development Block Grant funds basically for disaster assistance to Texas for areas impacted by Hurricane Rita.

Right now, as of beginning 6:00 p.m. tonight, we will begin our public discussion -- well, let me back up just slightly. We're required by HUD to publish an action plan and we have put that draft and completed that on March 14. We then open up for a public comment period that will extend to March 30. We are also going to go out and have five public hearings, the first one being in Nacogdoches this evening. Tomorrow we will be in Beaumont and Livingston; on Wednesday we will have a hearing here in Austin, and then next week on the 28th we will be in Houston for a hearing.

At that time we will accept comment from the local jurisdictions with regard to the activities that they want to take up. One of the other issues is any additional waivers that they may request out of the Community Development Block Grant funds.

Our initial plan here is to receive four applications from the councils of governments of those four areas. They then will cluster up all of the local jurisdiction requests. The COG will administer the 55 percent of these housing funds for housing related activities. That is a floor but not the ceiling. They can, by local priority, raise that percentage for housing related activities.

The other thing that's out there for us for infrastructure, many of these cities and local jurisdictions have spent their funds, and as you may know, FEMA will only reimburse at this point 75 percent of some of those costs, so that remaining 25 percent, this would be eligible funds for that particular purpose.

As we receive the public comment, we will then redraft and craft a response a response as part of our action plan. This action plan then will go into the U.S. Department of HUD for their review. And then we're anticipating that they will put that on fast track and that perhaps by May 1 we would have an application crafted. We will then go out and do application workshops and begin accepting applications in the May 15 to June 15, all targeting for that early July board meeting to be making recommendations and get these awards out.

And we're hopeful that by taking these four applications and setting it up this way that we can speed the progress of this forward.

The other important thing to note is that both ORCA and the department are working together on the applications and scoring, but the final determinations of the awards will come through the Texas Department of

Housing and Community Affairs. It will be this board that makes the ultimate awards on that.

So this is just kind of an update on that particular process.

MAYOR SALINAS: No action on it?

MS. ANDERSON: This is just a report item.

MR. DALLY: It's a report item.

MS. ANDERSON: But the draft plan is out there on the website if the board members want to read it.

MR. DALLY: Yes.

MS. ANDERSON: A lot of people worked very hard on it, and on behalf of the board, I want to thank Ruth and Steve, Michael, Bill and everybody that worked hard to pull that report together.

I guess I should also say -- this is not one of my better days -- and I should have said it this morning, that I'm sure I speak for everyone on the board that we are very pleased that Bill Dally agreed to accept the role of interim -- is it interim or acting?

MR. DALLY: Acting.

MS. ANDERSON: Acting executive director at the department, and that's why he's presiding today, and we're all very grateful to Bill for doing that. And I assume that Bill is as grateful as the board is for the fact that

Brooke Boston agreed to become the acting deputy director. And then there's some additional, David Cervantes is in the acting chief of Agency Administration.

MR. DALLY: That's correct.

MS. ANDERSON: Who else am I forgetting?

MR. DALLY: And then Robbye Meyer is now interim director of Multifamily, and Jennifer Joyce is going to be manager in that particular area.

MS. ANDERSON: So change and transition is never easy, but I'm sure the board joins me in appreciation to all of the staff for stepping into these roles.

MR. DALLY: I've got one other announcement. Now, this is a permanent position, but Sandy Garcia is now our new HOME manager under Eric's area.

(Applause.)

MS. ANDERSON: Is that why she was being so quiet this morning when we were taking all the heat up here.

(General laughter.)

MR. DALLY: It's getting so late in the day, do we want to go over these report items?

MS. ANDERSON: Are you all comfortable reading the Executive Director Report items that are in your book, and if you have questions, calling Mr. Dally? -- because the hour is late. It just seems every month to be a lot to do.

So being no further business to come before the board, I would entertain a motion to adjourn.

MR. BOGANY: So moved.

MR. GONZALEZ: Second.

MS. ANDERSON: We stand adjourned.

(Whereupon, at 5:00 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Board of Trustees

LOCATION: Austin, Texas

DATE: March 20, 2006

I do hereby certify that the foregoing pages, numbers 1 through 231, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joseph M. Schafer before the Texas Department of Housing & Community Affairs.

3/26/2006
(Transcriber) (Date)

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