TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Thursday,
May 4, 2006

City Hall
1300 Houston
McAllen, Texas

COMMITTEE MEMBERS:

ELIZABETH ANDERSON, Chair
C. KENT CONINE, Vice-Chair
SHADRICK BOGANY
SONNY FLORES
VIDAL GONZALEZ
NORBERTO SALINAS

STAFF PRESENT:

BILL DALLY, Acting Executive Director

A G E N D A

P R O C E E D I N G S

MS. ANDERSON: Good morning. If I can ask you all to take your seats, we will begin. Thank you. Want to call to order the May 4, 2006, meeting of the governing board of the Texas Department of Housing and Community Affairs.

We are very pleased this morning to have brought our meeting to the City of McAllen. And I would like to ask Mr. John Ingram to speak please.

COMMISSIONER INGRAM: Good morning. I'm Commissioner John Ingram from McAllen. And I understand you were at Mayor Salinas's prayer breakfast this morning. And I hope that inspired you to do some good work today for the cities.

On behalf of Mayor Richard Cortez and the rest of the McAllen City Commission, I want to welcome the Board members of the Texas Department of Housing and Community Affairs to our city.

We are mindful of the mission of TDHCA in the provision of affordable housing opportunities to our less fortunate citizens and the oversight of other social programs that are so integral to the enhancement of life for the persons most in need in our communities.

We are proud of the accomplishment of our

McAllen affordable homes, nonprofit corporation and our McAllen Housing Authority. We appreciate all of the support of TDHCA for those programs. Thank you for holding your meeting today in McAllen, and we hope you have a wonderful stay in our city and in all of the Valley. Thank you so much.

MS. ANDERSON: Thank you, sir. We appreciate your hospitality and that of your citizens very much. We're delighted to be here.

First order of business is to call the roll.

Vice-chair Conine.

MR. CONINE: Here.

MS. ANDERSON: Mr. Bogany.

MR. BOGANY: Here.

MS. ANDERSON: Mr. Gonzalez.

MR. GONZALEZ: Here.

MS. ANDERSON: Mr. Flores.

MR. FLORES: Here.

MS. ANDERSON: Mayor Salinas.

MAYOR SALINAS: Here.

MS. ANDERSON: We have six members present. We do have a quorum. As is our custom the first item of business is to take public comment. Those of you that attend our meetings know that we take public comment both at the beginning of the meeting, or if the witness prefers, at the time that the agenda item is presented.

There are several people that would like to make public comment during the public comment period. So we will hear from them now. The first witness is Granger McDonald.

MR. MCDONALD: Thank you Madam Chairman. Couple things I'd like to discuss today. First of all I'd like to again ask the Board to consider forward commitments for Regions III and IX. We're just as affected in III and IX this year as the Hurricane Rita folks are.

In Dallas -- I can speak with some authority, we started a project that we started releasing in September right before the hurricane. One month later we're 100 percent occupied. We have polled our tenants. I think we've got about ten out of 140 that intend to move back to New Orleans.

The rest of them stay in Dallas forever. This has made its way all the way into the rural communities. In Kerrville, Texas, we have 48 families that came in and leased houses and apartments that intend to stay in Kerrville.

That doesn't sound like a whole lot, except it's 9.8 percent of our rental stock. And now we have no vacancies in the community and no affordable housing available for anyone. So again I'd like to ask you all to consider forward commitments in Regions III and IX.

And on another subject, it's my pleasure, I'd like to introduce the new executive director for TAAHP, Mr. Jim Brown. He's not a stranger to a few of you. I think Vidal goes way back with him. I'd like to allow him to say just a few words.

MR. BROWN: Thank you, Granger. This is not really a new thing for me. But I guess today is a new thing for me over in TAAHP. My history with the Department goes back just to the point when Preston Smith was governor for the State of Texas and B.R. Fuller [phonetic] was, I think, the number two executive director over at the Department.

We've been working with the Department, a lot of it through the community development block grant programs, but have been involved in housing throughout this period of time. We're looking forward to working with the Department and the staff and the staff and the Board in the near future.

And like an employed brother-in-law, you're going to see me on several occasions. I'm looking forward to working with you. And thank you for the opportunity of speaking to you this morning.

MS. ANDERSON: Thank you. Welcome and congratulations on your appointment. If I could just ask you to be sure and fill out a witness affirmation form. Even with those brief comments that'll just keep it all squared away with the transcripts, et cetera. Thank you very much, Jim.

Mr. Gary Driggers.

MR. DRIGGERS: Good morning, Madam Chairman. I have a handout, if I could. Thank you for your time this morning. My name's Gary Driggers. I am the developer for Fenner Square in Goliad. Fenner Square was a project that was provided an award in 2004.

After our award we diligently pursued our construction plans as fast as possible. And we completed those in January '05. In 2004 we also received a commitment from the USDA for a 538 loan commitment. And we submitted our plans to the USDA in early February '05.

However, we did not receive our approval for those plans until November '05. Because of that we incurred significant price increases because of the hurricane situation and the higher gas prices. We were unable to lock in our price from our contractor until

December.

And as I said we incurred significant price increases. The first letter from that handout shows the increases that we incurred during that time frame. We are now 60 percent complete with our project. In '06 we filed for an incremental tax credit application of approximately $40,000 in '06.

And we're requesting for the incremental increase. The last page of that handout shows how we stack up as far as efficiency of tax credit awards in the state. And we are in the top 25 percent of all tax credit awards in the state for the past three years, 2003, 2004 and 2005.

And that's without considering the size of our project. And because of these increases we think it warrants just a consideration for the incremental increase of tax credits. And even with that incremental increase, we would still be an incredibly efficient award of tax credits, considering the size of our project.

And we appreciate your consideration, and thank you very much.

MS. ANDERSON: Next witness is Steve Ford.

MR. FORD: Madam Chairman, I have a handout presented. It's about the housing bust in Houston. I'm here to address the market study that the Department commissioned about a year ago, which basically says that Houston is not in need of any housing, that they've got all the affordable housing they need.

I own about 3,000 units in Houston. And since the middle of the summer -- actually prior Katrina -- we started watching our leasing numbers improve pretty radically. Although it wasn't until about February that it all kind of came together, and we began to see that there were three issues that had affected us.

Obviously Katrina probably filled some 75,000 units in Houston. Out of 600,000 that's a pretty big percentage. But the other items that affected us materially were interest rates moving up. Camden Benee [phonetic] believes they picked up 6 percent in occupancy due to a lack of new home additional disintermediation.

They're not losing tenants anymore to new homes, because they can't afford the new homes. But then the biggest issue is probably job growth. We had 78,000 new jobs in February to February and 10,000 new jobs in March alone.

So I think the market study was a good study when it was commissioned. I think though it is effectively obsolete right now. We opened a property in

La Porte, started leasing in December, 180 units. It was full in February, and we don't even got the property finished yet.

So I think the demand over there has really outstripped the market study. And I'm addressing this to any particular project. But you'll probably see me again in future months saying the same thing. The report by Barton Smith came out Tuesday of this week.

And it essentially says the same thing, that basically we picked up ten years of occupancy last year. And they expect to get back to the vacancy levels it was will take another ten years, given the growth of the market. Thank you very much.

MR. CONINE: Can we vote on whether we have to see him again?

MS. ANDERSON: Mr. Paul Schwab. We'll see if you can top that exchange.

MR. SCHWAB: I'm not sure I can, Madam Chairman. First of all, welcome to McAllen. I live here in McAllen. I'm president of Valley Mortgage Company here. And in addition to that I serve as board president for McAllen Affordable Homes that Commissioner Ingram previously mentioned.

My public comment today is basically just to say thank you. I have been involved in affordable housing lending on the mortgage side for some 20 years, 13 of which here in the Rio Grande Valley. And we've managed offices in Brownsville, Harlingen, two here in McAllen, Laredo, Eagle Pass, Del Rio.

So we're all along the Border. And I can tell that there's a profound effect that the single family mortgage revenue programs that this Department issue has on those communities. We do have locations in San Antonio, Houston and others.

But my primary focus is on the Border, as it relates to the single family mortgage revenue bonds that this Agency issues. As a mortgage lender I can testify today that to my memory it seems as though for at least the past ten years, there's been a consistent supply of funds available.

And I want to thank you for that. I think here until recently I was shocked. Of course rates went up. It's funny how profitable those programs become when rates go up, while you're sitting there trying to get rid of them during the other years.

But I can tell you the Valley Mortgage stuck it out with you even during those lean times. But until here in the last couple of months, we always had a nice steady supply with the down payment assistance. And I'd like to direct my comments to the Rio Grande Valley and to the Border region.

We're kind of fortunate in a way, in that you can still find some affordable housing stock in the area. But the financing is crucial for these folks. And as all of you know from putting these bond deals together, the homebuyers do have to meet the FHA requirements and the Fannie Mae requirements, et cetera.

That can be tough down here at times for various reasons. But the programs and particularly with the down payment assistance -- and I want to speak to Program 56 in particular, where there was a $10,000 soft second that went with it -- it made a huge difference in a lot of families' lives, because we were able to underwrite those mortgages.

And I'll give you a couple examples. A lady -- I'll give you a first name Andrea -- Andrea was a single mom with two teenage daughters living in Weslaco, Texas. And she was making about $1,400 a month gross income working in a hospital in a custodial-type employment.

And she'd been, like I said, living in public housing, worked for a good bit of time, getting raise after raise. And at some point her subsidy was changing, so she was ready for home ownership. We were able to get her a repossessed home, three-bedroom, one-bath, brick veneer home about three or four years old, central air and heat.

And because of the $10,000 DPA that went with it, I was able to underwrite her for an FHA mortgage with an interest rate -- I believe it was in the 6 percent range at the time. But the fact of the matter is, we were able to get her a payment somewhere right shy of $400 a month, including taxes and insurance.

Now, when you have a household income of $18,000 or less my goal, both as chairman of McAllen Affordable and the work we do in the private sector, is to get that total payment of $500 or a third. The down payment assistance in that particular program made a profound effect on her life.

And I can sit here and quote you case study after case study that I was involved in personally in helping people. I've kept up with some of those families. I've gone back and dealt with them. The interest that they take in themselves, the interest they take in their children's education, it's profound.

For us as lender -- we're trying to assist those people -- I cannot tell you the amount of people here along the Border region, a lot of single moms working hard, but their incomes are about $18,000 or less. To really meet the underwriting requirements, these particular programs, the down payment assistance, particularly if you can keep the rate below 6 percent that's crucial.

It makes it work for them. Your Honor, as a lender I kind of write this up to pro bono work. And I thank all of you for your service on this Board, because I know you do it pro bono as well. The costs of originating a mortgage about $1,100 a month approximately, little more -- you've got to keep the housing price to $60,000 to assist the families that we're trying to assist.

So you make your two points. You're making $1,200 a loan. Again I'm happy to do that. That's pro bono. But you can see where it's crucial to keep the programs. And the one comment I would make to you is as you develop these programs, and as people approach you about them, keep them as streamlined, as simple as you possibly can for the lender.

I think one of the problems you get into is if it gets too complex, too many hooks, too many this, that and the other, I have a hard time keeping my loan officers focused on even wanting to fool with them. And what happens is, I will with fool with it, because I'll take the time on Saturday day morning to help a family out.

I just write it up to, hey, that's what we need to do, because the Valley's been good, the Valley Mortgage, and we want to help everybody out. What happens is that our industry unfortunately has become more and more about the individual loan officer that deals with the customer making as much money as he can off that customer.

And if the loan officer can't make that much money, and it's a complicated program, they have a tendency not to work on it as much. But that's the only insight I would give to you. I've wanted to come speak to you for many years and tell you what a wonderful job your staff does.

We've worked with Eric Pike for a lot of years. He goes above and beyond the call of duty to help us and to make the program as user-friendly as he possibly can, and his staff. They always return the calls in a very timely manner, always results-oriented, always trying to help anytime we've got a project or a specific family.

A lot of people in government -- I'll say the bad word, bureaucrats -- you call them with a specific family. It's like, well, yes, whatever. But these guys really get up and try and help you out. Another key component as I related to you earlier about the fact that this is kind of pro bono work for us, is having a master servicer.

Because when you deliver loans, you make a loan, you deliver it to somebody, you're not interested in having a big process or big deal in getting that done. I can tell you that I'm at the point now -- I've been doing these programs for many years.

I've worked with a lot of master servicers, a lot of local HFCs. I've flat out gotten to the point to where there's a lot of master servicers we just won't work with. I don't know care who to program. We had one here in Cameron County, where a master servicer was so inefficient, we just told Cameron County, hey, we're out of this thing.

And we threw out that master servicer. Countrywide took over. So I want to comment you for Countrywide as your master servicer. Tim Almquist heads it up. He's also the kind of guy that returns your call, results-oriented, gets it done.

I do a lot of business with Countrywide and their various departments within Countrywide. The bond unit by far within that corporation is the most results-oriented, get-the-job-done quick in there. So I want to commend you for your choice of Countrywide and encourage you to stick with that.

I appreciate everything you all have done for the Rio Grande Valley. I do encourage you to keep a steady supply of bond money out there, because it really makes a difference down here. Thank you very much.

MR. CONINE: Excuse me. I have a question, if I might, Madam Chairperson.

Thank you for your comments by the way. We really appreciate those. Would you be interested in maybe jotting down some of your thoughts about how to make our bond program more user-friendly. For those of you who actually deal it out on a daily basis, I think we would have an interest in hearing from you.

I know the Department occasionally has round tables to try get input from a lot of our originators out there. But if you hadn't had a chance to come to one of those, if you hadn't had a chance to visit, we'd love to have your thoughts on paper.

MR. SCHWAB: Be happy to. You bet.

MS. ANDERSON: Thank you very, very much.

We're now ready to proceed with our agenda. Before we do I just want to, on behalf of the Board, thank Bill Dally -- and we will do so more formally at our next meeting in Austin -- but thank Bill Dally, who has been doing an absolutely outstanding job as our acting executive director. And we're very grateful to you, Bill.

Then I assume all of you, certainly most of you in the room know the Board has selected a permanent executive director for the Department who is with us this morning, who many of you all know, Mr. Mike Gerber.

If you'd please stand, Mike.

We're very excited about having Mike join the Department in the middle of this month. And then you will then begin to see him up here at our Board meetings. And I know that the Board's very excited about his selection. We're very confident in his commitment to affordable housing and his considerable skills and dedication to working with each one of you as our partners in this effort.

So we'll have some more to say about that next month. Okay. So we're ready to proceed with item 1 of the Board agenda, which is the consent agenda. We're trying this, trying to put items on a consent agenda that we can act on as a Board in block.

Mr. Hamby will come explain how we will determine whether things stay on the consent agenda or come off the consent agenda.

MR. HAMBY: Thank you. Kevin Hamby, general counsel for TDHCA. Madam Chairman, because our agendas are growing longer and longer, as you well know, we looked at issues historically that have been less controversial or required less public discussion or had less public comment placed on them.

Inside each of your Board books and available on the TDHCA web site is the Board book backup. So anyone who has an interest in the consent agenda items can come forward and read and be briefed on it. As today we had an example of item 1(f).

Someone had requested to speak in public on it. So it will be moved to item 7(g), assuming that's okay with the Board. And that's how were going to do this. If a Board member has any objection to any item being on the consent agenda otherwise they'll be treated in block, made as one motion and approved and recorded so in the Board minutes.

MR. CONINE: Move approval of item 1.

MR. BOGANY: So moved.

MR. HAMBY: That's with the exception of 1(f).

MR. CONINE: 1(f) pulled to 7(g).

MS. ANDERSON: I also just realized that I have another individual, Mr. Lynch, that wanted to make public comment on 1(d).

Do you support the proposed recommendation?

MR. LYNCH: I do. I won't need to speak on it.

MS. ANDERSON: Thank you for that clarification, Mr. Lynch.

Was it seconded?

MR. BOGANY: Yes.

MS. ANDERSON: Discussion?

(No response.)

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

MR. FLORES: Madam Chairman, a little point of order here -- not a point of order, point of information. The way this thing's going to work is that consent agenda will be item 1, and we can pull any and all whatever it is we want to pull from full discussion, I guess.

And at this point we're discussing any and all those -- I'd like to pull out 1© if that's okay with Mike.

MS. ANDERSON: So we have an amendment to the motion to pull item 1(c). Is there a second?

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume we're ready to vote. All in favor of the amendment to pull item 1© say, aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The amendment carries. So now were voting on the main motion, which is approval of item 1, with the exception of 1© and 1(f). Everybody clear? All in favor say, aye.

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. And so 1© and 1(f) now will come down to the bottom and will become portions of item 7, 7(g) and 7(h).

MR. CONINE: I think 1(f) did because it was a multifamily issue. You might want to go ahead and do 1© now.

MR. HAMBY: Correct. 1© will actually move to the other item, the Office of Colonia Initiatives on the agenda.

MR. CONINE: Where do you want that (c)?

MS. ANDERSON: With the Board' indulgence, let's just go ahead and take up what was formerly agenda item 1© now.

Mr. Dally, if you might take us through a brief explanation of item 1(c), and then maybe Mr. Flores has some questions.

MR. DALLY: As you recall the Board set a policy. We identified funds last fall for the Hurricane Rita effort. And this particular item is for the Housing Trust Funds where we identified $1.8 million for self-help, bootstrap efforts.

We've had two awards that I've already made in the East Texas area. And this is the third award and will finish out that $1.8 million. And this is for the Newton, Jasper, and Sabine Counties self-help housing in East Texas.

I do want to add though. This would be for your ratification. I've already approved and addressed this. However, in a later item their full request was for $624,000. So when we get down to the Housing Trust Fund item, there'll be a place there for the Board to approve additional funds to fill out that full request. I'll answer any questions.

MR. FLORES: How much money is left?

MR. DALLY: The $530,000 will complete the award, except I think there's a small amount of about $800 or whatever. It's done kind of on a per-unit basis. So there was about $800 that was left.

MS. ANDERSON: Let's go on the part that made $1.8 million available under this program.

MR. FLORES: And how many counties were eligible for this.

MR. DALLY: All of the counties except for Harris.

MR. FLORES: What was the criteria for selecting these three counties? What determined that versus others? You've got Newton, Jasper, Sabine. What about Chambers, what about --

MR. DALLY: We took a tier approach. What we did is look at the FEMA data on damaged housing. And as you look at that, the deepest or most impacted were those counties right there close to where it made landfall. And so it was on sort of a tiered approach.

MS. ANDERSON: And there were previous awards made in other counties.

MR. FLORES: Jefferson County got some?

MS. ANDERSON: Yes.

MR. DALLY: In this instance there were also awards of about $8.3 million in HOME funds also to this same eligible areas. So we had two sources of funds, one being the Housing Trust Fund for this $1.8 million as bootstrap self-help.

And there was another $8.3 million in HOME funds.

MR. FLORES: What other counties other than Jefferson? Newton, Jasper and Sabine received funds? I think that's it, those four counties. Those are the only four counties they've got.

MR. DALLY: That this award.

MS. ANDERSON: That's this award. We started with $1.8 million. We made an award to a Habitat chapter that I think covered more than Jefferson. It covered Orange as well. There were maximums set, so that the money would be spread out in proportion to where the damaged units were.

And then it was an open-cycle NOFA. And so it was a first come, first serve.

MR. FLORES: In the data the damage assessment by FEMA was essentially the basis of our allocation. Okay. I just want to be fair about this. I don't know anyone that thinks that they received the appropriate amount.

I feel I need to be informed. I live in that part of the state. I know many people in that area. If you're satisfied that there was a fair and just distribution, I suppose I can sleep well tonight, and I can send my complaints over to you.

MR. DALLY: Well, let me make a final comment. We're aware that this is a modest amount of funds. And it does not near cover what that area needs. And we currently have an action plan submitted for another $74.5 million of CDBG funds that will also be going into that region.

It again is not enough funds for what needs to be done. But these were the sets of funds that we had as far as deobligated funds that were already our resources, without going to the federal government. In house we found these funds and put those forward.

And now we're working with HUD on these CDBG funds to come in and do housing and infrastructure. But we still haven't really completely solved the problems yet. This is a start.

MR. FLORES: I just need to be satisfied that we did a fair and just distribution. That's all I'm concerned about. Thank you.

MS. ANDERSON: Why don't we maybe have Homer take this $1.8 million and this award and the prior awards and send Mr. Flores, because he wasn't on the Board when those first things were done, and give him that full picture of all the $1.8 million went, how many units into how many counties.

The other thing that the Board did on this. Normally the Department doesn't commit funds without explicit Board approval. But because we wanted to put these monies out as quickly as possible as soon as we were satisfied we had sound applications.

In this case for this $1.8 million we gave the executive director the authority to go ahead and make the awards and put us in a position of ratifying them after the fact. That's unusual. But we felt it was appropriate for the Rita zone in order to put the money out quickly.

MR. FLORES: Madam Chairman, I move approval.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. We're ready for item 2, which presentation, discussion and possible approval of Bond Finance Division items, Mr. Dally.

MR. DALLY: Madam Chairman, we had this on the agenda at the March meeting. And we had various financing options. We've since gotten some very good news on this particular issue. And I want to go ahead and bring up Byron Johnson to update you and bring you that good news on this deal.

MR. JOHNSON: Good morning. Byron Johnson, director of Bond Finance. Last time we met we had brought to you a proposal of various scenarios that involved possibly using variable-rate bonds and swapping those bonds -- hedging those bonds with interest rate swaps.

Since that time Freddie Mac approached us and came in and offered to purchase bonds for the statewide distribution system at what they consider to be market and what we consider to be market. And they also introduced a proposal to buy bonds, where the bond proceeds were to be used for the 22 counties in the Rita zone.

And their proposal was to buy the bonds at 25 basis points below market. Our investment bankers compared their offer to market conditions and comparable market rates and determined that it indeed was a good deal at that time. And we're coming to you now to propose that we go with that type of structure where Freddie Mac will come in and buy three series of bonds, all fixed rate.

And as you can see in Table 1 and Table 2 the resulting mortgage rates are very similar. There's minor variations that we'll be able to work out. But overall bond finance and financial adviser believe that we'll be able to achieve our program goals without having to issue the variable rate bonds and the swaps.

It'll be a much more simpler transaction, less risk and just easier to manage in the long run. So that's really the big change. This transaction is also comprised of two other series. And that's on the third page, Series D and Series E.

And those series will refund prior bonds. So altogether you have five series of bonds: A, B, C, D and E. A and B will go statewide. And Series C will be targeted to the 22 Rita counties for a period of up to one year. Then after that one year they'll be available statewide.

MS. ANDERSON: Questions for Mr. Johnson.

MR. BOGANY: Mr. Johnson, so what's the difference between the statewide and the C rate? Because I'm looking at it, and I'm trying to figure out, is the interest rate different for the Go Rita Zone.

MR. JOHNSON: The interest rate should be different -- will be. This was done for comparative purposes. But because Freddie Mac is offering the Series C bonds or will buy them at 25 basis point through the market, that rate should be lower.

It's not shown here because we applied the subsidy across all three series. But eventually we'll go back in and apply the subsidy to make the Series C bond rate a little bit lower.

MR. BOGANY: If I'm not a first-time homebuyer, and I'm in that 22-county zone, are they getting higher income limits? Or is anything special happening for them that are in the Go Rita Zone, versus the money that will be statewide?

MR. JOHNSON: Yes, sir. As a result of it being declared a disaster area and it qualifies under the Growth Opportunity Zone Act, first-time homebuyer requirement is waived. And this was considered one big targeted area. So the higher income limits and higher purchase price limits apply, as opposed to the regular non-targeted area limits.

MR. BOGANY: And so it'll be unassisted and assisted in those areas. Or is it just going to be --

MR. JOHNSON: For the statewide program, it will be assisted and unassisted. We started out with 100 percent assistance in the Rita zone. We may have to back off a little bit. But right now we're looking at 100 percent assistance in a Rita zone.

Eric Pike's area surveyed several lenders who operate in those 22 counties. And they stressed a very high need for down payment assistance. So we're trying to go with 100 percent assisted off of proceeds in that area.

MS. ANDERSON: And how much assistance?

MR. JOHNSON: Five points of assistance.

MR. BOGANY: Thank you.

MR. CONINE: Byron, this is a sizable offering. $282 million for us is -- do we have, anticipating another offering again this year? Or do we have any capacity left later on this year?

MR. JOHNSON: This will clear out all of our volume cap for 2006. We're using the remainder of our 2006 volume cap. That's about $110 million for the Series C for the Rita Go Zone. And then we're refunding our existing commercial paper.

The original proposal in March was just to refund the commercial paper. But after receiving what we might consider the wonderful offer from Freddie Mac, Bond Finance is recommending we go ahead and take advantage of market conditions now and issue all of the bonds.

MR. DALLY: Which then gets me to my next question. What do we do, I guess, in the spirit of Freddie Mac making the offer with the co-senior and co-manager positions on this particular bond issue, since their services, I guess, would be minimal at best on this one.

MR. JOHNSON: We've discussed that issue previously. Of course we'll follow the direction of the Board. And I think the Board will be interested in having us bifurcate the transaction, where Series A, B and C will be attributable to Citigroup.

And then the underwriting team will participate on Series D and E. And we will try to come up with some sort of compensation plan that would compensate the Citigroup for their efforts in structuring and putting together the Freddie Mac transaction, and then the remainder of the underwriting group in actually selling the refunding bonds.

MR. CONINE: Freddie's not buying though?

MR. JOHNSON: No. They may come in eventually and buy a piece of it. But they're buying all of the A, B and C.

MR. CONINE: Well, I'd be interested in some fair approach to that. And also I think that, since this would clean us out for '06, maybe some consideration for those co-seniors and co-managers for '07, if in effect they get short-sheeted. This way they get a chance to go again.

So if you would give that some thought. I know it's not in this packet. But I appreciate you giving that some thought and getting back to us on it.

MR. JOHNSON: I will pull together a proposal. And with Gary Machak we will jointly submit it to the Board members for their review and approval.

MS. ANDERSON: The June 9 meeting is that's a good time from your perspective. It's still part of the deal.

MR. JOHNSON: We're pricing actually May 22.

MR. CONINE: I thought it was already priced.

MS. ANDERSON: Okay. Hearing no objection from others on the Board and therefore presuming their agreement with the sentiments that Mr. Conine had just expressed about fair but not overly generous compensation for the other members of the team, there not nearly as many bonds to sell as usual.

I think we've been clear as a Board about our sentiment. And we'll just leave it to you to work something out, and just let us know at the next Board meeting what that looks like.

MR. CONINE: Or run that by me before you price. I'd like to see it.

MR. JOHNSON: We'll do that. Yes, sir.

MS. ANDERSON: That'd be great. I need a motion.

MR. CONINE: I move approval of item 2(a) and resolution number 06-014.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: The next item is resolution authorizing application to the Bond Review Board for the remainder of our reservation of the single family volume cap for 2006. We have to submit that and the application to the Bond Review Board to request the use of our volume cap.

This volume cap will be used for the Rita zone bond Series C.

MR. CONINE: Move approval. It's resolution 06-013.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: The next item is resolution 06-015 authorizing the extension of the certificate purchase period for single family variable rate mortgage bonds, 2005 Series A. We issued those bonds April of last year. The proceeds were used -- reserved rather quickly.

But just as a matter of the mechanics of processing the loans and allowing them time to close and get shipped and get pulled and be purchased by the trustee, it just takes several months. And we set the original origination period up for about a year.

That period is coming up for expiration. And we would like to extend this, so we'll have time to continue to process and close out the program.

MR. CONINE: Move approval resolution 06-015.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: The last item is an approval of the documents, submitting documents to the Federal Home Loan Bank of Dallas to potentially participate in their programs. We've been a member of the FHLB for several years.

We operate under a special membership. They made changes to their documentation and requested that we submit a new set of documents. These documents authorize us to participate in their lines of credit. But at this time we do not have any plans to participate.

We're just submitting the documents pursuant to their request. Before we would actually try to participate in their program and using their lines of credit, we would of course come back to the Board for authorization and go to the Bond Review Board for authorization.

But this is more of a mechanical form-keeping task.

MR. CONINE: My understanding is this is just updating the paperwork so we can participate in their programs. Is that right?

MR. JOHNSON: Yes, sir.

MR. CONINE: I've been one who's wanting to see us participate for quite some time. So this is good news to me. And I would encourage the Department to continue to try to find ways to use the Federal Home Loan Bank in financing some of our programs. So move for approval.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. JOHNSON: Thank you.

MS. ANDERSON: Thank you, Mr. Johnson.

I think it's appropriate to mention that Mr. Johnson has been a faithful and very effective member of the Department staff for several years. And this Freddie Mac transaction, it's very good news for homebuyers in Texas and very good news for the Department.

Would not be possible without the weeks and weeks of effort that Byron has put into putting together this transaction. And so we're very grateful to him. And it's really sort of unfortunately a legacy that he will leave the Department, because he has a wonderful opportunity with Fannie Mae in Washington, D.C.

And he will be leaving the Department shortly. He leaves very big shoes to fill. And we are very grateful for his service to the Department. Okay. Item 3 is presentation, discussion and possible approval of Portfolio Management and Compliance Division items. Mr. Dally.

MR. DALLY: Let me set you up with this a little bit. This item is a little bit unusual for the Board to see. But under the 2006 HOME rules there's allowed the executive director certain prerogatives to make contract amendments and adjustments just in the course of business.

And those limitations are an increase of the original award or $50,000, whichever is greater. Or if there's a significant decrease in benefits received by the Department in the estimation of the executive director, those particular items can be brought to the Board.

The typical extension that we see in this particular program is, at the end of their 24 months or as they approach that 24 months, we're making contact with them, and they've not fully drawn all their funds or necessary completed their activities. And so they will typically ask for an extension of time.

And that has typically been granted by the Department. However, these particular amendments are where they came in at application and intended to serve certain income groups. And now they're asking, with the reality of the situation they have now, they're asking that the Board grant them a waiver on that particular targeting.

And they've proposed new ones. Now, as the staff we're taking the position that we're going to come and not necessary bring those as a recommendation to you. So, let me walk through kind of each one and set up a situation for your consideration of a waiver.

MS. ANDERSON: May I just say one thing? As the Board considers these various items that are coming to us -- they're about eight of them -- as everybody knows, we've made significant changes in the HOME rules, where we're shortening the contract period, where we've reduced the amount of the award, to try to make that program put housing on the ground faster for the people who need the housing.

And we have a situation where we have a lot of HOME money that's theoretically been committed -- in the past the contracts have been two-year contracts -- and we just have a lot of our consultants that help local communities in the HOME program.

They have been conditioned over time to think they've got a lot more than their two-year contract period to get this job done. And the longer they take to get the job done, the longer the citizens have to wait to get into this new housing that they desperately need.

So, we've had these massive amounts of requests that have come into staff for changes in the past. And the staff wants the Board to begin to participate in reviewing these, so we can see, in my opinion, the benefits of some of the rule changes we're making that are going to shorten the time periods.

And we're going to raise the expectations of our HOME awardees for how we expect this program to perform, even if it means that the consultants that traditionally help these local communities have to adjust their business model, because, speaking just for myself, our priority is putting people in better, safe, sanitary, decent, quality housing on an accelerated basis, not granting extensions to have it take longer for that to happen. So thank you for hearing me on that.

MAYOR SALINAS: So these are people that have not performed as far as the contract that we've done with them. Is anybody here from those people? Is there a reason why they're not doing what they're supposed to do?

MR. DALLY: Let me lay out some specifics. Each one is a little bit individual. So let me kind of lay out some specifics. Then we can talk from that. This first one is Webb County. They have, as you'll note in the first paragraph, we've done a time extension to allow them an extra 12 months.

We've extended from August 31, 2005, to August 31, 2006. So staff has already made that extension of time. They are now coming in and asking to reduce the number of households from the original 16 now down to eleven. And you'll see a breakdown.

They had proposals on their AMFI. Originally they were going to do 14 at 30 percent AMFI and two at 40 percent. They are now asking at their request for range. It'd be two at 30, four at 40, four at 50, one at 60 for a total of eleven, instead of the original 16.

They're also going in and saying that this is going to cost them -- these rehabs and stuff are going to cost them more than they originally anticipated. That's another reason to scale about from the number 16 to a number 11.

MAYOR SALINAS: When did they first get the grants? Was it two years ago?

MR. DALLY: 2003. Yes. It would have been a 2003 award. They had their original 24 months. When we were checking on them to look at closing out that contract, they had not yet completed. So we've extended them another 12 months. But now they're asking to scale back on their targets.

MR. BOGANY: Let's just say we don't give them another extension or allow them to scale back. So what is the ramification for us not extending? You know, when you sit on something as long as they've been sitting on these, then Rita comes along. We have another hurricane season.

I'm sure they're looking at the cost of doing business. But they sat on it before we ever got here.

And they could have done it then. And so my thought is that if we cut our losses and move on, take the money and give it to somebody who wants to put it on the ground, what do we do? Or do we lose anything in this process?

MR. DALLY: And I want to ask if staff can bring a little more detail to this particular situation. This is Lucy Trevino with PMC.

MS. TREVINO: Lucy Trevino with PMC. The original extension was necessary, because they were waiting for infrastructure in the colonia to be put in place. So now the infrastructure's in place, they're ready to continue.

But they took applications, and the income levels of the applicants are higher than what the contract will allow. So without the extension they will only be able to assist, it looks like four people, instead of the eleven that they're requesting.

And they've already identified those eleven individual households. And they've assured us that they will finish by the amended end date, which is August 31, 2006. They've got their bids. They've got the families qualified. They're ready to go.

MR. DALLY: They've got about four months, according to this fiscal year.

MR. FLORES: Are those prices essentially guaranteed, held for a certain period of time?

MS. TREVINO: Right. They went out for bid. And these are the prices.

MR. FLORES: How long is the bid for? A bid normally is valid for 30 days. I'm asking you, is this something over and beyond that?

MS. TREVINO: I'm not sure.

MR. FLORES: What's happening of course is what Mr. Driggers was talking about here earlier. The escalation in construction is pretty substantial. You've got 31 percent increase already here. I would assume that $31,250, that they way underestimated the cost per unit.

MS. TREVINO: Exactly right.

MR. FLORES: So now they say they're going to build some-odd percent less units. Are these people qualified to handle a project like this? I guess it's a question of quitting while we're ahead.

MS. ANDERSON: Lucy, would you explain sort of the business model, where these construction crews move around from point to point.

MS. TREVINO: These are not. They don't have a consultant. They are working on their own. And typically for a reconstruct we have a cap of $55,000 per home, and that's what we usually see. So they're actually below this cap.

MR. FLORES: This $45,000, is it a two-bedroom, three-bedroom?

MS. TREVINO: I'm not sure.

MAYOR SALINAS: Is anybody here from Webb County? That's a problem that nobody's interested in taking care of when they don't even show up for the meeting. And they want an extension. They've had it since 2003, and that's ridiculous.

They should have built the house for $35,000 in 2003, but they just had no interest. That's what so discouraging about what they're doing in Webb County. Now they want us -- we're down from 16 to eleven. Next time you show up, they're just going to build three or four houses.

So I don't know what the executive director's going to recommend. Have they spent any of the $520,000? Nothing?

MR. DALLY: $1,000.

MR. FLORES: What happens to the money if we take it back?

MS. TREVINO: The money is deobligated from the contract and put back in the HOME pot and made available to other --

MR. FLORES: It'd be available for somebody else.

MS. TREVINO: Right. Or we could use it for disaster recovery.

MAYOR SALINAS: Well, somebody that can really put it to work. I mean, we've had it since 2003. It's just unbelievable.

MS. ANDERSON: Are the homes that are being reconstructed, have they been demolished?

MS. TREVINO: Not that I'm aware of, because sometimes they go ahead and demolish the homes. So then if we --

MR. DALLY: For people who are dislocated -- got to the point of rebuilding.

MAYOR SALINAS: According to what I just heard it was a new subdivision. They were waiting for it to get built, and they were going to build some homes there. Right?

MS. TREVINO: It's in a colonia.

MAYOR SALINAS: In a colonia. Well, they will reconstruct in a colonia in 2003.

MS. TREVINO: Individual houses within a colonia.

MAYOR SALINAS: What kept them from building those houses in 2004? You don't know.

MR. FLORES: They have no expert help. They have no one assisting -- worry about being able to do the project.

MAYOR SALINAS: How big is Webb County? How big is Laredo? I mean, you have a county judge in Webb County. You have four county commissioners that could probably give them some assistance. I see that we gave them $520,000.

And I see them not having any interest in building those houses. And we have other people and I'm going to say probably got that money and built those homes. Or Cameron County.

MS. ANDERSON: Is that your home county?

MAYOR SALINAS: No. I was born and raised in Starr County. I'm just saying that it's just too much time. For eleven homes I think that if you give that to Webb County itself, the county judge who are going to be responsible for accepting the grant and delivering those homes to the people that are in need of those homes.

We're not really helping anybody when they don't just anything done. And here they want another extension.

MR. CONINE: Let's be clear. They're not asking for an extension of time. What they're asking for is a reshuffling of the deck on income limits with what they've targeted and of course a reduction in the number of units.

And what they're saying is they can build eleven houses in four months when they've done nothing in three years.

MS. TREVINO: The delays on the front end were because of the infrastructure they were waiting for. Now that they're ready to go, we've told them they would not get another extension. And they've said that they will finish if allowed to change the income limits, they will finish by August 31, 2006.

We've told them the contract will not be extended.

MR. BOGANY: And the issue that we're going to have -- let's say in August they've got three houses done and got one. And then we sit here and take away from a family that's been sitting waiting on a house. Where at this point we just cut our losses.

MS. ANDERSON: By then they will be knocked down. So we'll be leaving somebody with a raw piece of land. We can't do that.

MR. BOGANY: So we take the money now and move it to someone who can get the job done?

MAYOR SALINAS: That's a nonprofit self-help home?

MS. ANDERSON: It's a Webb County Self Help Center.

MAYOR SALINAS: But it's got to do something with the County Commissioners?

MR. DALLY: Back in the back of the material behind the first set of our staff write-up are the individual request letters. And there is one from the Webb County judge.

MS. TREVINO: The original request came in from the Webb County judge.

MS. ANDERSON: This is dated February 6, 2000.

MS. TREVINO: And then the contact person is the director of the Webb County Self-Help Center, Paul Martinez.

MR. CONINE: I guess I have an issue with pulling the money: a) because I know there's been tons of conservation with eleven families up to this point. And their expectations are very high. And for me, if they say they can build eleven houses in four months, let's let them have a shot at it, at least from my perspective.

I guess I want to back staff's previous extension through August 2006 to see if they can get it done. If they can't, I'd say the heck with them. But for right now --

MAYOR SALINAS: I agree those people having an expectation as far as delivering all those homes. But who's going to stay on top of it? I don't see Homer Cabello here at all? Is he here?

MR. CONINE: No. He didn't make the trip.

MAYOR SALINAS: He didn't make the trip. But who's going to be on top of this program in Webb County?

MR. CONINE: Lucy can report back next month.

MAYOR SALINAS: Can you give us a report?

MS. TREVINO: I can give you monthly reports on their progress.

MAYOR SALINAS: I agree with you. I can understand those eleven families that are expecting those homes. But I hope they can get them done by August.

MR. BOGANY: I would just like to see some substantial construction by the next Board meeting -- something done.

MS. ANDERSON: Mr. Gonzalez.

MR. GONZALEZ: I agree with Kent also. We've got the people's names there. They expect it to happen.

And I think we ought to just continue and try to get this completed and learn from this experience.

MS. ANDERSON: Was that a motion and a second?

MAYOR SALINAS: I move that we go ahead and --

MR. CONINE: All we're doing is readjusting income limits and lowering the total number from 16 to eleven. And I'll second the motion.

MAYOR SALINAS: But we need it reported in the next meeting that we have in Austin.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. BOGANY: Can I ask you one question? That does include them giving us a monthly report from here to the end of August.

MS. ANDERSON: Right.

MR. BOGANY: So in 30 days we get a monthly report.

MR. DALLY: Moving on to the next one. This is the City of Ranger. They're requesting that their particular service area be expanded to include all of Eastland County and to change their target population from special needs to general.

Their particular situation is there were some wildfires. And so there's some residents that need that. But this is jumping categories from an application that came in to help special needs. And now they're wanting to broaden it out to the general category and also increase their service area.

Staff is not recommending that. But we're bringing it to the Board's attention to see.

MR. CONINE: Does the increase in service area take up that town that was wiped out by the wildfires out there? Is that what they idea is here? I can't remember the name of the town.

MS. TREVINO: It's the City of Ranger. And so it'd be expanding the service area from the City of Ranger to all of Eastland County. So it's just expanding.

MR. CONINE: There was one city that was totally wiped out there last spring, I think.

MS. TREVINO: Ringold.

MR. CONINE: And it is in Eastland County, I presume.

MAYOR SALINAS: And they're asking to go ahead and include --

MS. TREVINO: The entire county, instead of just the city limits of Ranger.

MAYOR SALINAS: And the staff's recommending that extension?

MR. DALLY: We're taking a general position is we bring these to you the very first time to say, no, we're not necessarily recommending them to you. But we're laying out some of -- and you saw on the last deal, they're good arguments on both sides.

It's for your consideration to grant the request now. Staff has denied it. We're bringing it forward to you. You can grant their request.

MR. CONINE: When is our next round of HOME funds, OCC programs going out?

MS. TREVINO: The application deadline was April 28 for the '06 cycle.

MR. CONINE: And that's a two-year cycle. Right?

MS. TREVINO: Yes.

MAYOR SALINAS: I move for the approval for the expansion outside Ranger.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

MR. CONINE: They're going to need more time to do -- they can't build this many houses in that short a period of time.

MAYOR SALINAS: But we also would like to have a report on everything we have so we can monitor what these areas are doing.

MS. ANDERSON: Are you suggesting maybe to incorporate an extension in this?

MR. CONINE: No. I'll wait until they come back and ask for it later on. What I was thinking is to go ahead and deobligate them now and get them to come back through for -- they're obviously going for the folks that got damaged in the fire and to come back through.

But if the application deadline's already passed, then I'm okay with modifying this request so that we can get some help out there.

MR. DALLY: I need to correct the record. We've just discovered that Ringold is in actually Clay and Montague Counties, not in Eastland County, so just to make sure that --

MR. CONINE: Well, this is families affected by wildfires in Eastland County, so I'm --

MR. DALLY: You had said on the record that it was probably Ringold in Eastland County and it appears to be in Clay and Montague Counties instead, so that was, if anybody's decision..

MR. CONINE: I'm okay.

MS. ANDERSON: Okay. Ms. Trevino, you have something else to --

MS. TREVINO: There's a FEMA article in the Board book. And it says 10,000 acres burned in Eastland County and in addition Ringold in Clay County and other counties as well.

MR. BOGANY: I'd just like to see a monthly report from this group on who they've helped. And I'd like to see that until the contract is finished.

MR. DALLY: If I could suggest, we could make that a general condition of the Department. There's this sense where you're granting requests. But if we grant requests that it's conditional on some timely reporting.

MS. TREVINO: We could probably add a special condition to their amendment.

MR. BOGANY: Which may include pictures.

MS. ANDERSON: Why don't we let staff go off and think about how to attack that one and report to the Board. And we do have a motion on the floor. Is there any other discussion on the motion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: The next one on the agenda is not up for further consideration. The Community Colonias Organization. They are no longer eligible in Maverick County to be the administrator for the Self-Help Center. And so that funding is gone. And they won't have the current staff.

So this is going to be a situation that we'll need to come back or when there's a substitute person perhaps.

I don't know, Lucy. Is this an instance where -- can we get a substitute player? Or is that just to bring, deobligated and put it back out?

MS. TREVINO: Deobligate.

MR. CONINE: Move to deobligate.

MR. BOGANY: Second.

MS. ANDERSON: Does this need Board action? General Counsel Hamby's saying this doesn't need Board action. So let's just go on to the next one.

Thank you for that clarification, Mr. Dally.

MR. DALLY: The next one is the Habitat for Council of North Central Texas. This service area is Collin, Ellis, Denton, Rockwell and Johnson Counties. They're requesting modifications to the income targeting requirements in order for them to assist two prospective families.

So what they've done is lowered their original 14 in the 50 percent AMFI to 12 and making those up as two more in the 60 percent AMFI.

MR. FLORES: But they keep the same number of units.

MR. DALLY: They keep the same number of units.

MR. FLORES: I move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. DALLY: The next one is the Southern Rio Services. This is in Raymondville and Willacy Counties. Here again they are making adjustments to their original request. If you look at what's happened here, the balance is shifting down to the 80 percent AMFI.

Should the Board choose we have an alternate recommendation that sort of splits the difference there, where instead of ten we would take it to five in the 50 percent AMFI, 20 at 60 percent, and then ten at the 80 percent AMFI.

But their request is five at 50, ten at 60 and 20 at 80 percent. There'd still be the total of 35.

MAYOR SALINAS: Would that work?

MS. ANDERSON: I have a question about the Board write-up. I just want to make sure I'm reading this right. In the second paragraph of the Board write-up, it says, "Re-scoring the original application based on the changes to income targeting would not have resulted in the awards."

So they would have lost points, and they wouldn't have been competitive in 2003?

MS. TREVINO: Right. They're requesting when we re-scored it, it would not have made it. So that's why we made an alternative to their request.

MAYOR SALINAS: What are they doing now?

MS. TREVINO: They probably would be able to help five more families. I'm not sure. This is an HBA.

MAYOR SALINAS: That's in Willacy County?

MS. TREVINO: Yes. It's an HBA. So it's not really difficult to find qualifying families.

MS. ANDERSON: But we're not rebuilding homes. We're providing homebuyer assistance, down payment.

MAYOR SALINAS: They do need it in what is the county fund.

MS. ANDERSON: Since October 1, 2003, they have not found 34 people to help?

MAYOR SALINAS: We have Mr. Briones from Willacy County. I'm sure he can give us an explanation why he hasn't been able to do the program right.

MS. ANDERSON: Yes, sir. Of course. When you complete your testimony, if you'd just fill out a witness affirmation form.

MR. BRIONES: My name is Francisco Briones. I'm the director of Southern Rio Services. Thank you for the opportunity. When we undertook this program in 2004 our focus was on new construction. We spent a year looking for homeowners that would build houses.

At that time we had about 40 applicants.

Unfortunately out of those 40 applicants 15 made too little income to qualify for financing, and 15 made too much money to qualify for financing. And out of the remaining, ten they did not have the credit score to qualify for financing.

So ultimately we lost a year of the contract period. After contacting staff we looked at refocusing our strategy and focusing on acquisition. So since November of last year we began identify families. At this point we have identified 18 families and are at different stages of being processed.

We already have one that we already closed on, three that are in the pending stages with the staff to be closed on. We have an additional ten on file online. And we have about six applicants that are pending to be worked on. So overall I think we're more than very rapidly in meeting some numbers.

Unfortunately the income categories that have been produced in the past few months are not in keeping with what was originally requested. So that's why we came in in March to request an amendment to the performance requirements.

That's what we have before you to reflect the actual reality of what we're having. If the Board does approve of the change in the numbers, basically what it means is only two families will be disqualified as opposed to seven families being disqualified. I don't know if that makes any sense.

MR. CONINE: Do you think you can with these changes get the money out the door by the end of September, which is the current time on it?

MR. BRIONES: Well, we'll give it a real good try. We have 18 right now in different stages of development. That's at least 50 percent. Realistically in answer to your question, I think we'll be getting about 20 by the time the contract period is over.

MR. DALLY: That's the commitment you're making.

MR. BRIONES: Yes.

MS. ANDERSON: Sir, I just want to be -- has staff discussed with you their recommendation which puts five units at 50 percent, 20 units and 60 and ten in 80.

MR. BRIONES: Yes, ma'am.

MS. ANDERSON: So that under that scenario you would have qualified for an award. Originally you would have had enough points. Do you understand that discussion?

MR. BRIONES: Yes, ma'am. Basically what it comes down to is that we only had two families disqualified under the staff recommendation.

MR. FLORES: You can find more to replace them, I hope.

MR. BRIONES: Yes.

MR. FLORES: Okay. You didn't say that part of it. So there's no problem in finding two families out there in Willacy County.

MR. BRIONES: We're in the process of marketing the program at this time. We're focusing on acquisition.

MR. BOGANY: Madam Chairman, are we ready to vote on this. Don't want to beat it to death.

MR. FLORES: I move that we go ahead and approve this recommendation.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Thank you, sir. The witness affirmation forms are where?

MR. BOGANY: Madam Chairman, I'd like to make a comment. And I comment to all the nonprofits out there in general. You really need to try to insist that you get help from experts in those industries of building houses and looking for clients.

And I think if it's been a year looking for people to qualify, I don't know why you don't call your local realtors association and ask, do you have any prospective buyers that might fit this criteria, because typically the realtor's the first person these people call trying to find it.

If I don't have a way to put them in house. I'm going to say I don't have any person who meets 30 percent, I can't even get you approved. And the realtors I don't know why nonprofit try to run away from the professionals.

It's like building these houses, and you're all trying to do it yourselves without bringing in expert people to make it efficient. You've wasted a whole year. And it may cost you more to build a house. Interest rates are higher now.

Everything is changed simply because a lot of your nonprofits run away from professionals. And if you can't find a realtor in your area, call the Texas Association of Realtors. I'm sure they've got a list of realtors in that area.

And I'm just encouraging you guys to partner with these professionals to get the project done. That's the goal. And everybody's going to get paid. When you do the title the title company gets paid. Why you don't want a realtor to share in something in this process that makes you more efficient.

It's just very frustrating to me to see it takes a year to find somebody to buy a house. I'm just taking this as a nonprofit; nothing against Willacy County. But I hear it and see it all the time.

MS. ANDERSON: Thank you, Mr. Bogany.

Okay. Mr. Dally.

MR. DALLY: All right. The next two, the Affordable Caring Housing is in Palestine and Athens Anderson and Henderson County, and the next one Affordable Caring Housing in Huntsville in Walker County. These are both TBRA contracts.

And they're asking for a waiver of the match that they initially had hoped to obtain. In the write-up it'll say in Palestine the Resource Center and the Texas Cooperative Extension Service. They were unable to obtain that match from that particular group.

And the next one they were looking for match from Work Source. You may want some comment from staff on TBRAs and the match requirement. The original match they had promised on the first one was $41,996. The second one was $24,000.

They do have difficulty out of their own cash flow in this particular program if their partners don't step and bring that match as they anticipated. Then they have issues trying to get a cash flow to bring their own cash for this TBRA.

Lucy, do you want to make any particular broad comments on TBRA and match.

MS. TREVINO: Rental assistance is the only category really that they can provide match for the HOME program. So it's a really difficult type of match to support, to provide the documentation. It's difficult for them. It's difficult for staff as well to verify the documentation.

About a year ago we did a study with our TBRA providers. And repeatedly they said match was the most difficult thing for them to provide.

MR. CONINE: Does that put us in any jeopardy with HUD relative to --

MR. BRIONES: We actually submitted the 2005 match report last Friday, April 28. And we have a $13 million carryforward. The match requirement through the Hurricane Rita waivers is also waived for 2006 and 2007. So any match that we get in '06 and '07 will also be banked.

So we have a little buffer with match requirements.

MR. CONINE: Move for approval.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. CONINE: That was for both of them.

MR. DALLY: Yes.

MS. ANDERSON: Thank you, sir.

MR. DALLY: The last one here is the City of Dayton. And here again they're asking for some changes on the group served. They're still targeting to do nine families. However, they would be changing from nine. The original award was to be nine at 30 percent AMFI.

Now it would change to five. And then they would serve four at 50 percent of AMFI. One thing to note is we did go ahead, so you could see in those particular geographic areas, what those income breakpoints were as part of this chart.

MS. ANDERSON: I have a public comment on this item that I think we should hear before we have a Board discussion.

Mr. Brian LaBorde.

MR. LABORDE: Madam Chairman, members of the Board. We did make the drive up here, and we stayed in La Quinta Inn, which is right next to a Holiday Inn. So we hope we do shed some light on this. My name is Brian LaBorde.

I'm assistant city manager with the City of Dayton. Along with me is Jay Rice, our grants consultant and administrative of HOME grants. And first of all we would like to say we're very appreciative for this money. This is our first-time award for this type, special needs assessment.

And we are going as planned with construction right now. We just have a small caveat to this. And that is a couple of households that are in dire need. They're just a little shy over the income limit, that we would like to have a little adjustment.

But we are ready to go. We're rolling with this, and we will meet our deadline.

MR. DALLY: [inaudible] per their request instead of nine at 30 percent, if we have five at 30 percent, four at 50 percent will that help the people you've identified. Or do you need another adjustment.

MS. ANDERSON: Sir, introduce yourself, Mr. Rice.

MR. RICE: I'm Jay Rice. I'm the management consultant working with the City of Dayton. Four families are under construction right now with housing. We have a fifth lady. She's eligible, and we're ready to do her house.

But she's backing off and saying she doesn't want to do it. We're not sure if we're actually going to be able to do her house. We have three other eligible families that are above the 30 percent level. And we're ready to do them.

To answer your question, Mr. Dally, we don't know if this lady that is the fifth one under the 30 percent going to -- if she's going to back out or not. So ultimately we may only have four below 30 percent. And it's possible we may need five above 30 percent.

But we don't know what she's going to do. She's saying she wants to stay in her house, doesn't want it torn out. It's one of those emotional things that she's going through right now.

MS. ANDERSON: Thank you for your testimony, gentlemen.

MR. BOGANY: And thank you for the photographs. It vividly points out why we have HOME programs. That was very helpful.

MS. ANDERSON: Mr. Conine, do you have a question for staff?

MR. CONINE: Lucy, would it have affected their scoring.

MS. TREVINO: No, it would not.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. At this point we're going to take a ten-minute break in our agenda and reconvene at 10:30 a.m.

(Whereupon, a short recess was taken.)

MS. ANDERSON: If I can ask you to take your seats, we're going to reconvene. We will come back to order. I direct the Board members attention to the back of the Board book under the executive director report items, the information behind tab four of that section.

We're going to take that order. This is a portion of the executive director's report on the HOME program funds, which is the group of funds we were just discussing and some additional information on contract amendments and extensions.

Because of the prior discussion this is connected to that. So I'd ask Mr. Dally to take us through this item.

MR. DALLY: As you can see this has been a hot topic or a part of our decisions in the past year or so. And we made some modifications to the new cycle of HOME rules based on some of the statistics here. And if you at this, staff has gone in and pulled the specifics and kind of categorized the particular extensions.

If you flip over to page 2 there's a table that outlines for fiscal years 2005 and 2006 the nature of HOME amendments that we processed. AMFI revisions, there were 12. Budget modifications are 18. Contract extensions -- those are extensions of time -- were 100.

Loan modifications, one; performance statement three; revise the number of units was eleven, for a total of 145 in fiscal year 2005. And then we've got some statistics in 2006, where we've got 16 on AMFI, 28 on budge modification.

Contract extensions again are the 56. And then revised the number of units for a total of 107. Let me outline that top paragraph. "The 2006 HOME rules were also revised to include incentives for performance. Applicants will receive points for having received an award and performed in accordance with their contracts and Department rules.

"If unsatisfactory performance exists on any prior award, regardless of set-aside or activity, a score of zero points will result in that category. In cases where entities have been funded for multiple years, the most recent award will be reviewed for performance.

"Unsatisfactory past performance on any contract will be forgiven within two years from the application deadline has elapsed." So it's not a death penalty. But in consideration when we're taking out a new round of funds, your most recent performance on past contracts will affect --

If it's been slow and you haven't gotten your funds done, it will almost count you out so far as consideration for a new round of funds, because you still have a set of funds you need to work with.

As a result of our new rules we are sending out some notice to all of our participants with existing contracts, sort of laying out some ground work, in that there will be consideration by the ED of a time extension of about six months, sort of without question.

Still we ask for the extenuating circumstances on those particular things. But then beyond that it's going to take probably Board approval or something. They'll need to come forward and explain to you, the Board, what their particular conditions have been.

Lucy, do you want to elaborate a little more? This letter I'm referring to is still in draft form. I haven't sent it out yet, but it's currently in draft form.

MS. ANDERSON: It's going to every one of our entities that have a open HOME contract. We're sort of sending an advanced.

MS. TREVINO: Exactly. We ran a report of all our open HOME contracts and all those administrators are going to get a copy of this letter.

MAYOR SALINAS: Are those mostly nonprofit?

MS. TREVINO: Cities, counties and nonprofit.

MAYOR SALINAS: Mainly you have problems with nonprofit. Who do you have more problems with?

MS. TREVINO: I don't know that there's a pattern.

MAYOR SALINAS: Any difference between the cities?

MS. TREVINO: I don't know that there's a pattern. Typically on OCC contracts what we see is we get to the end of the contract, and they've either demolished the houses are in the middle of construction. So our hands are kind of tied, and we have to extend the contract and let them finish.

One thing we also do is as they get to the end of the contract, we'll only extend for the amount of funds and the amount of activities that's actually committed. So if there's any funds that aren't actually committed to a household unit at that time, we'll go ahead and do a partial deobligation, so that those funds are no longer available to them, only what they've actually started.

MS. ANDERSON: Mr. Gonzalez, do you have a question?

MR. GONZALEZ: Yes, I have a question. Under the unsatisfactory past performance, where was the logic behind forgiving it after two years? Why did we come up with two years versus some other period of time?

MS. ANDERSON: Well, and I think this is correct. We've got a limited group of folks that we work with. To give them a death penalty longer than that, we thought that within that time frame -- what we've done is excluded them probably from our next round of set of funds, because they need to work those out.

But given two years maybe they've learned some lessons and are better equipped to do the programming. And then they can get back into the program, rather than it just kind of being a death penalty. My own conclusion as I look out at this is, is really there's a lot of room for participants who can really show stellar performance.

And that should be a thing that communities look to, that if the last community gets their contracts done on time, they're on the good list and have shown a capacity to get things done. But it appears there's still not yet enough capacity out there to really take up and timely commit and spend our funds the way we'd like to see it.

But these are all efforts to kind of move us in that direction.

MR. GONZALEZ: There's no doubt there's a need. I don't think there's enough will from some elected officials to get these things done. It's amazing that the Webb County judge would not get into it, because it's money that we obligate to those counties.

And they should be responsible for it and get it done and get people to get some help. I'm sure there's a need all over the Border. But somehow we've got to get it to the media that some elected officials is not getting it done.

They cannot just ask for the money, not get those houses built, because there is a need all along the Border, all the way down to El Paso. It's amazing that you get money in 2003 and you still haven't built the house.

This is very, very annoying. And I think we should use the news media to see how we can get people involved in our HOME program.

MS. ANDERSON: I think the staff wants the Board to know all the things they're doing to try to communicate with every HOME grantee we have to say, it's kind of a new day. Better get moving.

MR. GONZALEZ: Would it possibly be clearer if they said if there was unsatisfactory past performance they couldn't apply for the current cycle.

MS. ANDERSON: That needs to be written into the rules, so that we have a current set of rules we're operating with. Perhaps that would help clarify, and the staff would consider that in its drafting of the rules that will come to us in August.

MR. CONINE: Maybe what Vidal was talking about this on this next cycle, which is a two-year cycle anyway. A lot of these folks aren't going to be deficient, if they have September expiration dates or later-on expiration dates.

I think we need to be clearer in the letter that goes to -- did you say it was going to both cities and consultants. Is that correct?

MS. TREVINO: The letter actually goes to the administrator, which is the city or the county or the nonprofit.

MR. CONINE: No. I want it to go to both.

MS. TREVINO: If the city or county or nonprofit has a consultant, we copy the consultant on every letter.

MR. CONINE: Okay. Because what we need is those city councilmen and county commissioners or whoever to put pressure on the consultant to get those homes built. If all of a sudden they're now aware that time's running out, and here comes the two-minute warning, we need to make sure that they understand what the parameters are and a possible two-year deficiency that would keep them out of the hunt for the next round.

MS. TREVINO: We also started sending I guess about nine months of quarterly progress reports. So it's, this is where you're at. You need to finish by the contract end date. So were kind of monitoring them more during the term of the contract.

But the old HOME rules didn't have interim performance requirements. With the new '06 rules we'll be able to better enforce time lines.

MR. CONINE: And that's fine. Again I don't think city councilmen sit around and read our HOME rules. So they're not going to understand, except from a letter communication from us kind of outlining this. That's why I'm asking you, can you kind of pick it up and explain it to them, what the future problems might be if they don't perform on the last issue. So I think it's good we're doing that.

MS. ANDERSON: Let's make sure the letter that's being under draft includes that stuff about, failure to perform will damage your future applications because of the new performance criteria. And I think Mr. Gonzalez's point for staff consideration, is for the 2007 rules, staff should consider, if you got past performance issues in the past two years, you're not an eligible applicant.

And you ought to think that through and bring that back to the Board when the rules come back.

MR. CONINE: Deadline's already gone by, though. Right?

MS. ANDERSON: For this two-year cycle. Okay.

Anything else on that item, Mr. Dally?

MR. DALLY: No. I'd just point to you that we do have a very detailed report on what those amendments were and what the extension and number of days and the particular sets of money and stuff.

MS. ANDERSON: It's very disturbing that some of those contract lengths are highly extended.

Thank you for that report.

MR. DALLY: Actually there could be a slight tie-in to bring a point. The next report item will show you the balances that we have in our HOME funds. If I can, let me take a quick minute to kind of illustrate the size of this issue.

MR. CONINE: Leave it to CFO to want to talk about balances.

MR. DALLY: There's a good write-up that will walk you through sort of the sections of the report. But up at the top of the list in that first barred section, these are the HOME funds not committed to a contract. These are the funds that we'll have that are currently out in NOFAs.

So we're waiting for applications to come in and to come to you with our recommendations of award. Then dropping down into that second section, these are contract funds not committed to an activity. We've made an award to our applicants here.

But they have not identified yet perhaps the eligible folks to participate in the homebuyer assistance or owner-occupied. And the last figure is $24 million. The second figure is $80.5 million. So there's $80.5 million that we've set out for the purpose that it's sitting in the Treasury at this moment waiting to be drawn.

And that comes to some of our timing issues and how timely we get these things expended. And then you can drop down, and there's total funds not drawn. And that's $135 million. And I guess the big import of this is that if Texas speeds up and we perform and get this expended, then when disaster situations come forward or when there are things where we want to request other funds, we've got a good report card and can say that we're getting ours done.

We've got a good process, and we're getting awards, and people are getting contracts. It's that performance and timely of getting things constructed and getting it done across the state that's an issue. So that's the big picture view of it.

Out of that $135 million not drawn, $24 million is still we haven't brought to you for consideration. But the rest is sitting in a set of contracts. But they haven't drawn their funds and expended them.

MS. ANDERSON: Some of you all may know that in early April Mike Gerber and I went to Washington to make an appeal for more city block grant money for Rita and for some additional waivers from HUD to allow us to use some unexpended CHDO money from prior years to go and push that right into the Rita counties, to get the money deployed very quickly.

Part of the message from HUD during that meeting was, why are you asking us for waivers on your CHDO money when you've got $100 million sitting out there. We know it's committed to people, but they're not drawing against it.

And HUD looks from their perspective and sees this money just sitting there and being drawn drip by drip very slowly. And it makes them not very receptive to requests for us to get waivers. They're like, you have plenty of HOME money. Spend the money you have.

So this is all about putting our HOME house in order. And staff's working very hard on that.

Mr. Bogany.

MR. BOGANY: I have a question. And it's probably being done by staff already. But do we not have like regional meetings, where we sit down with cities and tell them how they follow procedures to get this money out?

It looks like the cities and nonprofit are relying on the consultants for information. And if you only got one or two -- I know if I'm out here, I'm thinking this is a great business opportunity for someone to -- the consulting business -- you want to switch from building to flood -- consulting.

But my thought is maybe regionalizing, where we go to a region and invite the cities in on how this money needs to be divvied out, the time frames, so they have some idea, because I believe they're relying on their consultants to give them info.

And they really don't know what the procedures are and why it is important to get this done.

MR. DALLY: Let me tell part of the story here. This HOME fund's in the process of getting environmental clearance. And doing all of the checklists of federal requirements is really the reason that they've created an industry for these experts or consultants.

The problem is, I agree with you, there aren't enough of them. For the vast amount of funds that we've got here and the opportunity that's here, we don't have enough people attacking them. But the problem is, ours is going into the non-PJ areas.

It's these small towns. They don't have a staff. They haven't done single audits. They don't know about the Davis-Bacon, all these federal rules. And so that's why they're relying on consultants to keep them on pace.

And their good faith is that they will keep on pace, stay in good stead with us and perform on the contract. But I agree with you. I think there need to be more participants and players in this, because as you can see there's a ton of funds available.

MR. BOGANY: And Mr. Dally, my follow-up -- I guess it won't be a question but a statement. Maybe we should be going to the major cities and encourage consultants to sign up, so that maybe we have a Yellow Pages of consultants.

So you go to Dallas; you go to Houston. You've got a lot of those guys there who may be willing to go to these small areas as a business opportunity. And I'd recommend to create a Yellow Pages of people that do this kind of consulting, and then help train them on what our new rules are.

It just seems like we need to move it farther. Maybe we need to reach out and put an RFP for example in Houston or Dallas or San Antonio or the major cities and see if you get some of those consultants, who are running around trying to get this money in Houston, where they've actually got business opportunity down in Goliad, but don't know it.

MR. DALLY: I don't want to shortchange our efforts, because our staff does go out, as we develop rules, as we go out and do workshops. We have application workshops where we talk to folks. Now the people that attend, there will be a few city and county people that will come.

But there again it's the consultant group that in large measure comes to those and comments on our sets of rules as we roll them out each year.

MR. BOGANY: Thank you. Appreciate it.

MR. FLORES: Bill, a question regarding funds not drawn. I noticed when we were going through all the HOME funds project by project, there were some where they had not drawn funds, but they had a small draw on it. Some of those projects probably are going to get pulled.

If they get pulled does that agency or that county or whomever, do they owe those funds, and are they obligated to repay it?

MR. DALLY: No. The flow of funds -- this is a reimbursement program first of all. So they come in, and we recommend, and they get an award. But they've got to come in and do draw requests, and show us their construction draws.

What's happened in so many instances is they've gone so many months and nothing's happened. No draws have come in against that set of funds.

MR. FLORES: The ones I'm talking about -- they draw something.

MS. ANDERSON: There was an example where they got the award, and they drew $1,000.

MR. FLORES: Do they owe us that, if we pull the project.

MS. ANDERSON: Ms. Trevino.

MS. TREVINO: If they drew admin money and then eventually don't end up drawing any project money, we do demand the money back. It comes back as a refund to the Department.

MR. FLORES: And if they don't pay us? If they refuse?

MS. TREVINO: If they refuse, they would be out of compliance.

MR. FLORES: I know they'd be out of compliance. But would we sue?

MS. TREVINO: Well, one thing. We have an internal control for that, because we only allow them to draw 10 percent at most up front. And then after that they can only draw admin funds pro rata with their project draws.

So the most admin money that they would draw up front would be that 10 percent. After that it would be pro rata with their project draws.

MR. FLORES: Yes. But we're still out some money. The money doesn't belong to us; it belongs to the federal government. It seems like if it's issued in good faith towards a project and it was not spent. So it seems like to me they owe us the money number one.

Two, if they refuse to do it, you have three choices. You forgive; you kick them out the program completely, or three, you go to the courthouse. So what happens?

Are you going to play lawyer?

MR. HAMBY: Yes. We're going to play lawyer. Kevin Hamby, general counsel. Actually I was hoping Lucy would play lawyer. Obviously we have the full recourse available to us in the contract. And part of that -- and it depends on how much they want to play -- if they ever want to play in our program again, then they're going to have to correct that deficiency at some point.

So it is a bar. As a state agency we're not allowed to do things in court directly ourselves. We would make a recommendation to the Office of the Attorney General, and the general would make a decision as to whether or not we would pursue things.

Especially with my past being at the Attorney General's Office we have frequent contact with the Attorney General's Office to discuss where we can aggressively pursue reimbursement when it's appropriate.

MR. FLORES: Okay. Past performance. What have we done?

MR. HAMBY: This is actually a brand new area that we're just starting to do, Mr. Flores.

MR. FLORES: So this Board has the privilege of setting --

MR. HAMBY: This Board has the privilege of looking at the report --

MR. FLORES: At what point do we get an opportunity to feed into that policy-making process?

MR. HAMBY: Well, to be fair to staff and my understanding, this is a fairly new topic. And it was addressed because of the change in the HOME rules when the Board make it very clear that they wanted to see performance years, not in 270 months.

So it is a new topic that the Board has made clear to the staff. And I believe the staff has reacted aggressively to mirror that new direction.

MR. FLORES: Recommend to Bill Dally and anybody else that my stance on it is, if you owe us some money, you'd better pay it back or else we will aggressively pursue it with whatever means we have available, because we can't go around giving free money to people that are essentially irresponsible.

So for whatever it's worth, you've got one out of six of us taking a stance. Thank you.

MR. CONINE: My recollection, we had kind of recap and capitulation with HUD a couple of years back where we actually wrote a check back to HUD, I think, for quite a bit of that, and kissed and made up, so to speak, with kind of a new fresh moving forward.

But you might have more detail on that for the other Board members.

MS. TREVINO: As a result of the audit?

MR. CONINE: Yes. The HUD audit -- I know Ruth participated in that.

MS. TREVINO: There were some disallowed funds because of a property that received HOME funds and ended up not providing affordable units. So that was repaid back to HUD. As far as findings from the Department I don't believe we've had to refund any money.

I did want to add, anytime there's a new award, before the recommendation is made to the Board a compliance history is done where the Department will check for outstanding monitoring reports, outstanding audits, delinquent loan payments.

And if they do have any of those compliance issues, their award would not be recommended.

MS. ANDERSON: I don't want us to overstate the situation. I think Mr. Flores makes a very good point. But I'm confident we don't have large outstanding balances of funds owed the Department. In the 9 percent program they can't get an award unless they've paid all their compliance fees and back fees they'd owed us.

We put that in place about three years ago. Clearly in the HOME program they would not be eligible to receive another award. If they're going to let a big award go for lack of paying us $1,000 they owe us, shame on them.

So I think Mr. Flores and the Board has made itself clear about what our expectations are about how we work with our awardees to ensure that they're financially responsible in their dealings with us. And unless there's something else we need to move on.

Everybody's satisfied we've talked through this topic?

Do you have a question, Mr. Conine?

MR. CONINE: I'm okay. Let's move on.

MS. ANDERSON: Okay. With the Board's indulgence, I'd now like to move to agenda item number 8, because we have some witnesses here to speak to items on number 8. This is presentation, discussion and possible approval of Multifamily Division items, specifically multifamily private activity bond program items.

The first item is proposed issuance of revenues bonds and 4 percent housing tax credits. TDHCA is the issuer on this proposed transaction for the Sunset Pointe Apartments. And I'd ask Mr. Dally to make the presentation. And then we have public comment on this item.

MR. DALLY: And I'd like to bring up either Brooke or Robbye for a quick discussion on this Sunset Pointe.

MS. MEYER: Robbye Meyer, interim director for Multifamily. It is the Crowley school district. It's in Ft. Worth. If you look on your map, you may make the comment we put it out in the middle of nowhere because the street ends.

The street actually does go through. It's just on our mapping program. It is on the other side of the street, and it is away from some of the other -- it kind of is out in the middle of nowhere. But it is away from other subdivisions.

There's happens to be one single family subdivision that's right there next to it. That is some of the opposition that we have received on this particular transaction. The hearing that we had -- I was in attendance at that hearing.

And we only had a couple of members there from neighborhood organizations that did speak for the record. The city councilman was also there. And the school superintendent was also there in opposition. But we didn't have a big crowd, just a couple of neighborhood groups.

The school superintendent was concerned about overcrowding of the schools, and the city council person was also. This particular transaction is going to be a variable rate transaction publicly offered with credit enhancement. Any questions that the Board may have.

MR. DALLY: Why don't you state in the amount of bonds and credits that we're recommending.

MS. MEYER: We are requesting a $15 million issuance in bonds. The recommended credit amount is $670, 194.

MS. ANDERSON: Are we ready for public comment.

Do you have other things you want to say about the transaction?

MR. DALLY: We are the issuer on this

particular one.

MS. MEYER: Yes. TDHCA is the issuer on this particular transaction.

MS. ANDERSON: Okay. I have three people that have asked to make public comment on this: two in favor and one opposed. So I'm got to sort of do this like a sandwich and ask Mr. Jungus Jordan to begin.

MR. JORDAN: I have handouts. I appreciate the opportunity to be here today. I am Jungus Jordan. I am the councilman that Ms. Meyer referred to that was at the public hearing. I represent District 6, which is a community in southwest Fort Worth of about 80,000, and I represent that school district.

The City of Fort Worth is now the 18th largest city in the nation. It has a population of 662,000. We grew by 32,000 people last year. In your packet on the left-hand side of the packet you will see that there's a letter from Mayor Mike Moncrief and also a resolution from the city council.

Let me start by saying I've been on the council for one year. And we have four new members that have been on the council for that term. We embrace, we fully support a policy of quality affordable housing in the City of Fort Worth.

And to Mr. Bogany's earlier discussion, we would welcome the Board or regional group to come and meet with us. We have a task force that's working on this issue. We have a need in our city for quality affordable housing.

But I will say that our research, our experience has shown us is what works -- you're the experts -- but what we see is that what works is a policy of dispersal, mixed income into our communities where we can accept the children and citizens into a mixed community.

I am very proud to tell you that District 6, which I represent is a very diverse economy, a very diverse community. Our diversity is door to door. And we've done considerable studies on Montgomery County, Maryland, Fairfax County, Virginia, Indianapolis, Indiana.

And we're looking at mixed-income communities where we can accept low incomes and mixed incomes into all our communities. We feel a concentration of any income, whether it be high or low, gives our children a false sense of what the real world looks like, and we embrace that.

You will notice in Mayor Moncrief's letter that in this particular project we are concerned because of the concentration in the particular project. As Ms. Meyer said, to some degree this is out in the middle of nowhere.

But if you drive down Sycamore School Road, which is not connected, or if you drive down Summer Creek Boulevard, there's a heavy concentration. There's a housing authority project that is very successful at the corner of Hulen and Sycamore School Road that has 260 units that's not displayed on your charts.

So we're trying to get funds through the organization to rehab that project. I'm here today to tell you that we in the City of Fort Worth are looking for ways to improve the quality affordable housing in our city.

And we want to work with you to find how can we increase the building of quality affordable housing in our community, both multifamily and single family. Let me say to Ms. Meyer's comment that the reason -- it was intentional that we did not have a huge public input at the last hearing that she held.

In the yearly 2000s we went through an experience with dispersing the Ripley Arnold complex in our city. Hugely emotional issue and a large public outcry. We're very concerned that that emotion can overtake the success of a quality affordable program.

Therefore I went to my communities and said, we don't want a public outcry. We want this to work. And our council is working very hard to make this work. Our concern here is again the concentration. It's not the issue of quality affordable housing. We embrace that.

What I would ask for you today is an opportunity to meet with developer and would ask for a 30-day extension on your rules if your next meeting's within 30 days. I thank you for the opportunity. I'll take any questions you may have.

MS. ANDERSON: Questions?

Have you met with the developer, sir?

MR. JORDAN: I met briefly with the developer. Yes. It was about a month ago. We sent a letter recently asking them to come back and sit down. Mr. Allgeier and I made contact, or he called on Wednesday of this week. And because of council I wasn't able to get back with him.

I visited with him earlier today and asked, could we get together in the near further to discuss this development.

MR. CONINE: May I ask a question about your concentration concerns, because personally I view concentration in a more regional aspect, at least community aspect, as opposed to each individual piece of land requiring a certain percentage of mixed income.

Historically it hasn't worked, I think if you'll really review some of the statistics nationally.

MR. JORDAN: We did.

MR. CONINE: So if you've got 224 units of moderate or low-income housing here. But then you might then surround it with appropriate zoning that would create the mixed income the city desires to receive. So I guess my question would be, if they built these 240 units in this particular location, the surrounding area, does it have a lot more multifamily zoning, or does it have single family zoning?

MR. JORDAN: It does. And this area is where State Highway 121, or commonly referred to as Southwest Parkway, a tollway will come into this area by 2009. The land immediately adjacent to this site is zoned commercial.

However there's significant amounts of multifamily down the railroad track, as this is adjacent to the railroad track that will parallel State Highway 121. This particular site is a large tract of vacant land, as Ms. Meyer indicated, that's in the middle of nowhere.

However eight-tenths of a mile from this on Sycamore School Road is Candletree Apartment, which is a Housing Authority apartment complex, 216 units. And your chart some others. There's 116 units at the corner of Hulen and Altamesa.

There is a senior family residence that doesn't show on this that is church oriented or nonprofit oriented at the corner of Altamesa and Granbury Road, which is about two-tenths of a mile from this associated project. We have endorsed and supported and are in full support of a couple of projects you'll hear today.

You've already acted on Sycamore Center Villas, which is adjacent. But if you were to drive down Sycamore School Road you would see a concentration of not only low-income, but market rate apartment complexes. And I'm not here opposed to multifamily.

There's a need for that. We want that. This is a good location. It is properly zoned as multifamily. The concern being the heavy concentration.

MR. CONINE: I don't get a chance to talk to councilmen very often. And I would encourage you to take a strong look in your comprehensive plan, taking tracts of land and creating affordable housing, multifamily category, so that the city's fully aware of where the council wants these projects to go and how many of them are there. I think that's very critical.

MR. JORDAN: We're in the throes of doing that currently. And I embrace Mr. Salinas's remarks, too, about getting the elected officials involved in this process, since per your earlier discussions, if there's areas where we have a backlog in the City of Fort Worth, I would welcome the opportunity to break that backlog.

MR. CONINE: Thank you.

MAYOR SALINAS: This comprehensive plan, this piece of property is inside the city.

MR. JORDAN: It is inside the city. Yes, sir.

MAYOR SALINAS: And it's being approved as a multifamily --

MR. JORDAN: It is a multifamily zoning. And there's other multifamily adjacent to it.

MAYOR SALINAS: So if it's multifamily why would the city not approved it.

MR. JORDAN: The concern being the 100 percent low income. We'd rather see a mixture of income levels within the complex.

MS. ANDERSON: Mr. Gonzalez.

MR. GONZALEZ: What do you feel like is the superintendent's position?

MR. JORDAN: On the logistical issues I mentioned earlier -- I'll speak for him as well as myself, because he and I work very closely together. The City of Fort Worth is growing leaps and bounds. Sycamore School Road represents a boundary of growth between new home construction and old.

There are two predominant school districts in my district: the City of Fort Worth, Fort Worth ISD and Crowley ISD. Crowley ISD is what is attracting a large percentage of the growth in the community. It's a superb school system.

And regarding education, regarding transportation and other infrastructure, retail, other things, myself and Superintendent Gibson -- the logistical things are things we're supposed to do as a city, we're supposed to do as a community. And we will do that.

We've got huge challenges right because of the budget conditions. But we'll make those happen. There's sometimes a chicken-and-egg effect -- build it and it will come. My concern right now -- and I'm working very aggressively with developers to get retail facilities into that area. There are none.

There are only three grocery stores in my entire district. And every restaurant has a drive-in window. So we're trying to work to do that. But your question being what is Mr. Gibson's position. If he were standing here, he'd tell you we'll educate anybody that comes into our district.

MS. ANDERSON: Any other questions?

Mr. Bogany.

MR. BOGANY: Mr. Jordan, I have a question for you. Forth Worth has a city housing authority units. And I would assume they're probably 100 percent low income, or are they mixed?

MR. JORDAN: They're mixed.

MR. BOGANY: Okay. So your opposition is that we don't have any 100 percent in our city, we only have mixed.

MR. JORDAN: No. That's not my opposition, because we do still have several. We did have more than what we have currently. Ripley Arnold has been demolished and dispersed throughout our community. We had a complex that we just demolished this summer at the corner of Riverside and Berry that was 100 percent.

We have Butler units which are 100 percent. What we are doing as a comprehensive plan is working to disperse the 100 percent units throughout our community.

We want to see them next door to each other, similar to Montgomery County and Fairfax County.

MAYOR SALINAS: Our position here is to award the tax credits and not give you guys a building permit. When it comes down to us making that decision, is there any way you can turn it down in your city? Not putting us in the middle of that fight with you and the developer.

MR. JORDAN: And that's why we're asking for the 30-day continuance to be able to sit down and work some of these issues out with the developer. We're not here to endanger the program. We just want to work out some of the things.

Yes. We can put out permits on each facility. And it may be to your earlier discussion in that the rules have changed, and trying to go through your rules of what we can and can't do is the issue. We're not here to say we don't want the project.

We're here to say that we want to work through the project with the developer.

MS. ANDERSON: Thank you for your testimony, sir.

Dan Allgeier.

MR. ALLGEIER: Thank you. I'm Dan Allgeier. I'm with New Rock Development. We're the developers of the residences at Sunset Pointe. I'd just like to make a couple of points if I could. First of all the site is zoned. It was zoned when we optioned it.

There is a multifamily across the street that is available. This is part of a large parcel that was zoned, some of it single family, some of it multifamily, some of it commercial. And during the zoning process for this large parcel, at that time Councilman Jordan was head of the PNC in Fort Worth and was involved in the development of the zoning on this particular tract.

It is zoned multifamily. I point out that our property's density is 13 units per acre. We're allowed 18 units per acre. So that's actually 85 less units than we could put on the site. It's not, with all due respect to Ms. Meyer, exactly in the middle of nowhere.

The streets are in. They're brand new. There are four-lane with medians planned for the traffic. If you've ever been there at five o'clock in the afternoon, there's a vehicle count on these streets. There's a significant vehicle count on these streets.

State Highway 121, Southwest Freeway, runs adjacent to this site on the west side. It is not immediately adjacent to the railroad tract. But the right-of-way for the street is on that side. Right-of-way's being purchased for that as we speak.

And as the councilman said, that's anticipated for development in our area in 2009. Remember there's a two-year lead time from start to finish before we have any units available. So that's 2008 when we have our units available.

Concentration. The nearest tax credit property is a mile and a half a way. You've got a map in your thing that shows where they are. There is a 9 percent application in for rehab. That is, it's actually 1.1 miles away, not eight-tenths of a mile away.

I'm sure that's very important to the people making this 9 percent application, because of the concentration rules TDHCA has. It is over a mile away from our site. It was considered in our market study. And our market study clearly shows there's a need.

The tax credit properties in the area are for all intents and purposes full. And they're not full with hurricane victims, because that was analyzed by the market study, to ensure that we weren't looking at a temporary situation here.

This is a very high growth area. State Highway 121 is going to visibly affect this area. This is a high growth area. My I remind you that ten years ago Frisco was in the middle of nowhere. Frisco's not in the middle of nowhere anymore. All you've got to do is try to drive from where I live to Frisco.

We did meet with the councilman. We did do the notices. We did do everything. We followed every requirement we have to follow. A delay would be very difficult for us. Understand how complicated these bond transactions are.

The list of players is enormous. It would be very much of a hardship on us to try to delay this 30 days. We're currently on schedule on TDHCA's time line. If we get our approval today, we will remain on schedule with TDHCA's time line.

In conclusion, there's really no reason to delay this. We don't have a concentration issue. And it really doesn't accomplish anything. We followed all your rules, and we've done everything we're supposed to do. Staff has recommended our project.

MS. ANDERSON: Questions.

MR. BOGANY: I'm just curious with the City of Fort Worth saying they believe in no 100 percent low-income units, and they believe in mixed units. Did you have knowledge of that before you guys put this together?

MR. ALLGEIER: The city does have mixed-unit projects. But they also have 100 percent projects. It's very difficult on a bond deal to put market rate units in a bond deal frankly. We have a 9 percent project in Fort Worth right now, Residences at Diamond Hill, which is 30 percent market rate.

We're not getting any higher rents. But the income limits restrictions aren't there.

MR. BOGANY: I have a couple other questions. For people to live in this complex, could you kind of give me an idea, what are some of the things you guys are putting in place, so you have the right, I guess, mix of people as far as doing background checks on them? What are some of the things that are involved?

MR. ALLGEIER: Well, New Rock -- and I'm very proud of this -- does a very good job with our management. We manage all our own properties. We do extensive background checks. We check criminal records. We check credit. And we turn a lot of people away for those very reasons.

In addition we run superlative -- if I say so -- support services program called our breakout program, which is a family-oriented program. It's a very strong program. It's very expensive. We pay for it. The residents don't.

And we offer after-school care, meals while the parents are at work and the kids are home from school, study time, stuff during the summer. Basically it's a place where a single parent or where both parents work can be at work until five or six o'clock.

And they don't lave to worry about what their kids are doing, because their kids are taken care of. We pay for that, and we're very proud of that. Come to Residences at Diamond Hill sometime, and we'll be happy to show it to you. That's in Fort Worth.

MR. BOGANY: Is that 100 percent low income?

MR. ALLGEIER: No. That's got 30 percent market rate.

MR. BOGANY: Do you have any project where you're doing 100 percent?

MR. ALLGEIER: Yes, we do. We have several.

MR. BOGANY: In that area?

MR. ALLGEIER: Not in Fort Worth. No. We have others. In Austin there's one, 100 percent.

MR. BOGANY: Okay. Just seems like I would probably take the councilman from Fort Worth down there to see your project to see how it's maintained.

MR. ALLGEIER: He's welcome to come look at Diamond Hill. That's been offered. The housing people have looked. The state representatives have looked.

MR. BOGANY: Okay. Thank you.

MS. ANDERSON: Any questions?

(No response.)

MS. ANDERSON: Thank you for your testimony, sir.

I have a couple of questions for staff. Robbye, please. This is a priority 3 bond transaction. Is that right?

MS. MEYER: Yes, ma'am.

MS. ANDERSON: What is the deadline of the reservation on this transaction?

MS. MEYER: July 24.

MS. ANDERSON: Okay. And in a priority 3 transaction, credit are not mandated on a bond on a bond deal that's a priority 3 transaction. It that accurate?

MS. MEYER: They do not have to apply for them. That is correct.

MS. ANDERSON: Okay. And the Board doesn't have to grant them.

MS. MEYER: That's true.

MS. ANDERSON: Okay. Thank you. Any more discussion among the Board?

(No response.)

MS. ANDERSON: In the silence I'm going to make a motion. I'm going to move to table this item until the next Board meeting, because the developer has until July 24 to close these bonds. And I hope that in the next 30 days -- one of the reasons we have so much opposition to affordable housing is because, right or wrong, and it's hard for the Board to sit up here and make judgments about to what extent have in good faith the developers reached out the community, including the elected officials, and to what extent in good faith the elected officials have reached back out to the developer.

But I just feel like when we have an opportunity to put affordable housing in and do it in partnership with local citizens and local elected officials, we end up with a much better outcome, not only for that development, but for the name of affordable housing in general. So that's my motion.

MAYOR SALINAS: I'll second it.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Now we'll go back to agenda item number 4. In the interest of those of you all that are here, we are not going to take a lunch break. We're going to continue moving right through these agenda items.

And I know a lot of you came a long way to testify, and I know we're all a long way from home -- most of us except the Mayor. So we're going to move just as expeditiously as we can. So we're going to item number 4. That's where we were. And that is Community Affairs Division items.

MR. DALLY: This is brand new for the Board. We're bringing a supplemental award that we received in LIHEAP. We got an additional $38.2 million March 31, 2006, from the U.S. Department of Health and Human Services.

These funds are typically used in our CEAP and our WAP programs. What I'm going to do is ask Eddie Fariss to kind of walk you through highlights, since this is sort of a brand-new program to the Board. But we're asking for your approval to move forward and expeditiously get these funds out this summer.

MR. FARISS: Good morning, Madam Chairman, Board members. I am Eddie Fariss, division director of the Community Affairs Division. I apologize for the length of this item. It is, as Bill was saying, a new item for you.

And I hope this contains the detail that you might need to understand how we use our low-income home energy assistance program funding. We did receive a supplemental award of $38.2 million, effective March 31, 2006, as a result of discussions of the increase in utility costs around the nation.

We have provided you with our recommendation for allocation of these funds, which would be based on our standard allocation formula, which is also included in the Board write-up. We included a budget which shows how we had already awarded funds for the first quarter of this year.

Typically we get 85 percent of our award in the first quarter of the year and then a second quarter award of 15 percent which we combine with whatever emergency contingency funds that we might get, and that second quarter award and any other unspent funds from the prior year, so that we can get that money out.

We use LIHEAP funds for two different programs as Mr. Dally said, the Comprehensive Energy Assistance

Program, which mainly provides utility assistance to persons at 125 percent of poverty or below.

We also use 15 percent of that award in our Weatherization Program in conjunction with our Department of Energy weatherization assistance funding to carry out energy assistance programs, again for low-income households at 125 percent of poverty or below.

These funds must be obligated by September 30 of this year. Typically federal funds -- at least the funds that we administer in Community Affairs -- have 24 months for us to expend them. We don't take 24 months to do that.

This past year we had 97, 98 percent expenditure rate for both of those. And I would just finish with saying that there are 22 states at this time that have got this money out and are spending this money. Is there any question that I might answer?

MR. DALLY: If you will, as you flip over to the second page there are some recommended program design changes.

If you'd just kind of highlight those for the Board.

MR. FARISS: Right. We are recommending some broad program design changes to allow more effective and efficient expenditure of these funds, which would basically increase some of the caps that we have now on the program.

The write-up includes the four components in CEAP: elderly/disabled, which is our target population, our priority population; energy crisis; our co-pay which includes extensive case management; and our heating and cooling component, in which we can replace air conditioning and heating systems that are not efficient.

As in the past we discussed these kind of program changes with our subrecipients. We've already done that this past week with the CEAP components. And we intend to do that in the next week with a committee of LIHEAP weatherization subrecipients as well.

MR. CONINE: The other thing I'd like to comment, just big picture. This is literally a doubling of our funds. And some of this is a result of some of the southern states saying that we have not gotten our fair share of funds in the past, due to the way these formulas were done.

So this I think will be a test for us. If we can continue to very efficiently spend this set of funds, and come back and say that we've done that, then we begin to make our case that we should be part of this. And there is a bit of a more complicated formula and stuff.

So it's possible that this will be more on the order of the set of funds that the State of Texas will get in future years. But I think it's important that we very timely move and be efficient with this set of funds. And some of what we're doing here by increasing each client that we help, that helps us get through more efficiently.

And with the utility increases that we've seen over this past year, and the fact that some of those fuel charges and factors that they got last year they have not necessarily rolled them back. And that's a factor on folks and their utility bills. So move for approval.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. FARISS: Thank you.

MS. ANDERSON: Thank you, Eddie.

Agenda item number 5 is presentation,

discussion and possible approval of housing programmatic items.

Mr. Dally.

MR. DALLY: I want to start this particular item, because as you recall we had a ten-year loan we had made with the Texas --

MS. ANDERSON: I made a mistake.

Excuse me for interrupting, Mr. Dally. I made my frequent mistakes.

Ms. Stella Rodriguez had signed up to give public comment on that agenda item, and I blew right past her.

I apologize to you. Do you have a comment you'd like to make? I apologize to you and the Board for my oversight.

MS. RODRIGUEZ: Thank you. Madam Chairman, members of the Board, Mr. Dally. My name is Stella Rodriguez. I'm with the Texas Association of Community Action Agencies, representing community action agencies across the state.

I've come before you before on some other issues. But most of our agencies do operate the LIHEAP program as well as the weatherization program. And in the audience with me today I do have the director of the

Community Action Agency in Edinburg, Maribel Navarro-Saenz.

Also here is Amalia Gaza, who is the community action director in Brownsville. And we have representatives from the Rio Grande city community action agency as well. But we do appreciate you taking action on this very important item.

As Mr. Dally mentioned, Congress has historically not funded Texas. And we do have an opportunity here that recognized that the southern states do need this money.

And we do have the low-income population, primarily the elderly and disabled, that will benefit from this program, especially as he mentioned, the utility rates in electric and gas as well as the high heat that we're already experiencing and a very long, hot summer that we'll come before us.

We are a little bit puzzled as to why there was a delay in the distribution of funds. Clients are at our doors waiting for assistance. The weatherization contracts that should have been out April 1, we are now 34 days behind schedule.

So that's going to have a ripple effect on the subrecipients as far as performance, making sure that they expend all the funds. And so we do ask you to take that into consideration in future contracts, because it does jeopardize the performance, and in one instance I know of where it's holding back private industry, where it leverages other funds.

We do commend the Department staff, Eddie Fariss, the Community Affairs staff, Energy Assistance staff. They do ask for our input. And we have a wonderful partnership with the Department. And we appreciate the opportunity to be able to come to the staff and work out details, so that we have an efficient and effective program, where it's not top-down administrative, but we're working together.

And we really appreciate that. I can go on and talk to you about community action agencies. But in the essence of time, I'm going to hold off on that. But if you have any other questions or program-specific questions, the resources are in the audience.

MR. GONZALEZ: You said we're late. How late are we?

MS. ANDERSON: I need to take responsibility for that.

MR. GONZALEZ: That's fine. Just somebody tell me, how late are we?

MS. ANDERSON: I'm responsible for us being late, because we're putting out an incremental $38 million, and I didn't feel we ought to have staff do that without -- there are significant policy implications in how the money's allocated and the changes in the rules.

And I felt those ought to come to the Board for consideration. And we have this very extensive report in the Board book. So I asked the staff to bring it to the Board and not try to implement it administratively. So you can lay that out my doorstep.

But I think the information on this program that you have in front of you in the Board book today is more than we've had on this program in my entire time on the Board. And doubling the funding from $40 million to $80 million is very significant. That was my doing.

MR. GONZALEZ: And how late are we? A month, two months, three months?

MS. ANDERSON: About a month. See, they're operating on the 75 percent of the first block of $40 million. And I'm sure that Eddie is ready to get these contracts out the door immediately.

MR. GONZALEZ: So we're doing it in steps.

MS. ANDERSON: Well, the money came in steps.

MR. GONZALEZ: I understand. But are we ready to act on the rest of it?

MR. DALLY: With your recommendation here, that's a green light. We'll be moving on that tomorrow.

MR. GONZALEZ: That complaint goes out the door. So you're doing your job. Thank you very much.

MAYOR SALINAS: I'm sure Maribel won't have any problems spending the money.

MS. RODRIGUEZ: And we are fully ready to do that.

MS. ANDERSON: Thank you, Ms. Rodriguez.

Mr. Dally, sorry, back to item 5(a) and (b).

MR. DALLY: Okay. Item 5. We brought back here a Housing Trust Fund funding plan. I believe it was tabled in previous meetings, and this is our new cut edit. But before I turn this over to Ms. Boston, on this particular one I do want to talk about the repayment of the $500,000 on the TSAHC loan.

I added this to the Housing Trust Fund. And one of our first recommendations in this particular funding plan is that earlier bootstrap program, where we ran out of our $1 million in Housing Trust Fund dollars that sort of were under that umbrella that I could approve with your ratification.

Here this is an extension of that up to their

$624,000 request. So we're asking here for the Board, as part of this plan, to approve that addition so that they can do more units as they had requested.

Brooke, if you want to come up and kind of talk about some of the ideas here in this Housing Trust Fund plan.

MS. BOSTON: Brooke Boston, interim executive director. After the prior actions taken by the Board -- and I won't rehash through all that in the essence of time; but you're right, it describes some of the activities already taken with the original Housing Trust Fund -- we had a balance of $2 million, inclusive of the TSAHC money Mr. Dally just referenced.

We propose to use that money for activities. And these are outlined on pages 3 and 4 of your write-up. The first is to use $92,800 to kind of fill the balance of the bootstrap as Mr. Dally described. The second is we had gotten feedback that there are potentially some costs associated with damages from Hurricane Rita that are in our existing multifamily portfolio and have not been covered by insurance.

You had heard comments about that at a prior Board meeting. We have done a preliminary research on that to try to investigate how extensive it is. And while we don't have a solid feel for that yet, we do have reason to believe that at a minimum it will be about $1 million.

So we're proposing to allocate about $1 million of this $2 million for that activity. We would do it through an announcement to the existing portfolio. We'd have a deadline, some submission requirements. And then we would obviously evaluate what comes in.

And to the extent that exceeds $1 million in requests, we'll have two options. We can either come back to the Board, or we can evaluate the content of the requests. So it's something minimal versus the habitability for the tenants. Obviously that would help drive our direction.

We also are proposing to use $400,000 for the predevelopment loan program. In the past you all have heard us discuss that before. The predevelopment loan program this time would not be done through a third party administrator, which is a significant shift.

In the past we basically made the award of $400,000 to an administrator, and then we were less involved in the actual individual awards. And in this case the applications would come in through us. And we're removing that third party.

The maximum award would be $50,000. Probably the biggest thing of note in this is that there will be a notice of funding availability or a NOFA. And consistent with the new Department policy, that NOFA would come back before you all.

So I won't get into much detail on that program. And then the last item is a CDFI, which stands for Community Development Financial Institution. They're a financing entity that are a great source for leveraging funds.

And we're going to propose a $500,000 pilot program to basically test this out. If you need more detail we can probably have Robbye come up and describe that a little bit more. David Danenfeld's [phonetic] there with her -- Housing Trust Fund has been doing some extensive research to look into ways to potentially try to leverage and then bring back more resources into the Agency. And in this case it's similar to a revolving loan fund. And the funds would come back into TDHCA for future use. With that I'll just take any questions.

MS. ANDERSON: And I have public comment on this item. But if you have questions for Brooke.

MR. CONINE: Let's hear that.

MS. ANDERSON: Okay.

Mr. Bill Wenson.

MR. WENSON: Good morning. My name is Bill Wenson, and I am here to comment on the portion of the Housing Trust Funds that are being allocated for the existing portfolio under the Hurricane Rita damage. I am one of the developers that have sustained substantial damage on two properties.

We actually had to shut two properties down. We have a total of about $15 million in damage on our two properties, one of which we're starting to reoccupy. We're at about 30 percent. And the second one is still shut down completely. It's in Port Arthur.

You never really know how good your insurance policy is and what it all covers until something really happens. And there are a few things you don't know aren't covered until something like this happens. And I'd be more than happy to talk to you about any of those things.

But I'm here to support Brooke's proposal on this area. I'm not sure whether $1 million is enough or too much. I have talked to several other developers. Sally Gaskin has a project in Beaumont that had some substantial damage that's not covered. But we're here just to support that issue. Thank you.

MR. CONINE: Mr. Wenson, are we talking about physical damage or sustained, such as loss of rents?

MR. WENSON: Physical damage. Some of the things are -- it's funny, but if your roof collapses, and water comes in and ruins your place, you're covered. But if the wind blows out a window and the rain comes in, you're not covered.

It's just a lot of issues like that. But, no, we're talking mostly physical damage. There are other issues that are carrying cost issues, business interruption coverage issues. There are a lot of those, too.

One of the big things is that the moment you have your unit ready to go they stop covering that. And so the time it takes you to relet that and all of the expenses and administrative costs of doing that process was not a covered issue either.

So there's a myriad of issues around it, including environmental. It's just been quite an interesting --

MR. CONINE: Out of curiosity, how's the debt-holder's responding?

MR. WENSON: It's a mix. I have to provide more information to my debt people than I have in any tax credit application ever. It's a daily conversation. On one side of it I have them being very lenient, and me being late on some of my payments.

On the other side of it, they're wanting to accelerate some of the interest payments once this is all over with, which doesn't work. It's very difficult to get past what you have today and then be able to pay more once you're preoccupied again.

MR. CONINE: But your deal's 9 percent deals or bond deals and 4 percent?

MR. WENSON: Four percent deals.

MR. CONINE: Four percent. Thank you.

MS. ANDERSON: Other questions? That's the only public comment on that topic.

MR. CONINE: Brooke, can I ask you a question or two? I guess I've been reading the mostly family hurricane damage program. It seems to be a little nebulous as to what may be included and what not included. How do you contemplate going through and deciding what may or may not be. Are we doing to see that later or what?

MS. BOSTON: Yes. Our thought is, because it's hard to know exactly what each situation is, we're planning on asking other abbreviated application-type documents. And it won't be anywhere like doing a full application.

Just to outline what their damage was, provide receipts for anything that they've already done, any kind of reports that they have to substantiate what still needs to be done, and obviously the cost estimates on that. We're not planning on going in at the front end limiting what that could be.

But then based on what the submissions are and our evaluation, obviously awards on this would come back before the Board, and we would kind of provide a summary at that time. It's just hard to know. Unfortunately in response to the surveys that we had sent out, Mr. Wenson is one of the few who actually did get back with us.

We don't know if that's because there's only very few that had the impact, or if it's just they're swamped with what's going on, and so they're not responsive. So we don't have a very clear picture of exactly what the need is yet.

MR. CONINE: I can understand I guess the hard-cost side of the equation. I have a more difficult time understanding the soft-cost side of the equation. Do you anticipate engaging Mr. Gouris in on some underwriting or reunderwriting or especially on the soft-cost stuff that may come up?

You got a situation where you might have some debt forbearance from his debt side and of course insurance proceeds to deal with. How do you internally plan on dealing with that?

MS. BOSTON: To be candid I think all of our discussions so far we had been speaking more from a construction side and physical damage.

MR. CONINE: Hard-cost side.

MS. BOSTON: Yes. And not to say that if someone turned something in that had an excellent justification for the other side, that we would totally disregard it. But I think in particular that would warrant revisiting it with the Board.

MR. CONINE: One more question. So what we're allocating in this effort is $4.8 million. Of the $6.8 million available, we've got $4.8 million going out the door. So that leaves $2 million left over for the next go-round.

MS. BOSTON: Well, $2 million is what's left that you'd be voting on today.

MR. CONINE: That's today.

MS. BOSTON: Yes.

MR. CONINE: We've already laid out $4.8 million.

MS. BOSTON: Right. In prior Board actions.

MR. DALLY: There was a statewide Texas bootstrap for $3 million, and then the $1.8 million we filled out that tranche. These ideas are for that remaining $2 million.

MS. ANDERSON: I don't think we've awarded all the $3 million in bootstrap. But we've awarded some --

MR. CONINE: It's on a path to do.

MS. ANDERSON: It's on a path. It's committed.

MR. CONINE: That's all my questions. Thank you.

MS. ANDERSON: Any other questions?

(No response.)

MS. ANDERSON: I'd like to have a motion.

MR. CONINE: So moved for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

Mr. Dally, item 5(b).

MR. DALLY: 5(b), I've been informed that the applicant has pulled this particular consideration, because it now has been paid. Robbye's nodding her head, so that's a confirmation. So it's a non-issue now.

MS. ANDERSON: Item 6 then is presentation, discussion and possible approval of Single Family Division items, two Disaster Relief Program award recommendations.

MR. DALLY: We've got a short write-up here under 6(a). This is our HOME money. It's owner-occupied housing assistance. Jim Wells and Duval Counties sustained high winds and hail on October 27. Judith Geness [phonetic] is one of our folks who's attached to the Governor's Department of Emergency Management and stuff.

So one of her deals is to go out and do an assessment on that. She put in a report. The Governor's Office then looks at that and has made a request of the Department on December 9 that we consider available funds for this effort.

We then went out to them, and they put in an application. Jim Wells would get $500,000 to do nine units, and Duval County, the same $500,000 to do 18 units. I believe some of the difference may be in the assistance, that some is repair, and other's may be a reconstruct.

But if Eric would maybe fill them in on -- if they have that particular question. But this is a use of some of our HOME deobligated funds.

Mr. Flores, when funds come back in, we'll see a crisis like that. And they have sort of first priority as we look at our deobligated fund.

MS. ANDERSON: Questions.

MR. GONZALEZ: Move approval.

MS. ANDERSON: Thank you. Second.

MAYOR SALINAS: Second.

MR. CONINE: One question. We're doing this under the 2005 HOME rules instead of 2006. I guess I would ask why.

Eric, if you could come forward?

MR. PIKE: Good morning. It's still morning time. I'm Eric Pike, director of Single Family. We put that in there, Mr. Conine. What we did was any storm that occurred prior to the February 15 date of the adoption of the 2006 HOME rules would follow the 2005 rules.

And then any storm that occurred on or after the February 15 date of adoption would follow the 2006 rules.

MR. CONINE: Again I'm thinking about time more than I am total dollars right now. So would the maker of the motion allow for an amendment that would include a 12-month report back to the Board on how we're doing with both of these awards?

MAYOR SALINAS: Ninety days, every 90 days.

MR. CONINE: I was going to leave 12 months.

MR. GONZALEZ: What do you want, 90 days or 12 months?

MR. CONINE: Got to give them a running start, I think.

MR. GONZALEZ: Motion to a six-month report.

MR. CONINE: That'll help me. I understand these have 24-month time limits on them. Since they're disaster relief, we want to make sure they're getting spent in a hurry.

MS. ANDERSON: We have a motion. It's been seconded.

MR. CONINE: Seconded and amended.

MS. ANDERSON: And amended.

MAYOR SALINAS: Second for the amendment.

MS. ANDERSON: And the amendment was accepted, so we'll vote on it all at once. Is there other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 6(b) has been pulled from the agenda.

MR. DALLY: Just quickly. Our thinking here was that this particular Deobligation Policy be part of our HOME rules discussion later in the year, as we bring that forward. So it'll be not just individually here, but look at the comprehensively.

So we're still operating on what policy was I think of the Board in 2002 with regard to deobligation.

MR. CONINE: Every time I see a deobligation proposal to spend money, I always wonder how much do we have in that bucket now? We're spending $1 million, but how much total's in the bucket now that we're aware of?

MR. DALLY: It constantly fluctuates from the sense that as contracts expire, and there's a residual set of funds, it gets added to. Also what's considered in there is program income that's coming into the Department. So probably -- I'll make a wild stab guess that there's a turnover of maybe $6 million to $10 million or something like that that would come in deobligation.

Now that cycle -- since we've been on 24 contracts, and we've had typically extensions, some of that hadn't in the past come due. I think we're going to be accelerating the cycle here with these --

MR. CONINE: Let me ask my question a little more specifically. When staff sat down and made this $1 million recommendation to spend money, how much money was in the deobligated pot at that time?

MS. ANDERSON: Lucy, would answer that for us?

MS. TREVINO: I have a fund balance report dated April 20.

MS. ANDERSON: Give us the number, please.

MS. TREVINO: As of April 20 the non-CHDO funds it was $7,945,973.

MR. CONINE: Thank you very much.

MS. ANDERSON: Item 7(a). Presentation, discussion and possible approval of Multifamily Division items. These are housing tax credit items. 7(a) are housing tax credit appeals.

Mr. Dally.

MR. DALLY: Amberwood Apartments. This is located out in El Paso. And they are asking for some waivers on a floodplain. According to our rules they are not eligible or they need to take certain remediation. The instance here is they have an old FEMA map that dates back to about 1982.

They subsequently had some engineering. There's been remediation so far as runoff in this particular deal. And based on what we read there, we thought it was worthy of the Board's consideration to perhaps give them an appeal or a waiver on that, conditioned on their being able to receive what's referred to as a LOMA from FEMA.

In other words they would be able to establish and put some of this engineering report that's been done subsequent to 1982 and perhaps get a determination of policy from FEMA. They're also willing to do some of the remediation so far as flood insurance in that thing, if it's necessary.

MS. ANDERSON: It's not new construction. It's an acquisition rehab of something that's sitting.

MR. FLORES: I will say to all of you that that engineer stuck his neck out a mile on that report. And he essentially has his engineering license on the line for what he's putting his name on. So he must have done quite an extensive amount of the work to put that report out.

FEMA maps are many times wrong. So obviously feels quite strongly that they're incorrect.

MS. ANDERSON: I do have public comment on this item. Are we ready for that?

MR. CONINE: Sure.

MS. ANDERSON: Chad Renwaker.

MR. RENWAKER: Good morning. My name's Chad Renwaker. I'm with PacifiCap Properties. We're the developer and applicant for the Amberwood apartments in El Paso. And I know a lot more about floodplains that I never cared to know.

What I hoped to accomplish today is actually two things. One, in addition to the materials that have been provided, make it fairly clear to everyone that there really doesn't exist a flood risk at the property at all. I mean some of that was contained in the engineering report that was provided.

But in the materials that I have there I'd like to make a point there's statistically there's a zero chance of flood at the property. And the second is to actually get the recommendation that's been presented by staff.

My request is slight different, and I'll get into that in a minute. The first page of the handout that I've given to you actually is a site map or an aerial map of the property. And buildings that I've highlighted in pink are those that are in flood Zone AH, which is the 100-year floodplain.

The second page that I've handed actually shows an excerpt from the FEMA map. I've looked at that map upside and down and sideways and have come to the conclusion that those are buildings are in the 100-year floodplain.

The reason that I was so suspicious, I guess is the word, is because I've been to that site many times, as you can imagine. And it's as flat as a pancake. From the naked eye I can't see a variation from one building to the next.

It was curious to me that certain buildings were in a floodplain, and certain buildings weren't. If you look at the FEMA map you actually see up in the northwest corner of the map kind of an odd shape of Zone B, which is the area that's not in the floodplain.

And curiously it follows certain patterns of the buildings that are on our aerial map. I'm used to seeing that kind of a situation, where buildings have been built after a FEMA map has been put in place. But these buildings were built before the FEMA map.

So curiously one would assume that if you went out to the site you would see these buildings that are not in the floodplain and they'd be above the based flood elevation, which is not the case. The next page of the handout actually shows some based flood elevation of the specific buildings.

One would also assume that the finished floor elevations of the buildings that are in the floodplain would be lower than those that are not in the floodplain. You'll see in some cases that's not the case. So all this technical mumbo-jumbo that I'm going through right now is really only to make one point.

And that is that in El Paso in particular, there's a lot of inconsistency in the FEMA maps. And they haven't been updated in a lot of cases. I think that's well documented. And frankly it's up to developers like us to put in revisions to get them updated, which is what we're proposing.

To talk about the medications that have taken place in that area since the FEMA maps were produced, there's many of them. But I'm just going to identify three of them. If you'll flip back to the aerial map. On the east side of the property all the way along the property between our property and the high school playing fields, there's a ditch that was constructed in the 1980s as part of the Northgate Shopping Center development that was just south of our site.

That ditch was built with a capacity of 1,400 cubic feet per second for water movement. The 100-year floodplain volume would produce 1450 cubic feet per second. So that one ditch in and of itself theoretically would carry the entire brunt of a 100-year flood volume.

But more significant of that, if you'll flip to the second to last page of your handout, there's a difficult map to read. You can see there's a red start that indicates the property. Just to the northwest of that and directly to the west you'll see two dams that are highlighted.

When I think of a dam I think of Hoover Dam. I haven't seen water in these ever. But they are dams that were constructed by the Army Corps of Engineers in the '80s. And those two dams were meant to handle all of the runoff that would ever occur off the Franklin Mountain, which is frankly the source of any flooding.

Those dams were built not with 100-year flood protection in mind, not even 500, not even 1,000. It's 2,000-year flood protection for those two dams individually. So you can see that the possibility of there ever being any flooding at the property is so remote.

These are the items that would be used in our attempt to get the LOMR, which is the map revision. Getting to my last point which is the waiver that we're requesting. I noticed the staff in the recommendation recommended that the exemption be granted, in that we get a LOMA in time for bond closing.

Unfortunately that timing will not work for that situation. The letter that's attached at the end from our engineer kind of explains the differences between the LOMA and the LOMR. The LOMA is a short process. It takes approximately two or three days to get that through.

Unfortunately all that is applicable is when you have a mistake in the FEMA map. We don't have a mistake. I mean the flood elevations and our buildings elevations clearly document that we're below those levels. So the LOMA is not something that we can go about.

But what we have to do is go the LOMR route, the letter of map revision route, where we actually get the FEMA redrawn, taking into account all of these manmade structures that have been put in place to mitigate the risk.

That's a six to seven-month process. And for a couple of reasons that timing will not work for us. Our bond allocation expires in the middle of July. And more importantly our real estate contract expires on the 15th of July as well.

So what we are proposing as our solution is to utilize the guidelines that we came across in TDHCA's real estate analysis in Rules and Guidelines manual that talked about situations like this, where the applicant could do one of two things.

One, apply for either a LOMA or a LOMR, or in the alternative identify and presumably get flood insurance and renter's insurance for the residents. What we're proposing is to do both. We would put in place renter's insurance, flood insurance at the property -- a conservative estimate of that is about $36,000 per year -- until such time as we get letter of map revision, which then of course that insurance coverage would not be needed anymore.

So that's what our proposal is. Unfortunately if that won't work, I don't think we'd have time -- again based on a LOMA not being an alternative for us, I think that the project wouldn't go forward.

MS. ANDERSON: Questions.

MR. GONZALEZ: Currently do you have flood insurance?

MR. RENWAKER: On this property? No. We don't own it, but the current owner doesn't have it either.

MAYOR SALINAS: Is he going to amend the FEMA map?

MR. RENWAKER: I'm sorry.

MAYOR SALINAS: Will he try to amend the FEMA map.

MR. FLORES: It's the time requirement that's killing him. Who handled this for the staff?

MS. ANDERSON: Thank you for you testimony. Please be seated.

And Robbye, if you would come up.

MR. FLORES: Robbye, did you get all that what he's proposing? Have you discussed this with him at all?

MS. BOSTON: We've discussed it in generalities. But that is what he has proposed to staff. Yes.

MR. FLORES: He's willing to spend $36,000 a year until he gets this loan approved. Of course now you're dealing with the federal government. He's got to spend a bunch of money he's spending every month waiting on them.

To me it makes perfect sense. And I'm willing to make a motion to that effect, that he add flood insurance and renter's insurance until he gets the, not the LOMA revised, but the LOMR revision done. Is that something that you think makes sense to you?

MS. MEYER: I assume it would make sense to staff. But that would be up to the Board's discretion.

MAYOR SALINAS: I realize that. I'm willing to make that motion. It's just that I want to make sure it makes sense to you that you're more closely related to the project than I am.

But technically it makes sense to me.

MS. ANDERSON: He's trying to ask you all for --

MAYOR SALINAS: A little guidance.

MS. ANDERSON: Speak now or forever hold your peace.

MS. BOSTON: I would just comment that staff is required to follow the rules that are in our qualified allocation plan. So this one is in violation of our rules. So the staff responds, our recommendation to the Board is to follow the recommendation we made, which is the way that would be compliant with our rules.

Otherwise it's kind of outside of our realm to opine on that.

MS. ANDERSON: In our QAP the Board does have the authority to waive rules for a sound purpose.

MAYOR SALINAS: The only way it could probably work is if the improvements have been done to the property prior to the building. Now there had not been any drainage improvements, then the map is not going to change.

MR. FLORES: That's not true. It will change if you prove them incorrect. They make these massive maps, and then they go over and make some very generalized-type statements. Then they get a lot of people like this developer in trouble.

It happens time and time again in the metropolitan Houston area. So I can imagine it happens in El Paso.

MAYOR SALINAS: This is a flood zone area. Right?

MR. FLORES: According to FEMA. But if you've got an engineer that's done an extensive study and is willing to stick his out and his engineering license, saying that they're incorrect, and he's wiling to go change it.

MAYOR SALINAS: That's what I'm saying. If it's incorrect and he thinks he can get it done is because they've done some improvement to the drainage process.

MS. ANDERSON: Let's put public comment on the side, unless somebody on the Board asks you to speak, sir.

MAYOR SALINAS: I just think we've done some FEMA improvements. But what if it doesn't get accepted by FEMA?

MR. FLORES: Then he pays $36,000 a year for insurance, it sounds like. But I doubt if he wants to do that.

MS. ANDERSON: Mr. Conine.

MR. CONINE: I have one question of the applicant and one question of the staff. Of the $36,000, if you split it up between the actual flood insurance for the buildings and the renters insurance, which I'm sure he'd pass on to the renters, can you break down that for me?

MR. RENWAKER: Yes. It's approximately $2,000 per building for the flood insurance, so $26,000. Activity there's a minor clarification. There's 13 buildings. One of them is a clubhouse. So there's only 12 residential buildings affected by this.

But $26,000 for the flood insurance and the balance, about $10,000 would be --

MR. CONINE: My question for staff would be then, if he incurred the $26,000 forever, does that affect the underwriting to any degree?

MR. GOURIS: Yes, it would. I'm Tom Gouris, director, Real Estate Analysis. Thank you for letting me get up today. We have not completed the underwriting on this or even started the underwriting on this, because this issue came up as kind of a drop-dead.

But yes, it would obviously have some impact on the underwriting. But I don't know if it would be a deal killer or not.

MR. CONINE: I see this situation as an either/or, and I tend to favor the applicant's request. But you could underwrite this thing twice basically. You could do it with the $26,000 and without, because if he gets a loan within six to seven months, he can just pay for it out of construction costs, and it doesn't affect the operational issues.

So when you look at this one, I think you need to take a look at both ways and kind of see how it works. But his suggestion, I think, is a rational one.

MS. ANDERSON: I'm not doing so well today. I overlooked Ms. Bast who signed up to speak on this item. She's going to deter. She's a wise woman. We'll probably get to hear from her later today perhaps.

MR. CONINE: I'd like to make a motion we approve the appeal, subject to the applicant agreeing to purchase both flood insurance and rental insurance for the affected buildings until a LOMR is received back from the Corps of Engineers that would eliminate the necessity for the insurance for those buildings.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

MS. ANDERSON: Hearing none, I assume 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. Next development is the Women's Shelter of East Texas making a tax credit appeal.

MR. DALLY: This particular appeal is related to our Rita zone $3.5 million tax credits. And one of the issues here is he's appealing the number of units. The proposal is to do about 52. However in our policy, as we've set it out, this is to be a replacement of existing housing damaged.

So it exceeds that particular number. So the applicant wants to make an appeal to keep his development at his proposed size.

MS. ANDERSON: And I do have public comment on this item as well. Is that all of staff's presentation at this point? Anything else in the staff presentation? You can say no.

MR. DALLY: No.

MS. ANDERSON: Okay. Then we'll be ready for public comment. Mr. Doug Dowler.

MR. DOWLER: Madam Chairman, I yield my time to Cynthia Bast.

MS. ANDERSON: Ms. Bast.

MS. BAST: Cynthia Bast of Locke, Liddell and Sapp, representing the Pinewoods Lufkin HOME Team. As Mr. Dally explained, this is an appeal of the ineligibility of application for the hurricane credits. And the appeal is based on the fact that the application is for 52 units.

And Angelina County, and particularly Lufkin, lost only 25 units in the hurricane. The reason that this 52-unit project is important and the reason that we are asking you to waive a rules for good cause shown, which you're permitted to do, because this is a project of the East Texas Women's Shelter, providing transitional housing for women and families who are victims of domestic violence.

This project has the East Texas Women's Shelter as a general partner. And then it has the Pineywoods HOME team, which is the nonprofit developer that has very successfully developed a number of projects in the East Texas area.

The Women's Shelter could not be here today. And they asked, Ms. Anderson, that I read a letter to you in the record. "Dear Board of Directors. On behalf of the Women's Shelter of East Texas, we respectfully request a consideration of the additional LIHTCs for the extra 27 units pertaining to the project in Angelina County, the Women's Shelter of East Texas.

"The Women's Shelter of East Texas is a nonprofit organization serving victims of family violence since 1979 and serving victims of sexual assault since 1998. Our mission is to enhance the safety of victims by providing emergency shelter, crisis intervention and advocacy services to reduce the incidence of family violence through community education and prevention activities.

"Over the past few years we have consistently expanded our services to over 3500 individuals yearly, including education and prevention and to over 1300 victims and their families. Currently the Women's Shelter has two emergency shelters and a small five-unit transitional housing facility.

"All of these housing programs that we offer stay full, due to the fact that we are the only domestic violence shelter and sexual assault center in our nine-county service area. We are in desperate need for transitional housing program for our victims and their families.

"This is a unique, anticipated project because there are no other programs like this available. Our nine-county service area has a population of 295,950 people. Our numbers for victims needing permanent housing are steadily increasing.

"We housed 54 families during the Rita Hurricane that were evacuated from domestic violence shelters along the coast. One woman was left at our local hospital doors after surviving a severe beating with only the clothing on her back. No identification at all.

"She had internal injuries. She underwent emergency surgery and two weeks of recovery in the hospital. Our staff went to the hospital every day and took her to our shelter for the remainder of her physical recovery. We eventually discovered that she came from New Orleans and was dumped off at the Nacogdoches hospital after being beaten by her husband.

"The care this woman experienced was enormous. And the stories of these types of brave survivors go on and on. This is just one example of a victim that stayed in our community to start life over. Transitional housing would be a great opportunity for individuals such as this.

"Location of housing facility within Angelina County would address these barriers that our victims and their families face. Our clients and their children could reside safely within the facility while accessing career development, childcare assistance, medical and social services, life skills training and education.

"We deeply appreciate your consideration of this request, which will help us expand or continuum of care for the victims of domestic violence and sexual assault. We believe that this project is vital to the success of families breaking the cycle of violence.

"And the additional 27 units is critical to this underserved area. Thank you for helping us to make a profound impact in protecting the lives of innocent citizens in our community." The letter's actually longer that than, but I edited it.

I just wanted to make the point that the Women's Shelter is in desperate need of this housing.

This is a very important project to them. And that's why we believe it's appropriate for the Board to allow this project to receive tax credits in the hurricane round.

Now, this is a 52-unit proposed project. They've indicated that they can use all of those units. We could potentially take it down to 25 units, which is the units lost in the hurricane. But to do that you're going to reduce square footage, and you're going to eliminate some of the community services buildings, which is not what you want to do for this kind of high public purpose project.

As a final note, you have $3.5 million of money available in your hurricane round. Later in your agenda you are recommending three projects for reservation. And the staff's recommendation indicates that there are two others that may be considered, pending appeals and deficiencies: one in Orange and one called Pear Orchard.

If you allow this Lufkin Women's Shelter project to move forward with 52 units from the hurricane round, by my calculations with that and the three you're recommending and then the other two, the Orange project and the Pear Orchard project, you'd only be about $50,000 over $3.5 million.

So we're not talking about taking a lot of money out of this round. In fact later on your agenda you also have an item to use 2006 National Pool for any overage in the hurricane round.

So we think this is an appropriate kind of high public purpose project for which you should use your discretion for good cause shown, to waive the rule that the project needs to be limited to 25 units to be eligible for the hurricane funds. Any questions?

MR. CONINE: Any other public comment.

MS. ANDERSON: No other public comment. Mr. Dally has some additional staff presentation.

MR. DALLY: One additional piece of information. Because this is later in the agenda, Ms. Bast is right. Out of EARAC committee last week we made three awards out of the hurricane credits and took about half the credits.

Those three deals that we're recommending that I put forward and are today here for ratification are all in Jefferson County. The sole applicant and the eligible one in Angelina County -- there were three counties that were eligible.

It was Jefferson, Orange and Angelina. So this is the sole application that we have in Angelina County. They are scored. We would recommend them. It's just this is a policy issue that initially when we went into this deal, our thought was to first replace lost units. But this is a recommended award in that particular county, since it's the only application.

And then the other two that she mentioned are some that we are still working through on deficiencies that related to Orange County.

MS. ANDERSON: Besides these two is there anything else? We had $9.5 million in applications. So are we saying only the three we're voting today and this one and the other two are the only ones that are even in the hunt anymore?

MS. BOSTON: That's not what we're saying at all. For this one, the appeal that you all are discussing right now, is truly about -- for them to stay in the money and be recommended as Mr. Dally referred to, they need to be at 25 units, which is all our policy let EARAC approve.

So the reason why we have it on the agenda now and why it's not listed as an award later is because until the Board tells us that it either has to stay at 25 and they need to therefore redraft their application to reflect 25, and we need to underwrite it and be sure it still passes all of our standards.

If instead the Board says they can keep 52, then obviously we still need to proceed with underwriting. But if that threshold is passed, then we would later potentially recommend it for an award. And that would take place in executive order. The Review Advisory Committee has on the first three and later be ratified.

If for some reason this one or any other of the other two that were noted as kind of outstanding deficiencies don't proceed, there are other applications that can use this money.

MR. CONINE: I move we deny the appeal.

MS. ANDERSON: Second. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed. Motion carries.

MR. FLORES: And I abstain.

MS. ANDERSON: Mr. Gonzalez votes no. Mr. Flores abstains. And I want to note for the record just to be clear we're sure, on the appeal for Amberwood, which was the just previous action item, Mayor Salinas voted against granted the appeal.

So now we have one more tax credit appeal for Pineywoods Orange Development.

MR. DALLY: It's my understanding that that's been pulled at the applicant's request at this time.

MS. ANDERSON: Thank you. At this point we are going to take a ten-minute break. Then we will reconvene at approximately 12:35.

(Whereupon, a short recess was taken.)

MS. ANDERSON: Because we have a number of people that have been very patient, we're going to start, 7(b) is discussion and possible approval for policy for addressing cost increases for housing tax credit applications in the 2004 and 2005 cycles.

There are a number of people that want to make comment on this. I'm going to ask you limit your comments to two minutes apiece.

Mr. Jim Brown.

MR. BROWN: Thank you Madam Chairman and members of the Board. Jim Brown, executive director of TAAHP. Diana McCarver had planned on coming down today and delivering a letter to you. Then at the last minute she's had a problem.

So I'm going to read this very quickly, because I know the agenda's long, the morning's gone.

MS. ANDERSON: You have two minutes.

MR. BROWN: I can read faster than that. I'll give you some time back. "On behalf of the Texas Affiliation of Affordable Housing Providers I would like to express our support for the policy of addressing cost increases for housing tax credit applications awarded competitively housing tax credits in 2004 and 2005 as related to the Hurricane Rita.

"As you know this request was advanced by TAAHP at the March board meeting. And we very much appreciate the positive response to our request for assistance. Since many of the 2004 allocations will be placed in service prior to the mandatory placed-in-service date, it is highly likely that cost certifications will be submitted far in advance of the 2007 National Pool allocation, which will occur in August 2007.

"Since it is on a first-come, first-served basis, we would ask that TDHCA make knows its decision as to whether an increase in credits as recommended as a part of the final cost certification review. This will allow developers to make an informed decision on whether to proceed under the initial financing items or to wait until 2007 National Pool credits are available.

"Thank you for your consideration. Sincerely, Diana McCarver." And since I'm the messenger, I'm not prepared to debate the issue. But I will leave a copy with you. Thank you very much.

MS. ANDERSON: Thank you, Jim.

Granger McDonald.

MR. MCDONALD: In the interest of time I'll waive to Barry Kahn. No, I'm just --

MS. ANDERSON: Mr. Kahn.

MR. KAHN: I'll let Ms. Bast go first.

MS. ANDERSON: Ladies first.

MS. BAST: Cynthia Bast of Locke, Liddell and Sapp. First of all we commend the staff for addressing this very important issue, and we appreciate the Board's consideration. There are several points that I would like to make with regard to the staff's recommendations.

First of all the concept of a first-come/first-served basis. I think like in the hurricane tax credit round, you may find some opposition to that. It may reward the small transactions that can get completed sooner. Whereas some of the larger transactions take a little bit longer to finish and to cost certify.

You have a natural deadline with your cost certification date. So if you require those seeking additional credits to put their request in concurrently with their cost certification and then review them all after that date, perhaps using a concept of -- if you have to differentiate between applicants a concept of the greatest increase in construction cost by the various applicants, that might be a way to level the playing field and allow everyone to have access to this possibility.

Second of all, again to try to serve the most people you may want to limit the amount of additional credits that any applicant can receive. For instance in your 2004 QAP you awarded points for family projects that had costs not to exceed $62 per square foot.

In 2005 that number was $65 per square foot. In 2006 that number's $70 per square foot. And there's different numbers for elderly. So you may want to say for the 2004 or 2005 deals, we will award you additional credits for increases up to X dollars per square foot.

Again it gives other people the opportunity to participate. And finally I have a concern with regard to the requirement that applicants substantiate their increased costs by showing their bids before the hurricanes and their bids after the hurricanes.

This could be problematic for the 2005 applicants. The 2005 applicants received their awards at the end of July. The hurricanes came late August, early September. They would not have had hard bids by that time.

Now, they would have had something that they used to put together their tax credit application. But they would not have had hard bids that they could differentiate necessarily between before the hurricane and after the hurricane.

So those are the three points that we would like you to consider as you're formulating this policy. And we thank you.

MS. ANDERSON: Mr. Kahn

MR. KAHN: Barry Kahn, developer in Houston. Just expanding on Ms. Bast's comments very quickly, not only have materials gone up, but labor costs have also gone up but a lot of contractors are using subs who are subemployees who are going to Louisiana for higher wages.

So they're having to not only pass on increased material costs, but increased labor costs as well. But touching on what Ms. Bast said and expanding it even further. I'd like the Board to consider and maybe tabling this motion until the next meeting, until there's further discussions with staff, but perhaps permitting up to a $5 per square foot hard-cost increase for all affected developments.

And to the extent monies are needed, take those monies out of the 2007 round. Just using a rough calculations, if we got $40 million a year -- this is spreading it statewide -- and you're looking at about a 7 percent increase, that's about $3 million.

And say about two-thirds of that is hard costs, you're looking at about $2 million in total potential. Of course everybody would have to prove out everything. And that way it could be an equal playing field. We aren't playing a run to first race.

And it would help get around the proving up of bids before and after issue. And as I say I think it's a great idea, and it's worthy of some further discussion in coming up with some policies, but opening it up so that more people can benefit from it, because most people who had 2005 deals aren't going to be finished by the end of 2006, at least with larger projects and have it cost certified.

A lot of people are just starting right now or started in the last couple of months. It's a bigger problem that just the projects that will be finished in 2006. So that's why I'm making the suggestion that it be tabled with that taking credits from the 2007 round. Thank you.

MR. BOGANY: Can staff give us some thoughts on the increasing cost what their thoughts are in regards to moving forward with this or even taking from 2007? Just have you guys kind of talked about it a little bit.

MS. BOSTON: I guess first just describe what we had proposed a little bit. We had proposed that for the 2004 applications that have cost overruns that can be substantiated and tied to hurricane impact, that they would be eligible for National Pool from 2007.

The reason for that is the 2004 applications are required to place in service by December 31, '06. And then they usually turn it in the first few months, if they're being really on the ball. In response to the letter saying that it sounds like there's going to be this huge bunch of them all getting it done early, I would be pleasantly surprised if that were the case.

And there's no precedent in checking with Tom for cost certs. I mean historically people, even if they do place in service a little early, they don't turn their cost cert in early. And as it relates to the concept of waiting until they all come in and evaluate it, that poses two problems.

One is some people turn their cost certs in years later. I mean, you would think they would get them all in quickly. But the nature is that they don't. And also we're talking about National Pool credits, which is from the time we find out we get them, which is usually the summer of each year, we have to get those National Pool credits back out again by December 31.

This isn't money that can kind of float along. So for whatever year we're talking about, we're limited to when we can give it. We had suggested, because we know that all the '05 deals wouldn't be done in '06, and we wouldn't have expected them to be, we had also then said that the '05 deals would place in service by the end of '07.

And then they would be up for '08 National Pool. I have requested of TAAHP in the past to provide us some more solid substantiation of what the cost increases are, particularly as it might relate to the tax credit portfolio, and haven't receiving anything.

So the comment that we thinks this is a much bigger problem and we need a lot more money I can't speak to. We have not seen that substantiated one way or the other. I don't dispute that it exists, which is why we are proposing some action.

In terms of limiting an amount anyone can receive, I think that's a great suggestion. In terms of them being able to substantiate their costs and that that might be more challenging for the 2005 deals, while I agree with that, at the same time the 2005 applicants knew when they carried over, which occurred after the hurricane, they we aware of their credit amount and did not necessarily have reason to believe that they would or would not get a cost increase.

So I would say that they went into this even with a more educated picture than the 2004 applicants who this happened to after their credit allocation. You know, the 2007, I would ask if we're considering tabling this until next month and staff bringing back something a little more refined, that's great.

It would be helpful for us to know as we're developing that, if we're talking about just National Pool and some bit of recaptured credits, which we had also included in here, or if the Board's desire is going to be make this a bigger dollar amount and actually use some of '07, because that's a policy decision that's very big, and would very much dictate how we would draft this, if we're talking about $500,000 versus a couple million.

You know you're taking that from people who haven't necessarily been told they have that money yet. At the same time it's unanticipated calculation. I think in that case we would need to do something to make sure it was very uniformly administered to make sure that it's still perceived as being regionally allocated, because since it would be coming out of our ceiling, we would really need to emphasis the regional allocation formula.

MR. BOGANY: So Brooke, listening to the testimony, what would you suggest that we do?

MS. BOSTON: Well, I would suggest that you give staff some direction on the 2007 aspect as to whether you would or would not want us to write out the policy at least that would consider a particular portion of the 2007 ceiling, and then direct us to revisit that.

And as I said, it would be really helpful for us to know going in whether we're going to be limited to National Pool, so that the policy we bring you back is detailed or tailored to roughly the amount of money we're talking about.

MR. BOGANY: One more question. In regards to National Pool you said that money has kind of moved fairly quickly. And so if we put time constraints that people, had they been first-come/first-served, it seems though that money would move quickly if those people had access to that money, versus trying to allocate it and spread it out all over the place.

Do you feel the 2004 I guess is who I'm really more interested in, those in 2004, is there enough money in the National Pool to maybe iron some of this out?

MS. BOSTON: We don't know, because we really haven't had any type of evidence to substantiate it. I think everyone would agree -- we hear a lot of anecdotal evidence or discussions -- that there are cost increases relating to plywood and steel.

We hear a lot of that. But as it relates to specific evidence turned into the Agency -- here's my tax credit deal; it doesn't work anymore. We haven't seen that yet. So I can't really comment on the financial aspect of that.

MR. HAMBY: Kevin Hamby, General Counsel. I apologize for whenever I read this I interpreted it to be that the staff was going to bring you forward a policy to then approve and have public comment. I believe this probably has some warrant for public comment to be made available once a more defined policy is put out, so there can be some of these ideas fleshed out.

I apologize. I thought that's what this was, else I would have wrote that into the end of the draft --

MS. ANDERSON: But the draft rule needs to have enough of everything everybody said so that we get public comment on everything.

MR. HAMBY: Well, that was what I thought that

Ms. Boston was asking for in this direction is to get enough information from the Board to determine if this was even of interest to you or if you wanted to go beyond this, so that she and her staff could bring back a policy for you to review.

MR. CONINE: For them to circulate for 30 or 60 days.

MR. HAMBY: Thirty days. So people would have an opportunity. I would highly recommend that even though there's probably some discretion here.

MR. CONINE: I'm in that same camp myself. I've heard a lot of different suggestions over the last few minutes that make a lot of sense to me. Just give me a historical flavor, how many National Pool credits have we gotten in the last three or four years.

MS. BOSTON: Roughly $500,000 a year.

MR. CONINE: Each year. And it's been consistent?

MS. BOSTON: Yes, for the past three to years. And we usually find out about that in May or June. We roll it into our ceiling. It's divvied up in the regional allocation formula according to our current process. And we just are able to usually do an extra deal.

MR. CONINE: I would make a motion that we table and also ask staff to conduct a round table or a public comment sort of scenario where we can get some feedback on this issue.

MR. BOGANY: And I had a question, Brooke. I would like as a Board member to be able to see not messing with 2007 and seeing the other, messing with what we normally, the National Pool.

And say, someone instead of a deal that doesn't go, they turn their credits back in, maybe taking those, instead of going back to the regional spread and back out, trying to help the other areas where the cost is affected and leaving 2007 really alone. I'd like to see both sides of it.

MS. BOSTON: And just for informational purposes, right now when a prior award is returned before it's finished, because it was allocated under the regional allocation formula, it comes back in directly to that. Like for instance we had one returned recently, and urban XI.

And so it goes directly back into urban XI. So now all of a sudden urban XI for this year has a $250,000 more than it had last week. I think we might have some issues with regional allocation formula if we had the returned credits not --

MR. BOGANY: It's too logical. Thank you.

MS. ANDERSON: We have a motion and a second.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 7© which is discussion and possible ratification of the Hurricane Rita housing tax credit awards have been made by the acting executive director. I have several items of public comment on this comment.

I'm going to take one of them before we hear the staff presentation, because an elected official who has been very patiently waiting all day. And it's Mayor William Brown Claybar, the mayor of Orange, Texas.

MAYOR CLAYBAR: Thank you, Madam Chairman. I passed out or sent to your tables a letter. Just as a matter of information I was up for election, and they chose not to run against me this time. So we canceled the election.

And I had a reporter the other day ask me. He said, what would you like to be remembered as. And I said I would like to be remembered as a one hurricane mayor.

VOICE: Please identify yourself for the record.

MAYOR CLAYBAR: My name is William Brown Claybar, mayor of Orange, Texas. We were hit by two hurricanes really. Katrina. I've never been more proud of the people of Orange County in our area than our citizens were in the way that we responded to the people of Katrina.

And little did we know that three weeks later we would be facing the largest storm. And you can look at the illustration there on Friday afternoon, the most powerful storm that was ever in the Gulf of Mexico. Our community has been through it.

We went to Washington. We have participated in getting these tax credits coming here. We were in the ground zero of the storm. And we have 6,000 in the City of Orange. And I'm sorry I do not have the statistics for the City of West Orange and Pinehurst, which are neighboring committees.

But just in the City of Orange we have 6,000 homes. And there were 80 that were destroyed. And 3,000 of the 6,000 homes received damage from the FEMA estimate. That's the breaking point of $5,200 or more. So that tells you the amount of damage that we had.

In contrast to this we also had -- by your statistics we lost 200 apartment units. Jefferson County lost 272 apartment complex units. Now Orange County is only one-fourth the size of Jefferson County. So when I'm looking at the allotments, the proportionate amount of loss that we received in Orange County is substantially more than what occurred in Jefferson County.

Our economy is booming. Our shipbuilding is doing very well. There's such a critical shortage of housing that they have come to us from the shipyards, and they have moved in mobile homes on the shipyard sites in order for them to be able to house workers, because they have so many contracts.

And what this actually means is -- like our Wal-Mart can't even stay open past 10 o'clock at night. There is no place for people to work. One Whataburger is open. The other Whataburger is not after 5 o'clock. There is no one to work in our area, because of the housing.

But our area is booming at this particular time. The point and what I'm here for -- and I know time is short -- we're very, very pleased with the work that the Pineywoods groups has done. We understand point scoring, that they are going to be recommended for continuation.

That is gone to be a watershed project, the single-family homes spread throughout the east side of Orange. We're absolutely delighted. But where there are two other projects. One in the City of Orange, it's Cypresswood Crossing. And the other in the City of Vidor, the Twelve Oaks Apartments are also in Orange County.

We would certainly like the consideration of the Board for these grants. Thank you very much.

MS. ANDERSON: Mr. Mayor, I have a question. I also read in your letter -- although this is not an agenda item today, but I'm just asking the witness a question -- that you're asking that all monies that were earmarked for rehab be placed with new construction.

MAYOR CLAYBAR: That's correct.

MS. ANDERSON: Because we have a rule that -- the way we're awarding these is within each county we'll do a new and a new and a rehab. And it looks like from the list there were no rehab applications in your count.

MAYOR CLAYBAR: That's correct. And one of the things that I would ask the Commission in the future is let us make the call, whether a rehab and a new. We need new at this particular time in our area, as opposed to an arbitrary decision that there will be one rehab and one new.

We may want two rehabs. Or some communities may want two rehab and vice-versa. But I think that's an issue that we have right here.

MS. ANDERSON: Thank you.

Now before we proceed let's have the staff presentation on this overall item.

MR. DALLY: Just to go back over, this has set out, and you had given us a policy that we would have one new and one rehab in those counties, Jefferson, Orange and Angelina. And we provided detail on the number of applications that we've gotten in each area and their particular scores.

At our EARAC meeting last week as we went through these particular awards, there were some that still had conditional items. They were things that needed to be cured or deficiencies done. But there were three that we felt were ready to move forward. And those are the ones that we're asking your ratification on, the ones that I've already made an award to.

And that is that second short list, and I'll go over those. It's Sunset Way Apartments. It's Central mall and Oakmont in Port Arthur. It is new construction. It would be 96 units. It's family. The credit recommendation is $825,066. And the next one would be One Southwood Crossing Apartments.

It's the north side of I-73 between 9th Avenue and Highway 347. It's also in Port Arthur. And I should mention these are all in Jefferson County. This is also a new construction. It would be 84 units and family. Then the last one here for consideration, Jefferson County, is the Beaumont Downtown Lofts at 527 Forsythe Street and 620 Pearl Street.

This is in Beaumont, also in Jefferson County. This would be the rehab construction. That'd be 36 units. It's family. The recommended credit amount is $390,053. Let me skip back, I didn't read into the record. One Southwood Crossing Apartments, the recommended credit amount is $540,416.

For general information there were 14 applications and a total request of $9.5 million. There are other applications that are close that we've notified them on some of their deficiencies. As of the preparation of this Board book those were not yet settled. Those are things that are in process.

So it's $1,755,535 or about half of the $3.5 million for our credits.

MR. CONINE: Move for approval.

MAYOR SALINAS: Second.

MS. ANDERSON: We have several people who want to make public comment.

Mr. Ike Akbari.

MR. AKBARI: Good afternoon. My name is Ike Akbari. I'm a developer in Port Arthur. First thing I want to say we survived. We had tough times. We were working hard, but we survived the hurricane. My comment here is and obviously my most concern is Orange County, because in Jefferson County they lost 282 units.

Orange lost about approximately 200 units as you just heard from the mayor. And because there was not any rehab, any complexes that require rehab and meet the criteria, because my understanding was the only complexes that would meet the requirement if damaged by hurricane.

For instance Beaumont Lofts. This is a commercial building. In my opinion probably it's a new construction. I'm not saying you did not give them credit. But it's not a rehab. It's a rehab of turning a commercial building into 36 units, and in my opinion, it also would cost additional money to do that.

Now, does it meet the TDHCA requirement as rehab? That's your decision. Also my request here is if there's any other rehab that set 14-year requirement, it should meet the requirement. On the other hand it should be only for damages by the hurricane.

For example, I had over 1,500 units in Port Arthur. And I had approximately $12.5 million damages. And definitely I could use another $5-, $6 million additional money to renovate and put additional money in the project.

I could have done the same things, come in here today and ask for additional money to do that. But that would not be feasible for us and feasible for you to make the decision how many units, how many apartments are going to get the same type of credit.

On the other hand there's commercial buildings all over Port Arthur we could probably use, take then and turn them into rehab.

MS. ANDERSON: I think we understand. Make the rest of your point.

MR. AKBARI: Yes, ma'am. Therefore my request is, first of all the money you allocated for Orange County to be given to two or three, whatever is available, to new construction. If there's any question, I'd be more than glad to answer.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you.

Mr. Charles Britten.

MR. BRITTEN: Thank you Madam Chairman. My name is Charles Britten. I am a citizen of Orange County come to you today in support of the Pineywoods development in the City of Orange as well as the Twelve Oaks development down in Vidor.

I do come in today in opposition of the Cypresswood Crossing because of a very different twist on a circumstance. It's a multi-jurisdictional development. It incorporates the City of Orange, along with the Bridge City ISD school district.

As a community I was glad to hear earlier that Ms. Anderson valued the response back and forth.

MS. ANDERSON: Just a second. I need to ask the general counsel. If public comment at the agenda item that is not about something that we're ratifying today, if that public comment is in order.

MR. HAMBY: The ratification portion is what the motion is. So you can split it, if they are arguing or suggesting or recommending projects that fall below that line, because I believe the executive director opened it up to having a discussion.

You may want to do your ratification motion first. It would be a call of the Board as to whether or not you believe that it has exceeded what you have on the floor at the current time.

MS. ANDERSON: I'm going to recommend that we do that with the Board's indulgence. There are three that the award has already been made.

You sit down for just a second and let us do our business. And then I'll call on you at a more appropriate time.

So what's before us is ratifying three deals that the executive director has awarded.

MR. CONINE: The motion on the floor and seconded.

MS. ANDERSON: No more discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Those

awards are ratified.

I appreciate your indulgence, Mr. Britten. Now we'll have a broader discussion about the rest of the list.

MR. BRITTEN: I apologize for that. Again this is Charles Britten. As I was saying, I was glad to hear of the value that Ms. Anderson had about getting to the community and discussing these projects and developments. Because it does encompass several different communities involved in this one project, unfortunately we didn't become aware of this development until late March.

I know the application was submitted in January. The City of Orange chose to vote on this Valentine's Day, after receiving a letter from Mr. Akbari a couple of days prior to that they put on their regular council meeting agenda.

I live in the Bridge City ISD school district, which would kind of be saying the Bridge City community. And unfortunately we aren't aware of City of Orange politics and how they do those things, even though we're a neighboring community.

This particular project does encompass our community based off of the school district that will be involved in here. I know you all have received several letters from our community in opposition of this, along with school board officials, Dr. Myers in particular.

And I just wanted to come today and also make you aware that maybe in the future there could be something that the Board could do -- maybe the staff would help -- to allow some policy to be put in place, that when these multiple jurisdictions happen with multiple different communities involved, that maybe some sort of a public awareness become part of their application process.

We have not unfortunately been offered any type of assistance. It's all been what we could come up with. Unfortunately that's just the way the system is now. But when you incorporate many, many cities and communities involved in this, we ask that in the future maybe there'd be some sort of special consideration on an application that encompasses that.

And with this particular application I'm going to submit, there was a couple of discrepancies -- I just wanted to give those to you all -- in the application as far as the state representatives were incorrect on his application.

He put two incorrect. And there's only actually one for your district. And the school district is incorrect on here. Thank you very much.

MS. ANDERSON: We will give these to staff to verify on the state rep situation because of the scoring impact that that could have on the application.

Mr. Kurt Arbuckle.

MR. ARBUCKLE: My name's Kurt Arbuckle. I'm an attorney, and I represent In Group [phonetic] which has three applications before the Board that were declared to be not competitive. I had signed up to speak against the ratification. I'm sorry I didn't get to speak on that.

The reason I had signed up to oppose the ratification is because we don't believe that Beaumont Lofts qualifies as a rehab. Those that were at the January meeting may remember that the staff was very specific at the January meeting that rehabs would only be for rehabilitation of units lost in Hurricane Rita.

That was then put into the part of the process that was used and the regulations that were used by the Board for Hurricane Rita. In fact in Volume 1, tab 9, the developers were supposed to put in a certification part B. Had to do with eligibility.

And one of the things they had to check off was that they were asking for rehab money to rehab units lost in Hurricane Rita. Beaumont Lofts did not check that box. They checked a different box on that page that had nothing to do with that issue.

It had to do with being in both this round and the competitive round. But they signed that page. So it appears to us, from what we've been able to tell from looking at their application, that they were not even applying to be considered a rehab.

If they're not considered a rehab, they were 173 points. All three of my client's projects, which are the Sienna projects, which are 060239, -240 and -241, were all 174 points. Obviously if you put the Beaumont Lofts into the category of new construction, any one of these three would have been recommended ahead of it.

Beaumont Lofts is currently non-residential. It's two buildings in two different locations. Each building is approximately 100 years old. On page 108 of the transcript of the January meeting Ms. Brooke's staff made it very specific that the idea of giving somebody the opportunity to be a rehab under this and therefore move ahead of new construction in a sense, was not to rehab old buildings that had old damage.

And yet we believe strongly that that's what happened here. There is one other rehab that was in the Beaumont area that would have been considered. It's our understanding that as of right now it has administrative or some kind of deficiencies that have not been resolved.

However, if they are resolved that project as well did not check that box on the Hurricane Rita supplement Part B eligibility. And they did sign that page. So obviously they were not seeking rehabilitation consideration either. And if they were, they didn't comply with the Board's rules to make that certification.

So we believe that both of those projects should be considered equally with new construction projects. That project by the way has only got 124 points, which is fully 50 points below all of the projects my client has.

In addition to that my client has tried to come up with a unique opportunity for people in this area. One of these is a town home project. These are all rental projects. But the other projects are developed as single-family units, so that they give a better environment than just stacking people on top of each other in an apartment complex.

And I'm going to say that I think that the staff and the Board should be commended for coming up with very intelligent way to parcel out this money and allocate this money, because of the hurricane.

And all we're asking is that the Board adhere to that same process that was carefully debated in January that was clearly set out that the developers like my client, who spent their time and money preparing these things, be allowed to rely on those rules, and that these two rehabs units that didn't certify not be considered rehab units.

MS. ANDERSON: Thank you. Questions.

Toni Jackson.

MS. JACKSON: I'm going to be very quick. My name is Toni Jackson. I'm with Coats Rose. I'm here just to speak again to the policy, specifically regarding the designation of units in to Orange County. We recognize that the policy does set forth that there would one new construction and one rehab.

However, based on that policy Orange County is basically penalized because there we're not rehab applications submitted to the county. As you heard the Mayor of Orange already speak to you today, he has indicated the need that exists in that county.

And we would just like to again encourage and ask the Board, because it is within your discretion, to consider giving those awards to Orange County. Thank you.

MS. ANDERSON: Mr. Conine.

MR. CONINE: After relooking at the Beaumont

Downtown Lofts where it says rehab construction, can you go through why staff considered this to be a rehab versus a new construction, since the uses of the building, at least from my perspective, were not residential prior to this?

MR. DALLY: I'm going to ask Brooke Boston to come up and speak on our rationale on that.

MS. BOSTON: Our counsel has opined that it meets the rehabilitation tests.

MR. CONINE: I would beg to differ with counsel. But these are three that have already gone out the door. Is that correct? You've already approved these. And we're just ratifying those.

MS. ANDERSON: That's correct. What that tells me is that we need some stricter standards on rehabilitation, number one. But number two in order to satisfy the Board's desire for some rehabilitation of residential units, are there any other applications -- just to satisfy my curiosity -- that are rehabs deal in whatever county that was we were dealing with -- Jefferson County.

MS. BOSTON: It was in Jefferson. The only other rehab we had out of all the applications was Pear Orchard. And I would like to further research the comments we just heard that the proper boxes weren't checked.

I'm not comfortable. I just want to double-check that.

MR. CONINE: I'm not comfortable either, based on what I just heard. I think it's the Board's intent for rehabilitation to be defined as rehabilitation of residential units, not taking an old warehouse and making residential units out of it.

We can debate that later on if you'd like, Since we've still got more time and more room for staff to spend more money, I'm not too concerned. But I wanted staff to get at least this Board member's feelings on the subject.

MS. ANDERSON: I understand the Vice Chairman's position. And I understand that when we write rules, then we have to live by them as written in plain language. So I second his motion that we probably need to rethink the rehab definitions going forward.

But I also am very sensitive to Mayor Claybar's comments and Ike's comments about the fact that we set this up in an effort to spread the money out among multiple counties. We said, okay, here's how we'll do it. One new construction and one rehab in each county, and then we'll see where we are.

And the fact that Orange on a statistical basis has damage that approaches that very closely of Jefferson County, and they didn't have any rehab applicants.

So I would like to have staff work on an agenda item for the next Board meeting that would allow the Board to -- unless there's some way we could just do it by waiving rules for good purpose -- the next time we see a wave of awards, I would like the Board to be able to consider whether in that county, because there were no rehabs, we do two new construction.

We'd allow that replacement rehab for new construction. Maybe there's a slick way to get that done legally.

MR. HAMBY: Kevin Hamby, General Counsel. There are two ways to do it. One, we have only one rehab program left. And the award process was one rehab, one new, one new.

MS. ANDERSON: They're not competitive so --

MR. DALLY: There would no longer be a rehab in any of these regions left, assuming the deficiencies are not cleared on the one remaining rehab is my understanding.

MS. BOSTON: Just to clarify though, because procedurally we had said one new, one rehab, then the next county; if go with the concept of one new, one rehab, next county, then that means when you're in Orange you're going to do one and then skip back up basically -- once you've done Angelina you'd skip back up to Jefferson.

So not letting them get two at a time, you're making them get one at a time. So they're going to alternate with Jefferson more consistently than if you say we can do two new at a time.

MS. ANDERSON: That is why I'd like to have that brought as an action item for the Board's consideration, to do two at a time.

MR. HAMBY: In that case you would be at this point asking the executive director not to issue any additional awards and changing the policy of September's Board meeting and asking them to bring back the awards.

MS. ANDERSON: Why do we have to wait until September to change --

MR. HAMBY: The policy that we set in September that the executive director could make these awards and you'd ratify them, you're setting that aside and asking to revisit this issue.

MS. ANDERSON: I'm suggesting that the executive director, at least until the next Board meeting, because that would probably need to come back as a --

MR. HAMBY: Correct. You would have to do that for a good cause. You could do that for a good cause in saying that you have determined that the initial rule that was produced and that we put out for the $3.5 million, you would have to come back and say there's a reason we don't want that award process to go in that same manner, and this is the good cause.

And I think it's the pro rata share of damage based on population, county size. You could do that, but you'd have to basically say -- it'd be a directive at this point -- don't issue any more awards. Bring them back to use.

MAYOR SALINAS: Are you going to honor the ones you did?

MS. ANDERSON: We're going to honor the ones we did.

MR. HAMBY: Yes. They're already awarded, and the Board has ratified this.

MR. FLORES: Have we don't that already? Have we ratified them?

MR. HAMBY: Yes.

MR. CONINE: Let me also clarify another point that I heard mentioned a minute ago on whether or not the concept of rehabilitated units within a particular county had to be damaged by Hurricane Katrina or Rita.

My recollection of the Board's intent was, rather than dumping brand-new projects in a particular county, that we were going to do the one new and the one rehab, but that the one rehab wouldn't necessarily wouldn't have to be damaged by the one of the hurricanes, that it may be beyond repair, that it may be totally gone, and the owner may not want to rehab.

But if you had damaged units we wanted the cities to be able to rehab another project, which you at least get the existing stock back up to what it was. I think that was the intent, at least to my recollection. I may be wrong there. But I don't know that that particular building had to be damaged by the hurricane.

MR. HAMBY: That was part of the discussion. Land also that's where we end up with some of the issues in the QAP and what is described as rehabilitation. And I would equally encourage the Board to next year discuss in detail what we want in rehabilitation in the QAP and exactly what we're looking for in that, because I think it is a difficult term.

And I have issued more opinions on what is rehabilitation I believe than any other issue that has come up in the QAP.

MS. BOSTON: But as it relates to the policy that you approved for the hurricane activity is actually the policy explicitly state that the rehabilitation units have to be units damaged from the hurricane.

MR. CONINE: It did.

MS. BOSTON: It does. Yes.

MR. CONINE: I don't remember it that way, but I've slept since then.

MS. ANDERSON: Okay. So we have completed action on that item, and we've given staff some direction for the next Board meeting. Just to be completely transparent with you all, we're trying to conclude this Board meeting by two o'clock, because that let's everybody get home about three or four hours earlier than they would otherwise.

So we don't want to do things with too much haste. But we do want to try to move this forward. So I'm going to ask that you keep your comments brief on the remaining action items. The next agenda item is agenda 7(d), which is he possible use of 2006 National Pool or 2006 recaptured credits.

Mr. Dally, Ms. Boston.

MR. DALLY: This is the concept where if, in order to get our $3.5 million and all deals done, if there still needs to be a little bit to complete that particular -- the way it underwrites for credits, we would go in and tap the National Pool to complete that particular process for the recommended credit amounts, not to exceed, I think, certainly no more than $100,000 and probably less.

Do you want to speak to that, Brooke?

MS. BOSTON: What I've threatened to say, not to exceed $64,000. But the intent right now -- for instance as Ms. Bast actually referred to, if we were to go forward with the ones that are currently cited and they clear their deficiencies, we're only looking at $45,000 to fill up the next deal.

So it's not to keep going down the list. To keep from having to go under the $3.5 million we would have to fill up our last deal is to get it to the full amount to our Real Estate and Analysis Division. So that's $20,000 or $200,000, it would just depend on how that list falls out, particularly in the light of the fact that we're bringing it back.

I would also suggest that, because now we're bringing this back on June 9 as Board action, we can kind of cover the span as necessary.

MR. CONINE: My thought was rather than approve it now, the executive director could issue and approve, subject to the Board ratifying the overage amount when he brings it back to ratify. That's what I'd prefer to see happen, rather than a blanket approval.

MS. BOSTON: But if I understand correctly, that'd be --

MS. ANDERSON: Is that a motion? Do you want to prefer it to June. What's the Board' pleasure.

MR. CONINE: I move we table until June.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 7(e) is issuance of determination notices on tax-exempt bond transactions with other issuers.

Mr. Dally.

MR. DALLY: I'm going to ask Robbye to come up and very briefly to run through these particular transactions.

MS. MEYER: The first one is Mill City. It is a 116-unit, general population, new construction priority 3 in Dallas. It is with the housing options. It is a 4 percent transaction with a local issuer. TDHCA is not the issuer of the bonds.

MS. ANDERSON: I have public comment. I think we need to take them one at a time. I have comment from Tim Lott.

MR. LOTT: I'll defer to Gary Palmer, please.

MS. ANDERSON: Okay.

MR. PALMER: WE had three speakers on this item. My name is Gary Palmer with Coats Rose.

MS. ANDERSON: Gary, I don't have a witness affirmation form on this agenda from you. So after you're finished.

MR. PALMER: Okay. We were going to have three speakers. But in the interest of time they've narrowed it down to just me. But there are two people form the Dallas Housing Authority who are here who could answer any questions that the Board has regarding this item.

And this is on the allocation of tax credits for the Mill City project, which is a phase of the Frazier

Hope 6 redevelopment. Staff has recommended $486,000. We had applied for $530,000. Staff had cut our credits because of the Marshall and Swift construction costs.

Our costs are based on actual hard bids. We've got a construction contract ready to sign at closing. We're scheduled to close on the l7th. The costs are what they are. We're required to bid it correctly. And we got three responsible bidders, and this was the lowest one.

Staff's been talking about all the increases in construction costs since Hurricane Katrina and Rita. And I think this is evidence of that. Our costs are 18 percent higher than the Marshall and Swift guidelines, which are pre-Katrina numbers.

So we would ask the Board to approve the higher credit amount so that this project could go forward.

MR. CONINE: What was that number, since my book is so confused right now?

MS. ANDERSON: $460,000 up to $530,000.

MR. PALMER: Our construction costs came in at $76 a foot. The Marshall and Swift guide was I think at $63. But that's what they are.

MR. CONINE: Can we do that? This is a 4 percent deal anyway. It's going to get adjusted at the end.

MS. ANDERSON: Thank you, Mr. Palmer.

What's the Board's pleasure? Can we hear from Mr. Gouris?

MR. CONINE: Want don't you let Tom speak to it, please.

MR. GOURIS: Tom Gouris, director Real Estate Analysis. This transaction actually came before you a couple of months ago, the same situation. They weren't able to close. The bonds came back and adjusted their costs up.

At that time when it came to the Board you did go ahead and allow them to have the higher amount. When they came back this time they had left some of their higher potential amounts on the table still. So now they've come back for that extra amount.

So you've already done this once before. Now they're just coming up from $500,000 to $530,000.

MR. BOGANY: You say you raised it once before?

MR. GOURIS: You approved the same transaction with a different allocation year, but the same transaction once before. They weren't able to close on that transaction.

MR. BOGANY: So now we're getting another one. So we're raising it again to try and get it done.

MR. GOURIS: Yes.

MAYOR SALINAS: Do we have the extra tax credits?

MR. GOURIS: Yes. It's a 4 percent transaction.

MAYOR SALINAS: I move for the approval of $530,000.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. MEYER: The next is Artisan at Military. This is with the San Antonio HFC, local issuer in San Antonio, 252 units, new construction, general population, priority 2 transaction. The recommended amount is $742,261.

MR. BOGANY: So moved.

MS. ANDERSON: I think I have public comment on this, too.

Ms. Jackson, are you here to speak to this deal, this one we're currently talking about.

(No response.)

MS. ANDERSON: Bill Fisher, are you hear to speak to this deal?

MR. PARK: I yield my time.

MS. ANDERSON: Colby Dennis on -- that's Springs Crossing also. I think that's everyone.

Ms. Jackson, are you here to speak on Artisan at Military Apartments?

MS. JACKSON: No, ma'am.

MS. ANDERSON: Okay.

MR. CONINE: I'll second the motion.

MS. ANDERSON: Thank you. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MS. MEYER: The last one under this item is an issuance with Harris County. It in an elderly development, 240 units, a priority 3 transaction. It is a

4 percent again with a local issuer. And the recommended amount is $858,615.

MS. ANDERSON: I have two people to make public comment on this item.

Mr. Bob Coe.

MR. COE: Good afternoon. Bob Coe with O'Connor and Associates. I was the market analyst that did the study on this. And I'm just here to answer any questions you all might have.

MR. CONINE: Thank you.

MS. ANDERSON: Denison.

VOICE: No comment.

MR. CONINE: Move for approval.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion.

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 7(f) is mortgage revenue bonds with a local issuer and 4 percent tax credits and HOME Rental Development funds issued by TDHCA.

Mr. Dally.

MR. DALLY: Yes. This is one that we talked about at the March Board meeting. It is kind of a little further along the line. And it does have credits. The amount of HOME requests related to this is $1.95 million.

Staff recommends the Board approve the allocation of 4 percent housing tax credits in the amount of $555,569 and award of 2006 HOME Rental Development funds in the amount of $1,950,000 for the Northwest Residential Apartments, a.k.a. Cypress Creek at River Bend.

The award of HOME funds is conditioned on the terms and the condition of the Department's underwriting analysis and all actual HOME program rules and regulations. If the Board approves this application the remaining balance of HOME rental development NOFA will be $630,000 for the general set-aside application, including 9 percent housing tax credits requesting HOME Rental Development funds.

MS. ANDERSON: I have public comment. Mr. Stuart Shaw.

MR. SHAW: I'll be very brief. My name is

Stuart Shaw. I'm a developer from Austin, Texas. We sought neighborhood support, and we sought support from the council. We've been given a support letter from the Council in Georgetown twice. We have support from the county.

This will be our second Cypress Creek community. We just converted our first one. We need the HOME funds to make this feasible. And if awarded, we can perform and close this and put those HOME funds to good use in the City of Georgetown.

We have our plans and permits. We have debt provider equity ready to go. We think we can close in June. There was a suggestion about deferring GC fees. We cannot get our third-party general contractor to defer his fees. So there's no other fees for us to defer.

We respectfully request that you approve this.

MAYOR SALINAS: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. We did item (a) earlier, so now we go to item 8(b) which is an inducement resolution.

MR. CONINE: You missed item 7(g),

MS. ANDERSON: I'm sorry. 7(g).

MR. DALLY: Board is proposing a policy when a 4 percent tax credit deal has come before you and there not is public opposition and you've passed it. However, for whatever reason they are not able to close on their particular transaction, that they be allowed -- if they can get another reservation and get back through the process -- that we able to short-track that thing.

Now, part of it is a certification on their part that essentially the deal has not changed. In other words it has been underwritten and the application scored. Nothing has changed there. We do allow some substitution with regard to lender and syndication and some of that.

However, it is under the same set of terms that we had the first time through. Ms. Boston will come forward if there's some questions on this particular.

MS. MEYER: As I understand this, this is just to make it easier. They don't have to submit a whole new application if all the terms of the deal are substantially the same, and there's no opposition that's arisen since then.

Then they don't have to go back through a lot of paperwork and expense. So it's a developer-friendly effort by the Department.

MS. ANDERSON: I do have public comment.

(Pause.)

MS. BAST: Cynthia Bast of Locke, Liddell and Sapp. Again briefly we commend the staff for addressing yet another sticky problem that will make the process easier for the applicants. But I would like to again provide one suggestion.

We were involved with a transaction that actually received its bond reservation in 2005, but carried forward so that it would close in the spring of 2006. It was unable to close once to resubmit on the same terms.

And so what I would like is for the Board to have the flexibility, so that even if it's not the same program year 2006, even if it's a 2005 submission, that you all be able to consider that for the same kind of treatment, if it was a deal that was scheduled to close in 2006. Thank you.

MS. ANDERSON: Mr. Turek.

MR. TUREK: My name is David Turek, a developer from Fort Worth, Texas. I'm the poster child on this deal. The transaction that we're dealing with here is the Creekside Manor Apartments in Killeen, which you guys are very well aware of.

We were at the closing table. We were waiting to pop the champagne cork, and we didn't get a tax opinion on day 150. So we're coming back with the identical deal. Nothing's changed. Same units, same rents, same everything. Everything's going to be the same coming back through.

So we're just asking that in this particular situation -- and there are other situations certainly like this, because there will be others that occur like this, where the change from '05 to '06 is not substantial, that we would be able to have some consideration on that one.

It certainly saves us a lot of time. It saves staff a lot of time and a lot of money, and allows us to get this on the ground a lot quicker. So that's where we are. Thank you.

MS. ANDERSON: Mr. Richard Shaw.

MR. SHAW: Richard Shaw of Dallas, Texas. Again I ask that if should it be a different year the multifamily director has the discretion to make sure that nothing has changed as far as the application requirements or the deal itself.

I don't want to take any more of your time. Thank you.

MR. CONINE: I have a question, staff. Are we saying just for '05 and '06? Or is this in perpetuity?

MS. BOSTON: It's a policy that we would hope to continue to use if it remains successful. But the certification was crafted for a specific year.

MR. CONINE: So what we're saying here is for whatever reason the bond deal didn't close in the program year it was applied in and they want to reapply, then they get fast-track consideration for the '05 year or the '06 year?

MS. BOSTON: Staff's recommendation is to say that if it's a different program year, you need to turn in a new application, and we're going to process it as though it's a new application. And for our purposes, the reason we put that recommendation in the write-up is because the rules change every year, and the application documents change every year.

We feel like even though those changes are minimal from year to year, that for us it's an issue of consistency between our rules and our application in the review process. So what they were suggesting and saying that you wouldn't have to necessarily go back through the review process from year to year is not what we are recommending.

MR. CONINE: I guess I've got an issue with issuing a blanket rule that would be in that particular case. His particular case may be fine, well and justified. And we could do a case-by-case basis. But the issue of blanket rule change on that -- I guess I'm curious why staff chose to do a blanket as opposed to a specific.

MS. BOSTON: I think because we narrowed it down so much. I mean the current certification suggests that if the program year doesn't change and nothing about the application change, the people serve -- I mean the people on the development team -- pretty much the whole thing is the same, except for it didn't close on time, then we would suggest they wouldn't need to go back through the entire process.

So we narrowed it down to what we believe is a very limited population. It's only come up a couple times so far.

MR. CONINE: I'm going to move approval, subject to this being only effective for the 2005/2006 year. To give us time to reevaluate it for future years you need to bring it back before the Board later on this year.

But for right now it sounded like a good idea to me, since '05 and '06 are so close.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. We're going to item 8(b) which is the inducement resolution. Then we're going to defer item 9 to the next meeting when we have no executive session, because there is one Board member that has a plane in one hour and 25 minutes. So I'm going to try and help him make that plane.

So Mr. Dally, the inducement resolution.

MR. DALLY: 8(d) is the and inducement resolution declaring intent to issue multifamily housing revenue bonds for developments throughout the State of Texas and authorizing the filing of related applications and allocation of private activity bonds for the Texas Bond Review Board.

I do want to note on the printed agenda that you have, the first item, Riverside Villas of Fort Worth, Texas, has been pulled at the applicant's request. And the last item, Rolling Creek Apartments, Houston, Texas, has been pulled at the applicant's request.

So the remaining items for inducement would be Hillcrest Apartments in Mesquite, Texas; Center Ridge Apartments in Duncanville, Texas; the Idlewilde Apartments in Houston, Texas; Alta Crossing in Houston, Texas; and Stonehaven Apartments in Houston, Texas.

MR. FLORES: Move.

MAYOR SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. I would entertain a motion to adjourn.

MR. FLORES: Got it.

MS. ANDERSON: Thank you. We stand adjourned.

(Whereupon, at 1:46 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: McAllen, Texas

DATE: May 4, 2006

I do hereby certify that the foregoing pages, numbers 1 through 207, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Joe Penny Bynum before the Texas Department of Housing & Community Affairs.

5/12/2006
(Transcriber) (Date)

On the Record Reporting
3307 Northland, Suite 315
Austin, Texas 78731