TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING
2006 STATE OF TEXAS

Wednesday, October 12, 2006
Capital Extension Auditorium
State Capitol
1100 Congress Avenue
Austin, Texas

BOARD MEMBERS:

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

STAFF:

MICHAEL GERBER, Executive Director

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P R O C E E D I N G S

MS. ANDERSON: Good morning. There are still some seats scattered around, if those of you all in the back would want to sit down. We are glad to have such a big crowd here with us this morning. We want to welcome you to the October 12 meeting of the Texas Department of Housing and Community Affairs Governing Board, and the first order of business is to call roll. Vice-Chair Conine?

MR. CONINE: I am here.

MS. ANDERSON: Mr. Bogany?

MR. BOGANY: Here.

MS. ANDERSON: Mr. Flores?

MR. FLORES: Here.

MS. ANDERSON: Our new member, Ms. Ray.

MS. RAY: Here.

MS. ANDERSON: Welcome. Mayor Salinas?

MR. SALINAS: Here.

MS. ANDERSON: We have all members present; we do have a quorum. Before we take public comment this morning, I think the board members have some public comment of their own about sort of a bittersweet day. We are very fortunate today that our friend and board member Vidal Gonzalez has joined us for the board meeting. Vidal has just recently been kicked upstairs and appointed to the State Finance Commission, and he no doubt is very ably replaced by Ms. Ray, but we want to take just a few minutes this morning to pay some words of tribute and well wishes to Vidal.

First we have a presentation, I think. Do you have it?

MR. GERBER: Yes, ma'am. If Veronica would come forward. Is the microphone working? Good. Well, it is my honor and privilege this morning to recognize and thank Mr. Gonzalez for his dedication and commitment to affordable housing in Texas.

As we all know, Mr. Vidal has served on the TDHCA Governing Board for more than five years, doing so in an exemplary manner. We appreciate how he has shared his financial and banking expertise with staff to help this Department draft and carry out some very complicated transactions.

We deeply appreciate his steady demeanor and ever present smile. And we appreciate his guidance and direction that he along with his Board colleagues have given all of us on the staff to our agency. Vidal, we thank you.

This morning we applaud you and wish you well in your new role at the Finance Commission. And on behalf of a grateful staff, we would like to present you with a flag that was flown over the State Capitol on the day of your last board meeting with TDHCA.

MR. GONZALEZ: Thank you.

(Applause.)

MR. GERBER: There is one more.

MR. GONZALEZ: What a deal. I mean, it is great to be here, Beth. I have really enjoyed working with you. Your leadership is just fantastic. It is actually a full-time job that you have taken on and it has been great. And, Kent, what a leader also; you know, president of the National Homebuilders Association, the National State Housing boards and agencies.

And I am going to repeat what they said in San Francisco. You have been such a leader, we want to follow you in your footsteps, but we are not jumping off the cliff with you. Of course, Mayor, one of the finest moments I think was when we had the prayer breakfast in Mission.

Beth was at her finest with her presentation and I really appreciate all your efforts to help the border, not only in the Valley, but including El Paso and the rest of the area. Try to straighten out the

Cooperstown bunch over here from Houston, and keeping them in line with the zoning issues, et cetera. But it has been fun.

Your leadership, not only in the United States, but in Mexico is well recognized. And we appreciate everything you do. And please invite me any time you are having another prayer breakfast with the Housing Board, because that was excellent, and especially with Beth as a speaker. Thank you.

I'm getting to Sonny and Shad, the Cooperstown group. Shad, we came on the Board together. I know that that day that we came to the first meeting, after we were being grilled through the appointments process. We were both in a state of shock. And I think we have become real good friends, because we didn't know what we got into, or what we did to upset the Governor to appoint us to the Housing Board.

But I do want to recognize the Governor in that he is appointed Gloria Ray. So we are getting better directors, replacing directors with better directors from San Antonio. She'll will do an excellent job. She has assured you, Mayor, that she is going to work with you, and help on any border issues. And so we are really happy to have her.

You know, Sonny can pull rank on me, because he is class of '62 from Texas A&M University, and I am class of '72, so I have got to do what he tells me to do sometimes. And he uses me a lot of times as a decoy, and then he comes in for the kill. But I do want to let you know, Sonny, that Gloria Ray's son is a Fulbright Scholar, graduate from Texas A&M University, and so you had better be nice to her also, because if not, she is going to look out for my interests.

Mike, you and your staff have done a great job. We come once a month, you know, and we get all the credit. You guys, you and Kevin and everybody else, Bill and David and go on down the line. But you all live it day to day, and you all have done an excellent job.

And I would really like to recognize the staff, because I think that a lot of times, the Board gets the credit, but the staff are the ones that get the job done. So everybody stand up.

(Applause.)

MR. GONZALEZ: Yes. And I would like to say you guys look pretty official from over here. And I think my three minutes are up. I have turned my cell phone off. And so you know -- but I also want to recognize a different organization, such as TAP and Jim Brown, Diane

McIver, Granger McDonald, Mike Langford. You know, I can go on and on -- and any other friends like Gabe Meacham, Cynthia Bast, and we have got Elizabeth Rippy.

And I guess everybody is great friends, and I am sure not going to be a stranger, because these people work hard and party hard, and I want to be included in the group. I don't want to be excluded. So thank you very much. I wish all of you all the best of luck.

MS. ANDERSON: Well. you all, those of you all that don't know Vidal now know a lot about him from just those remarks. He is very sincere. He is hardworking. He is the most gracious, gentlemanly asset that we could ask for on this Board, and he will be badly missed.

Now I have this beautiful bow on this package that is a little present from the Board. And I put it in my suitcase, and the TSA had other thoughts. And so my bow doesn't look quite like it did earlier this morning. But this is just a token of our friendship and gratitude and esteem in which we hold you.

And we don't -- we want you to not be a stranger. Come back for the parties, and you can come back for board meetings with all this public comment if you want to.

MR. GONZALEZ: I thought I would stick around all day to listen to everything. No, but one of the things that is impressive, they were talking about the thousand and somewhat pages. And I said, I didn't get the board book this time. But the reason I wanted to recognize the staff was, we may have to read and go through the 2,045 pages, but they have to prepare it.

And last night, I know that Mike and Kevin were still up working late, until around 10:30. So there is a lot of work that goes on. And the development community and all these people, you all are just great.

I have got so many friends here. I will be around. But I will go ahead and check this out. Hopefully Sonny didn't have anything to do with this.

(Pause.)

MR. GONZALEZ: Wow. This is beautiful.

(Applause.)

MR. GONZALEZ: I would like to thank the Governor for the opportunities he has given all of us. And I guess my final comment is, God bless Texas and God bless our great nation. Thank you very much.

(Applause.)

MR. CONINE: Unless Gloria plays golf, I am going to miss my golfing buddy. Most of these yahoos don't play golf up here.

MS. ANDERSON: I think Mr. Flores has a retort for you.

MR. FLORES: First of all, Vidal, we are going to miss you, but not very much. And I also want you to know that I have sent a letter to the Governor thanking him for the upgrade we got on the board of directors. Thirdly is that there was one Vidal too many on this Board, and now there is only one.

So thank God and Greyhound, you are gone. One of those. But as young and as immature as you are, you have been a great mentor. And had it not been for you, I wouldn't understand what all these thousand pages I have in front of me are. So thank you, and God bless you.

MR. GONZALEZ: Thank you, Sonny. Of course, we are going dove hunting, and he has got to be nice.

MR. SALINAS: Well, Vidal, it has been great getting to know you in the last five years. I wish you well. Anything you need from us. I am very happy to have known you and met a lot of your friends in Mexico, and known a lot about you from Eagle Pass.

So I really appreciate your friendship, and anything we can do for you along the border area, and here, don't forget to call us. I am around all the time. Thank you for being my friend.

MR. GONZALEZ: I appreciate it, Mayor. And I appreciate you and your wife coming in last night.

MR. BOGANY: Well, Vidal, man, I am going to miss you. I didn't know you until that confirmation hearing, and I realized we were in the same boat together. And it has been the last five years, it seems like it moved so quickly.

And I just want to tell you, I am going to really miss your friendship. You have always just honest, straightforward, and I just really appreciate that about you. We never got a chance to play any golf. Well, I didn't get a chance to ride in the golf cart with you, as you played.

But I just wanted to share with you, this Board will miss you more than what Sonny may think it will. But you know, it is funny, when we were at a retreat, I really got the -- Sonny brought so many things out about you that I have been sitting here for five years, that I didn't even know existed about you. And it was just really --

MR. GONZALEZ: Make sure you thought it was good.

MR. BOGANY: Right. It was all good. It was all good, coming from Sonny. But I hate that you are going to miss these zoning issues that we have at this

Board. And I just look forward to it, and I wish you well.

And once again, I hope our friendship continues. When you come to Houston, look me up, and I will ride in the golf cart with you.

MR. GONZALEZ: That's great, Shad. I really appreciate it. It has been a heck of a ride.

MR. BOGANY: It has been a ride.

MR. CONINE: I will miss you, golfing buddy. And most of the people in this room knows, it is always good to know a banker. I won't lose your phone number.

MS. ANDERSON: Thank you very much Vidal, for your service, and for your friendship. And don't be a stranger.

MR. GONZALEZ: Sure. Make sure you thank Ken also; Ken and Coby, they do a great job in the office. You have Gloria Ray with you. So we appreciate it.

MS. ANDERSON: Well, we do. We are very pleased this morning to have as with, bittersweet one board member, but another leading light in San Antonio. We are very fortunate. The development community, the advocacy community, and this Board and Department are very fortunate to have Gloria Ray of San Antonio join our Board for a term to expire January 31, 2011.

Boy, that sounds like a long way off. But six years working with this Department goes by very quickly with a lot of adventure and productivity and housing on the ground for people that need it, in the process of that.

Ms. Ray is a retired senior official of Kelly Air Force Base. She is a member of the Alamo Area Council of Governments, and served on a couple of their housing related committees in that capacity. She has some bond experience as vice president of the Alamo Community College District Bond Oversight Committee.

And she has just a sterling resume of leadership, both in her professional life and in her civic life. She is co-founder and Executive Director of the St. Paul Area Development Corporation. She is a member of the San Antonio Women's Hall of Fame. She is also past president of the Fiesta San Antonio Commission.

And for those of you who know a little bit about San Antonio, Fiesta is very central to the life and spirit and heart and soul of San Antonio. And that leadership designation, I think, speaks about her ability, which we always need on this board in working through housing issues together with our stakeholders the ability to think through issues, work with different points of view, achieve consensus, and deliver a great product for Texas.

And in March 2006, Ms. Ray was also selected as Chair of the Annual Martin Luther King Jr. Birthday Celebration. So I want to thank the Governor's Office for bringing to this Board, and to this Department such a wonderful appointee with a great track record, and wonderful interpersonal skills.

And we'll have to see how you are at golf and partying as Mr. Gonzalez says. But we really are delighted to have you join our Board.

MS. RAY: Thank you.

(Applause.)

MS. ANDERSON: But a first order of business then, for the Board is to take public comment. As is our custom, we take public comment either at the beginning of the meeting or when the agenda item is presented at the witnesses' option. We do have quite a number of people who want to make public comment this morning, so we will have a three-minute time limit.

And I will call a couple of people at a time so that you can know that you will be coming next. The first witness is Representative Gary Elkins; then the next witness is Dennis Borel.

MR. ELKINS: Good morning.

MS. ANDERSON: Good morning.

MR. ELKINS: Ms. Ray, congratulations or condolences, whichever you think is appropriate. And Chairwoman Anderson and the members, thank you for giving me this opportunity to speak. My name is Gary Elkins. I am the State Representative for District 135, the area in which the proposed Rolling Creek affordable housing project is proposed.

As each of you are all aware, I have been opposed to this project since the beginning. I sent three letters to the TDHCA stating my opposition to Rolling Creek Apartment applications for the issuance of multifamily mortgage revenue bonds and housing tax credits. If you recall, I spoke in opposition to the Rolling Creek project last November, when you were all somewhere over here.

My constituents have been united and organized. They have been fighting this project for almost two years now. I believe a couple of them will be speaking when the item is called up later today. I am sure that each of you received a binder of all the materials and facts that my constituents have gathered on this project. I would like to say that I am very proud of their efforts. They have acted professionally through this whole process, and are extremely dedicated to stopping this development.

You also received letters of opposition from Harris County Judge Eckels. Harris County Commissioner Jerry Ebersol, State Senator Whitmire, and myself of course. My office contacted the Department data service and received the most recent market study for the Inwood Northwest Area, we found out rents are going down, and that the classy properties have an occupancy rate of 78 percent in this area.

I believe that this project is not in the best interest of the community. This area has a different picture than it had two years ago when they first applied for the project. I now have five developments in my district that have received financing from the TDHCA. Two more were just approved last month at your last month's board meeting.

And all of these developments are concentrated within less than a ten mile radius. According to an expert, in the apartment market, when you saturate an area with new affordable housing projects, it really hurts the affordable housing developments that are already in the area. The new development will attract renters away from the existing units in the area, for the same rents. The older complexes will suffer.

And as you all in the Legislature, we operate under the law of unintended consequences and I know you all don't want that to happen. Like I said, I believe my district has a large number of affordable housing projects. I also agree with the staff concerns that significant changes have occurred in the primary market area, which calls into question the reliability of the final PMA.

A major concern for me is that there are several unstabilized properties adjacent to the boundaries of the primary market area. I would strongly urge that you follow the staff recommendations and deny the issuance of multifamily housing mortgage revenue bonds and housing tax credits for the Rolling Creek Apartments.

And just one last thing. I would like to say a heartfelt thanks to Robbye Meyers and the TDHCA staff. Robbye has been in my office educating me on this process many times, and I want to thank you all for giving me the opportunity to speak today. Thank you.

MS. ANDERSON: Thank you, sir. Mr. Dennis Borel. And the next witnesses will be Sylvia Oyerbides and Maria Fernandez.

MR. BOREL: Good morning, Madam Chair, board members. My name is Dennis Borel, director of an organization called the Coalition of Texans With Disabilities. I am also an appointee of Health and Human Services Commissioner Albert Hawkins to the Promoting Independence Advisory Counsel, and by Governor Perry to the State Independent Living Council.

Here, I am speaking as a member of the Disability Policy Consortium. This was a letter that went to Mr. Gerber. We wanted to get it in front of you, because it was just recent. I will try to get the sentient pieces, and get in the three minutes. First of all we do request the Disability Policy Consortium is an independent group of health and disability advocacy organizations, committed to promoting the rights, inclusion and independence of Texans with disabilities.

Our first request is that you commit to full participation in the State's application under the Deficit Reduction Act. Specifically, the money funds the personal grant opportunity. It is a great opportunity for federal money. The State ought to take it. You ought to back it, and work with Mark Gold and the other great folks over there in the Health and Human Services area.

We would like to express our appreciation for past funding for volunteers to move people from nursing facilities into the community. The greatest test of Texas independence you can possibly imagine. And also for your support for the HOYO program, which has helped numerous people with disabilities own their own home.

And we also recognize your commitment to your interest in addressing the disability communities needs with the appointment of a staff person to be a liaison on these matters. We believe there are serious implications of the staff recommendation to reduce the total amount of HOME funds set aside for the HOYO program, and the Olmstead TBRA voucher program, in the 2007 program year.

We understand the need to comply with legislative authority and rules, which is reportedly the basis for making the total amount available statewide through the regional allocation method. However, carving up $2.5 million total into a competitive bidding situation is one thing. Reducing that 2.5 million to $750,000 is in fact, quite another. And we believe that it will make it -- few will even apply for it.

And you will get one of these things like you had with the Olmstead vouchers, where you put the money out there, it doesn't get all used, and you equate that with a lack of demand. There is a huge demand out there. Cutting the budget is not the way to do it.

We encourage you to restore those funds to at least the 2.5 level, work with the disability community throughout the best ways to get their money for maximum use by our Texas with disabilities. I wanted to read a few other lines. These lines are from Governor Perry.

As Governor, I am committed to ensuring that people with disabilities have the opportunity to enjoy full lives of independence, productivity and self determination. In 2001, I signed legislation promoting independence for people with disabilities and directing agencies to redesign service delivery to better support people with disabilities.

And accessible affordable integrated housing, and I am almost done, an integral component of independence for people with disabilities. HHSC shall incorporate the efforts of TDHCA to assure accessible affordable and integrated housing in its recommendation, so that Texas promoting independence plan, which it has those recommendations. And TDHCA and HHSC shall maximize federal funds for accessible affordable and integrated housing for people with disabilities.

These agencies, along with appropriate Health and Human Service agencies, shall identify within existing resources innovative funding mechanisms to develop additional housing assistance, for people with disabilities. The words of Governor Rick Perry in RP-13, his Executive Order dated April 18, 2002. Sirs, ma'am, we ask that you follow the Governor's recommendation. Support our people with disabilities for independent living in the communities of their choice. Thank you very much. Sorry for taking the extra time.

MS. ANDERSON: Thank you, sir. Ms. Oyerbides and then Ms. Fernandez, and then Jessica Alvarado.

MS. OYERBIDES: Good morning. My name is Sylvia Oyerbides, and I am representing San Juan. And I also have some residents here with me today, which are sitting over there, and standing in the back from me. I am here also to pass out, if you let me, some of these. I and some of the members also gave me their time where that I could speak and let you all know.

But I also would like you to see this letter, and understand where we are coming from, because the last time that I spoke, I did say that we had one dream, one goal. And I am here to speak out for everybody that is behind us and supporting us.

And the letter is to, Dear Mr. Gerber. We the residents of San Juan ask that TDHCA Board to consider forward allocations of 2007 low-income housing tax credit to construct the San Juan Square II from San Antonio. Our apartments were built in 1950, and are in deteriorating conditions.

We are in desperate need of money to demolish and rebuild the new apartment homes for our residents. We want to be proud of where we live. Thank you for your consideration. Sincerely yours, the San Juan residents.

The last time that I spoke, I was here with another resident and she really cried her tears out. I spoke here, and I have been hearing for many years that we exist and then we don't exist. They knock us down and we come back up. We don't want to be there no more.

We want to exist. We want to let our children, our future kids to become and be proud of where you are coming from, and no longer have to say well, where do you live. They don't have to be embarrassed and say, well, I live at the San Juans. No more.

We have dreams and we have goals. We want to build it, and make our kids and everybody around us to be strong and to be very positive that they can live on. And with this dream, it can come true. We want them to also say, you know what, our parents went out there and fought. And it was not just one voice. But there were several. We were right behind her.

My daughter is the president of the residents of San Juan Council and her name is Vanessa Rose Cruz. She is proud and she wishes she was here. But she had other things to do. I am here to represent them too.

I am also to be a future aunt, and a future, hopefully one day, a grandma. That my girls will say, you know what mom. You also made a difference. You spoke out when you had to. I would like to give each one of you thank you to let me speak for everybody. Thank you.

MS. ANDERSON: Thank you.

(Applause.)

MS. ANDERSON: I am not sure which -- thank you. Ms. Alvarado.

MS. ALVARADO: I am Ms. Alvarado and I cede my time.

MS. ANDERSON: Thank you. Sara Hernandez.

MS. HERNANDEZ: I am Sara Hernandez, and I yield my time.

MS. ANDERSON: Thank you. Darlene de la Rosa.

MS. DE LA ROSA: Darlene de la Rosa, and I gave my time to Sylvia.

MS. ANDERSON: Denise Lopez?

MS. LOPEZ: Denise Lopez and I cede my time.

MS. ANDERSON: Okay. I now see on here. Do you have some other things you would like to say?

MS. OYERBIDES: Yes. Just one thing. Please let us have this dream, and let us have this goal. We have been waiting for so many years, that residents ask when is going to come true. And we always tell them you know what, hang in there. It will come true. We know it will. And if you let us, we can let them know.

Say, you know what? It did. It made a big difference. And we want to at least let them know, you know what? We are strong. And we have come this far. Why not. Why not us, today? And I told them why not?

Let us be a voice. Not just mine, but theirs too. And let that voice be heard. In the long run, everybody can say we all stood together and we did it. Let that one dream and that one goal come true. And let it be a reality. Thank you.

MS. ANDERSON: Thank you. Ms. Ginny Fuentes. And then Mr. Greg Fuentes has yielded time also to Ms. Fuentes.

MS. FUENTES: Yes. My name is Ginny Fuentes, and I do live in the San Juan Homes as well. And I'll do the same thing as well. It is my first time, so I don't know how to approach you. But just to let you all know that we are in severe need of everything being done all over again.

There is a lot of things that are deteriorating. It is just coming apart. Not just mine, but everybody else's as well. I have two years living but for the time being you know, I have seen a lot of them that have lived there, that have commented about a lot of other things that I have seen happening.

Even if I wasn't living there, I have friends living there. There is a thing, a drain hole in the restroom that leads straight down to my kitchen. I have my walls just coming apart; my floors just coming apart in half. My kids have had splinters from the stairs. My windows aren't secure at all. I mean, there is a lot of other things.

And like I said, I don't know how to approach this. This is my first time. But we are in severe need of this. And if you all could please help us out. Not just for us, but doing it for the children, their well-being and their health and their safety. If you could please help us, again I ask. And that is all I ask. Thank you.

MS. ANDERSON: Thank you.

MR. FLORES: Madam Chair, where is this application at?

MS. ANDERSON: It was an '06 tax credit that was not awarded, and it is not on our agenda today. That is why they are making comment.

MR. FLORES: Okay.

MR. SALINAS: Have you done anything with any other developer? Have they gotten together with anybody else to try again?

MS. ANDERSON: I don't know that we know if they plan to file an '07 application or not. I think what they are asking for is forward commitments, and there is not an agenda item on that to take action on that today.

MR. SALINAS: Could you put it on the next agenda? Mr. Gerber?

MS. ANDERSON: You know, we could certainly do that, if it is the Board's pleasure. I just want to remind you, we made several forward commitments in San Antonio. The Board certainly has the discretion to make forward commitments. We did at least two, which then just means there is nothing to allocate next year. So that is sort of the --

MR. FLORES: Madam Chair, as a minimum, I would ask for a staff report as to what the status is here, what the situation is. I just caught pieces of this like the Mayor, I am a little lost.

MS. ANDERSON: Would you just come up and address this while we are on this topic?

MR. FLORES: It is kind of confusing.

MS. BOSTON: In that particular region, there had been a forward commitment in the urban category, and then we had enough credits to do one at-risk. Then at the meeting where we voted on the forwards, you added another at-risk property which was Las Palmas, which was another property that was in dire need of rehabilitation.

And so this property is not an at-risk, which is why it didn't get an award originally. It actually has one of the highest scores in the state. But just the way that region fell out, it didn't receive an award.

MR. FLORES: No developer working on this project at all?

MS. BOSTON: Sure. The applicant, I mean, they put together an application in conjunction with the developer for this. And whether they are planning on doing a 2007 or not, we wouldn't know at this point. But they have that opportunity, definitely.

MR. FLORES: Okay.

MR. BOGANY: I have one question.

MS. ANDERSON: Yes.

MR. BOGANY: Brooke, how many forward

commitments did we give in that region? Do you remember?

MS. BOSTON: In that particular subcategory, we did one, which was Las Palmas.

MR. BOGANY: Okay.

MS. ANDERSON: Any other questions for Brooke?

(No response.)

MS. ANDERSON: Thank you, Brooke. Erin Colletti. The next witness will be Rose Walker.

MS. COLLETTI: Madam Chair, members of the Board, thank you for having me here today to voice support for the Key West Senior Village Phase II, located in Odessa, Texas. I am speaking today on behalf of my boss, Representative Buddy West.

The Representative believes that the addition of Phase II will continue to successfully support a higher and much deserved standard of living for senior citizens in District 81. Odessa is in great need for housing for its low and moderate income senior citizens, especially those who live below the median income level of Ector County.

This is a great step in the right direction, to not only improving the lives of senior citizens in Odessa, but also across the state of Texas. At this time, I would like to read into the record the letter we wrote August

30, 2006 to the border.

"Dear Madam Chair and members of the Board. I would like to take this opportunity to issue my support for Key West Senior Village Phase II, located in my home town of Odessa, Texas.

"The housing needs, along with the general well-being of our senior citizens is of great importance to me, along with the citizens of District 81. Given the success of Phase I of the Key West Senior Village, I am certain that Phase II will provide equal success. With implementation of a Phase II, more seniors will be able to benefit from this outstanding housing opportunity.

"I humbly ask that Phase II be given tax credit program funding and added to the October board agenda for the consideration of a forward commitment. The need to relieve of Phase II to seniors in District 81 is critical. Thank you for your time and consideration in this matter.

"I truly appreciate your dedication to serving the housing needs of citizens of Texas. And if I can ever be of any further assistance, please do not hesitate to contact our office. Sincerely, Buddy West."

Thank you.

MS. ANDERSON: Thank you very much. Rose Walker?

MS. WALKER: Good morning, Madam Chair, members of the Board and Mr. Gerber. My name is Rose Guajardo Walker, and I am here on behalf of Senator Kel Seliger. I have given your staff a prepared letter from the Senator, and I will now read it into the record for your consideration.

"Dear Madam Chair and members of the Board. Thank you for this opportunity to express my continued support for Key West Senior Village Phase II, located in Odessa, Texas. I have previously submitted letters of support during the application process, and at the August Board meeting.

"Given the importance of affordable housing for senior citizens, I would like to reiterate my support for the Key West Senior Village Phase II. The housing needs of our senior citizens are of great concern to the citizens of Senate District 31, especially given that they comprise one of the fastest growing segments of our population. Key West Senior Village Phase II received a score of 190 points on their tax credit application, proving that they are competitive and a viable candidate for tax credit funding.

"The Odessa Housing Authority has worked diligently to provide seniors with affordable housing and has proven their commitment to their elderly residents by providing them with much needed transportation and social programs. Thank you for your consideration and your commitment to serving the housing needs of the citizens of Texas.

"If you have any additional questions, or you need any further assistance, please do not hesitate to contact me. Senator Seliger."

I cut it short for time.

MS. ANDERSON: Any questions?

(No response.)

MS. ANDERSON: Thanks, Ms. Walker. Randy Stevenson, and then the next witness will be Dan Allgeier.

MR. STEVENSON: Madam Chairman, members of the Board, I am Randy Stevenson from Arlington, Texas. I am here in support also of Key West Phase II, which is a highly successful project. And Phase I has been 100 percent full since the first day it opened.

The housing needs are critical and there is more people talking about that. However, at the same time, it look to me like we got an issue here that is a little bit bigger than that. And that is the equitable distribution of tax credit housing for the elderly.

Right now, the rehabs in all the regions except basically Dallas Fort Worth, Austin, San Antonio and Houston are getting all the money, because of legislative reasons. I understand that. But something is not fair for the elderly. Very seldom is there ever an elderly project rehabbed. It is always a family deal.

So if you follow the drift of Odessa, Key West II is in Region 12. I applied in Region 10 this year, in Corpus Christi. A rehab got all the money in the region. Victoria got a forward, muchly deserved forward for next year, and used half the million dollar credit allocation. It was about $500,000.

So next year, there is not hope for the elderly again. And the reasons they got it were A, there was a rehab in the region. And B, I am talking about Victoria now, and B, they understood there was going to be a rehab next year. And the mantra was, how are we ever going to get a project?

Well, I went back to Corpus Christi and talked to the folks, and told them we didn't get it. And they had used half the money for next year, and they said why. I told them what they had used for a reason, A, that there was a rehab in the region, and there was going to be one next year. And they said, how are we ever going to get one? Well, now you have come full circle back to

Region 12.

MS. ANDERSON: It is kind of the perils of forward commitments, isn't it?

MR. STEVENSON: Well, it is. It eats in. But it is just part of the problem. You know, I think at the heart of it, the rehabs are all going family. And those regions who only get enough allocation for one project, it is just over for the elderly. You know, there is two ways to do it. One is a forward, and one is over-funding the region. And that is true in ten and twelve, and I am sure it is true in the rest of the regions that don't get the big money.

So the issue here, I think is a little bigger than this, because next year, if they don't get money this year in Odessa, guess what? We are not going to get it, because of the same two reasons. It is just going to be an ever repeating issue.

So I am not sure how the elderly get a fair shake in this whole ball of wax. But something needs to change or we are going to be here ten years from now, and they are just going to be rehabs in those regions outside of the big four. So that is all I have. Thank you for your time.

MS. ANDERSON: Thank you. Mr. Allgeier, then

Adela Vasquez. Then Bernie Spears.

MR. ALLGEIER: I am Dan Allgeier, and I am talking in favor of Key West --

MS. ANDERSON: I have some -- excuse me, Dan. I am sorry. I am told that people in the back are having trouble hearing. So if you would project a little bit.

MR. ALLGEIER: Yes. I will try. I am here to speak in favor of, by the way, that was her time, not mine. I am here to speak in --

MR. CONINE: Oh yes?

MR. ALLGEIER: Buzz. I am here to speak in favor of Key West Village Phase II. Now everybody has told you what a great project this is. It is. It has community support. It is the second phase of a successful project, because of the at-risk properties priorities, it is never going to see the light of day. Here is the way you can do it.

Today, if the border approves, as the staff has recommended, Agenda Items 1-H, which is the funding of Waco River Parks and 10-B, which is the cost increases for the 2004 and 2005 applications, you will have $149,900 left in your 2006 credits. So this project requires $215,000 in credits.

If you use the 249,900 from 2006, sort of do an intergenerational thing here, and give us a $65,000 forward from 2007, you don't waste a penny of your 2006 allocation, and we only need 65,000 in forward. So I would like to request a forward commitment of 65,000 and the balance of the 2006 funds, assuming the Board does as the staff has recommended on these other two items. This project can meet the carry over and commitment.

The Applicant already owns the land. The land is already zoned multifamily and the local funding is still available. We can meet all the requirements. The only thing is, since we are not on the agenda today, it is going to have to be considered at the November meeting. So in addition to that request for a carry forward commitment, and the balance of your money this year, we request that the November 1 deadline for carryover be extended for a month so we can do the carryover as well. Thank you.

MS. ANDERSON: Thank you.

MR. CONINE: Creative.

MS. ANDERSON: Yes. Very creative. Ms. Vasquez, and then Ms. Spears.

MS. VASQUEZ: Good morning, Madam Chair and members of the Board. I am here representing the same Key West Village that you just heard about. I want to present a different perspective for you. I was born and raised in Odessa, Texas. And many of you know that neighbors -- I am sorry. Adela Vasquez.

I am the Director of Guidance and Counseling for the school district in Odessa, Texas. And I supervise 26,000 kids in counseling services. But I am here on behalf of the senior housing board. My heart bleeds for our youth. And I appreciate the presentation this morning. But it also bleeds for the elderly.

I want to present a slightly different presentation to you in that I grew up in Odessa on Clement Street, the same street that Key West is built on. And many of my relatives have actually had the opportunity to have lived there. I had one aunt that deceased a couple of weeks ago and another aunt that is in a nursing home. So they have ventured the profits of Key West.

When you think of the Midland-Odessa area, you think of oil booms, and you think about oil money. Well, it is not all that. It is not just about that. There is a part of the citizenship there that are consistently there whether the oil boom is there or not. They have been there all of their lives. They have worked hard.

And they are now to the point that they have run out of insurance money, and all they have is Social

Security. And many of them would have been homeless, had it not been for that. So I am here to speak on their behalf.

I currently serve as the Board chairperson for the Housing Authority of Odessa. I am also a vice-chair for Key West. And I ask that you please take the elderly into consideration. We have got the part one completed, and now we are looking at part two. There is a corner unit there. We have got a long list of waiting senior citizens that don't have a place to go in. I am here on their behalf. I appreciate your consideration. Thank you.

MS. ANDERSON: Thank you. Ms. Spears.

MS. SPEARS: Madam Chair, to the board members and Mr. Gerber and to everybody else that is here. I am back again, asking for the same thing. Dan Allgeier stole part of my thunder, so I will let it be at that. But I am here just in support of Key West Senior Village and ask that you humbly consider not only the mathematical equation that Mr. Allgeier gave you, the way to fund this thing, but also consider our seniors in Texas.

And I keep going back to the mission statement for the Department, which says it helps Texas achieve and improve quality of life through the development of better communities. And we want our community to be as good as any other community in the State of Texas. Thank you so much for all that you do for not only Odessa, but the citizens of Texas. And I know that in your heart of hearts, you will consider Odessa somewhere down the line. Thank you very much.

MS. ANDERSON: Thank you. Kurt Arbuckle and then Darrell Jack.

MR. ARBUCKLE: Good morning. And Mark Musemeche had also signed up to speak this morning, and he has yielded his time to me.

MS. ANDERSON: Yes, sir.

MR. ARBUCKLE: I am an attorney. I appeared before the Board in May of this year, representing Sienna Trails Townhomes. You may recall at that time, that there was a rehab. This was on the Rita issue. There was another project that had been designated as a rehab, that had lower points than we did, that was not in fact a rehab under the Board's rules.

And we appeared at that time. What I want to do, the reason I am here this morning is threefold. I want to bring the Board up-to-date on what is going on with that. But more importantly, to get beyond that particular issue. Sienna Trails Townhomes is only one of two Rita round applications that is eligible, that did not get approved, that did not get tax credits.

Both this one and the other one, which is eleven points below Sienna Townhomes are in Beaumont. And Beaumont is, because of the urban/exurban way things are split up, is kind of not getting what other surrounding areas that are also devastated by Rita are getting.

And specifically, the reason we are here today is because there are some DDA designations, difficult to develop area designations of HUD that make it urgent for us to bring this before the Board to see if we can get some action taken immediately. I was going to do my only little mathematical formula, but that got stolen from me.

But in any event, we are asking for approximately $410,000 in tax credits. At this point obviously, it would be mostly forwards, depending on how you do it. And again, this is not an agenda item. And so we have two things we want to suggest about that.

First of all is, that you may recall that under the original Rita agenda items that were discussed back earlier in the year, the Board actually gave the Executive Director the authority to make credits, or to allocate credits in the Rita area. That could be done before the next meeting in November, with an agenda item on the next meeting to ratify that, using the old, the agenda items that have already been before the public to comply with the Open Meetings Act.

Otherwise, we would ask that this item be put on the agenda for the November meeting, so that the Board can consider giving forward commitments. Since the Board's meeting in May, Sienna Townhomes had 174 points. There was another application, Beaumont Downtown Lofts that had 173 in its application, and it appears it got credits. It appears that it actually only has 167 points, because there was some community support that was not there, that was indicated in the application.

So it is now several points below ours. We have, as we lawyers say, pursued our administrative remedies with the Board, or with the Department. And we have even attempted to do some ADR with the Department. Because of scheduling problems, none of that has been finally resolved at this point.

And before I get into the DDA issue, as to why we are here now, I just want to make a couple of comments about Beaumont, because after all, I think we all know that the reason that these housing projects get tax credits is to try to provide housing. Beaumont just barely meets the requirements for being an urban population.

It is a little over 100,000 population. To give you an example, and I am not putting down Port Arthur, because they certainly need help too, but Port Arthur doesn't meet that urban requirement. As a result, before the 2006 allocations, Port Arthur had 3.97 tax credits per capita, whereas Beaumont only had .99.

With this year's allocations, as best as I can tell from public records, Port Arthur got approximately 446 more low income housing units this year, with the help of tax credits. Beaumont has only gotten 72. So there is a need in Beaumont.

Beaumont has had some economic development in the last years that has created a housing shortage even before Rita came along. And I think everybody knows what Rita did to all of that, and that it is even worse now. So there is certainly a compelling need in Beaumont for further tax credits for housing.

The problem that brings me before you today instead of sometime next year or something is that HUD has designated the tract or the area in which my client's application is located as a DDA area. A difficult to develop area. That gives additional tax credits. I believe it is about 30 percent.

But in order to get those, and those are necessary in order to make this an economically feasible project, and it is a unique project. It is a townhome. So it is going to give low income residents more of a single-family kind of environment. And it is going to be a better project than well, again, I am not here to put down the other projects.

But for example, the one that was improperly classified as a rehab was 200 year old buildings that weren't even next to each other, that were going to be converted into low-income housing units. This is a unit that is being built specifically for this purpose, and it is being built to give these people a higher experience of income, of low-income housing. But in order to get those extra credits, in order to make this economically feasible, it has to be in operation by the end of 2008.

In order to accomplish that, Sienna Townhomes has to get everything done, get all their financing in order and get ready to go at the very beginning of 2007. So it is necessary to do it now instead of at some other time. And that is why we are asking for the forward commitments now, because there is a specific need for them.

And again, as I said before, if those could be given by the Executive Director now, and ratified in the November meeting, that would even be better, because we can get started. But if not, we would ask that it be put on the November agenda, so that the Board can consider it, giving these forward allocations.

MS. ANDERSON: Thank you. Mr. Darrell Jack, the next witness. Then it is Stephanie Thomas and then Bob Kafka.

MR. JACK: Good morning. My name is Darrell Jack, and my firm is Apartment Market Data. Most of you know me. It seems like I am up here a lot these days. But welcome, Ms. Ray. I come to you to speak to you about something that you are going to consider at the next board meeting in November, and that is the changes to the 2007 real estate analysis rules and guidelines.

Since the last board meeting, I have been working extensively with staff to prove up to their satisfaction some of the comments I made in the August meeting, in that five out of six of the properties that we studied that have actually been either approved or built would not have qualified for the new rules. I am going to go past capture rate, because next month, I will talk extensively about that.

But the two rules that I want to talk about today are one, the reduction of the capture rate for rural and senior urban projects. And then the restricted market rents. If you would turn to page 3 of the handout that I just gave you, I went back, and I looked at the 2006 allocations that were approved in July.

And what I found was that one out of every four projects wouldn't have qualified in 2006, had the 2007 rules been applied. That is accounting for $11 million worth of tax credits and some 14 almost 1,500 units that wouldn't have been built if these rules had been applied. So you have to ask yourself, did we just allocate $11 million to properties that are going to fail, or are the proposed rules for 2007 going to be too restrictive on the development industry.

The second item that I want to talk to you about is the restricted market rents, where the developers pro forma rents are less than both the program max, and the market rents. Austin is probably the best example in the state where after 2003 and the dot com bust, that rents actually went down in the state.

At the same time, though, we have never readjusted the program maximums as you will see in the table on page 4. Those maximum rents were never adjusted downwards to match the decrease in the area median income.

The effect of this is that there is that spread between what a developer can get, and what the maximum rents say he should get in this market.

This is going to lead to two things in 2007. First, it is going to force developers to go into higher area incomes. And it is going to eliminate many of the areas of lower income people that might have a greater need for the housing.

Second, it is going to eliminate outlying areas like Bastrop and Caldwell County. Frankly, the rents that you can get in Lockhart just aren't the same that you can get in Austin. So in closing, I hope to plant a seed with you today, that you will look over the public comments that I have submitted, and we'll talk again at the November meeting. I would be happy to answer any questions you might have. Thank you.

MS. ANDERSON: Thank you. Ms. Thomas. And then Bob Kafka, and then Jean Langendorf.

MS. THOMAS: Hello. My name is Stephanie Thomas, and I am with Adaptive Texas. And I am here to talk to you about a couple of things related to affordable accessible housing for people with disabilities, and getting people out of nursing homes. People in our state are stuck there because they can't find affordable housing.

And even the affordable housing that you are building often is not affordable for people who are on just SSI. I can hold it, thank you. So the bottom line is, you can't get -- we are now in a phase in our country where we are trying to get people out of warehouses where they don't need to be living.

Not everyone in a nursing home needs to be in one. They could be living in the community. But we have had this very institutionally biased long term care system, and that is where people get stuck. Now we are working to turn that around.

And President Bush has a new Freedom Initiative that he has initiated. And as a matter of fact, Congress in the last session Dennis talked about passed the Deficit Reduction Act which includes funding to help people get out of nursing homes, called Money Follows the Person. But you can't get those services if you don't have anywhere to live.

You guys play a key role in this. And frankly, the Department has been moving away from people with disabilities in the eyes of the disability community. And your moving away from the voucher, the home voucher, for people to move out with is a very bad thing. That program may not have gone as well as possible, but when you funded housing developments that illegally built inaccessible units, you didn't just say oh well, we are not going to pay for developers anymore.

You said, we are going to fix this. And you worked with them to fix it. And that is what you need to do with the disability community on those vouchers. You need to put more money into them, and you need to follow up on the commitment to that.

I have with me a letter from HUD Secretary Jackson that was written to housing people around the country urging you to follow up and to help out with this effort. So I am going to pass it up to you. I am not going to read it. I am going to trust that you will read it.

But it is very important that you see that this is part of a national trend and that it needs to happen. It is not just the dream of a few little people down here in the bushes. It is a national effort backed by your President, your Governor, and the Secretary of HUD. And it is something that you need to follow through on.

I also want to say that the lack of support for HOYO is very disappointing. It is a unique program. It is something that has gotten you national recognition.

And now you are backing away from it. And you say that you are not, but you are. And you say you have to spread the money around the state.

But frankly, people haven't been stepping up to do this. And it is something that needs to happen. And there is one more point I want to make. When you do your disaster relief efforts, you also need to look at people in nursing homes, because what happened to people with disabilities during Katrina and Rita is that they got stuck in nursing homes, and then they got foisted off to other nursing homes.

And there are many of them still stuck there now. Not because they need to be there, but that is where they got shuffled to. And in the housing grab and all that, they were just left out of the whole thing. And you need to consider that.

MR. BOGANY: Thank you, ma'am.

MS. ANDERSON: Thank you. Bob Kafka.

MR. KAFKA: I am Bob Kafka. I am an organizer for Adaptive Texas, co-director of the Institute for Disability Access. And I also serve on the Health and Human Services Promoting Independence Advisory Committee. Just one note.

We actually sued the State Capitol for access, and there are actually booms so people with disabilities don't have to be hiding behind this thing. This is very undignified to have to testify this way. There is actually an access, way to testify so we don't have to be standing on the side of a podium. And everybody else in this capitol knows about it. I would appreciate it if you would have that the next time.

I just want to reinforce what Dennis and Stephanie just said. But I want to put it in a perspective of the demographic shift and the cultural shift that people with disabilities and older people want affordable accessible integrated housing. You know, one of the things that is hard for many of you to understand is that you think we want and we should be in nursing homes, assisted living and segregated housing.

That shift is taking place very slowly. And Texas actually has been a leader. And you all have actually been a leader in helping that. And that is why there has been such angst about this sort of stepping away. The HOME dollars were really exciting. The HOYO money. The disability advisory. It was recognized.

And we talk about disability. We are not talking about young people versus old people. You know. People don't go into nursing homes because they are old.

They go there because they have either physical, mental or cognitive disability. And this demographic shift of seniors and younger people with disabilities are just crying out for affordable accessible integrated housing. Everyone talks about family values and intergenerational. But we want to segregate old people over here. Young people over there, because it is a program.

You know, this cultural shift of intergenerational, we really believe it. Aging in place. We really believe it. Young people. But we need the affordable accessible integrated housing. The HOME dollars is integral to make that happen.

You have that letter from Secretary Jackson. People have fought, sweat, blood and tears to talk about coordination with housing entities, and our Medicaid office, because low-income people, and when we talk about low-income people, we are not talking about 80 percent of median, which in Austin is $50,000 a year. We are talking about most of the people in our organization are on SSI and that is $600 a month. $7,200 a year.

And I believe that is about 30 percent below, 15 percent of poverty. So again, when we talk about it, we talk about very very low-income people. And those are the people that are warehoused in our nursing homes, warehoused in our assisted living, warehoused and segregated because there is not affordable accessible integrated housing. And we hope to work with you to better develop a real sensible program that will integrate people into the community. Thank you very much.

MS. ANDERSON: Thank you, sir. Jean Langendorf, and then Sarah Mills, and then Jennifer McPhall.

MS. LANGENDORF: Good morning. My name is Jean Langendorf. I am Executive Director of United Cerebral Palsy of Texas. We understand today is the last day for public comment on the proposed consolidated plan. I had submitted testimony at the former board meeting. Some of that, you have again before you.

We have also worked with a lot of people and for those people have been in support of the Home of Your Own program and the voucher program, people have hopefully you have heard from those across the state, that this is a concern. I am not going to read all of this, because you have the limit of time.

But I do want to let you all know that we want to continue a partnership with you, that we have had for the Home of Your Own program. It does continue to be noted in many of your activities where you report to HUD.

The Department's five year Consolidated Plan lists involvement with the Home of Your Own effort as a demonstration of your public private partnerships.

I believe that five year plan contains the upcoming 2007. Your analysis of impediments to fair housing refers to both the HOME program and the Olmstead TBRA voucher program. By eliminating these efforts, I guess you would need to go and revise some of your plans. We want to continue.

We don't want this to be destroyed. We do feel like -- we understand now that we are hearing about a law that we understand that has been in existence for a long time. Somehow in the past, there has been an effort of using what we would call reasonable accommodations, and looking at how to serve people with disabilities.

There are requirements in federal law under Section 504, to where various rules and laws can be looked at, and see how they might jeopardize the services to people with disabilities. So I ask that you all be creative. Look at continuing the partnership.

We will work with you, if it is something you want to do statewide. We have responded over the last ten years to numerous communities to help them to establish a Home of Your Own program, along with Fannie Mae who offers a particular mortgage product for people with disabilities. We are a partner, we are also a partner of yours, the F.B. Harren Foundation that funds some of your bond programs also supports this effort.

It is seen as innovative. It is seen as something that we in Texas have been able to address, the needs of people with disabilities in home ownership. It is a population that needs barrier removal. There needs to be funds to support people to live independently in their home.

Those activities are not offered in your regular programming, with this effort at reasonable accommodations, you are able to provide that. And we hope in the future we can work with you, and not have this program dismantled, because this down payment and barrier removal is very important. It goes directly to the people that it serves. It doesn't go to UCP Texas. Thank you very much.

MS. ANDERSON: Thank you. Sarah Mills, Jennifer McPhall and then Matt Hull.

MS. MILLS: Good morning. My name is Sarah Mills, and I am with Advocacy Incorporated, and I am the Housing Policy Specialist. Madam Chair, Board and Mr. Gerber, it is nice to be here this morning. I am just going to reiterate basically what my colleagues in the disability community have already said.

And that is, we are just concerned with the reduction of the Home of Your Own program, and the tenant based rental assistance. It is my understanding that HOME funds from HUD have been around 41 million. And of that, 2.5 million in the past have gone to these two programs, and now that is being reduced to $750,000.

In the past, 500,000 of that 2.5 million has gone just to HOYO. And that money is so important. It acts as a leverage for people who are going to the lenders to get their mortgages. It helps with down payment assistance. And without that money, it is sort of the backbone of the program.

And the program has been around for ten years. It has been so successful, and I can actually speak, as I used to be a former vocational rehab counselor for TRC, which is now DARS. And I used to help folks get services to go back to work and I used to refer them to the Home of Your Own program.

And I had several clients that went through the program, and they were on SSI, and they were able to use their SSI money, work on going back to work through other programs, and they weren't having to receive other monthly governmental assistance to help them living in public housing. They were able to have a home of their own. Also, people who are on Social Security don't have the opportunity to participate in 401K programs and having equity in a home is sort of a savings program for these people.

So it is a very valuable MS. program. We just want to reiterate that you all look at that, and just reconsider the reductions. And thank you very much for allowing me to speak this morning.

MS. ANDERSON: Thank you. Jennifer McPhall.

MS. MCPHALL: I am Jennifer McPhall. And I am with Adaptive Texas. And I also want to say that I support you guys putting more -- actually increasing your funding for vouchers for people that are getting out of nursing homes and not just keeping it at the same level. We know that there are thousands of people who want to get out of nursing homes who can't and the reason that they are stuck in the nursing homes right now is not a lack of attendant services, but a lack of affordable housing.

I will put a different twist on it, than some of the folks that have spoken before you this morning. On a personal note, I am a person obviously, who has a disability that is somewhat significant. And I am eligible for nursing home services. I could go there and receive them tomorrow.

But I have been fortunate enough to have community based support services in the form of attendant care, and affordable housing. In the past year, I have worked, I have been able to pay taxes. I have done volunteer work. I also served on a bond advisory committee. I volunteered over 2,000 hours just in that area alone. And in addition to that, I have now started to do emergency response training on a volunteer basis.

So I say that not because my head is fat, but because I wanted to prove that we are a worthy investment. That you may look at a lot of folks with disabilities and think, oh what an unfortunate mishap, that they were born with their disability, or they acquired it later on in life.

But given the right support and investment in people they can excel. And I think that that gets lost. So I just wanted to bring that up.

MS. ANDERSON: Thank you. Matt Hull. Yes, Mr. Bogany?

MR. BOGANY: I have a question for Mr. Gerber. Mr. Gerber, why did we reduce from 2-1/2 to 750? Was it a budget issue? What was the reason behind it?

MR. GERBER: Well, there is actually two issues at work. Let me talk first about the -- there is an obligation for all of the Department's funding to go through the Regional Allocation Formula. This program has historically received $500,000 a year, but it has not gone the Home of Your Own program has historically received $500,000 a year, but it has not gone through that Regional Allocation Formula.

The result is that there are parts of the state that are not served. By raising, what the Department has done is raise the amount of funding that is available for people with disabilities. Not earmarking it exclusively for HOYO, but raising it to $750,000, and allowing all parts of the state to compete for that larger pot of money. Let me turn to Brooke or to Kevin to talk about the Olmstead TBRA.

MS. BOSTON: And I am going to be very brief, because we are still doing a little bit more research, and I don't want to give any incorrect facts. There has been a set-aside over the past several years for TBRA for Olmstead and the -- it was not a set-aside that was state or federally required. And one of the ways that we are required to do Regional Allocation Formula only lets us have a set-aside if it is state or federally mandated.

And I think that the reason why it was kind of rolled back into the larger pot of funds is because it wasn't a set-aside that we were authorized to have under any statute. Additionally, I do know staff has let me know that it has been fairly under-subscribed over the past, in the rounds that we had it available.

MS. ANDERSON: In our HOME TBRA that would be subject to the Regional Allocation Formula, that is certainly available for people with disabilities. Is that right?

MS. BOSTON: Definitely.

MR. BOGANY: Brooke, are you saying, I keep hearing this 2-1/2 mil dropped to 750. And I heard Mr. Gerber -- was it ever 2-1/2 mil?

MS. BOSTON: Yes. But there was a TBRA pot, and then a Home of Your Own pot.

MR. BOGANY: Then it was the combination that got the 2-1/2 mil?

MS. BOSTON: I think, yes. And by the Olmstead set-aside no longer being evidenced independently as a set-aside, it appears as a reduction. And then the only set-aside that is still reflective for people with disabilities would have been the $750,000.

MR. BOGANY: Last question, are we

underutilizing -- I heard you say underutilizing the money so it has been there but it is not being used, all of it.

MS. BOSTON: The program was not ever subscribed. And so we -- there was some utilization of it. But it was not the demand did not exceed the availability of funds.

MR. BOGANY: Okay. Thank you.

MS. BOSTON: And I do understand also from the disability community that it was a hard program to get rolled out, and that would explain part of why it was not over subscribed in the beginning, because they had to lay some groundwork to make sure that it could work.

MR. BOGANY: Okay. Thank you.

MS. BOSTON: And we do plan on, in our next meeting of course, we will be doing a reasoned response to all the public comment we have gotten that is researched and vetted through legal.

MS. ANDERSON: Yes. This is the proposed actual plan that will come to the Board for approval next month with all the comment on it. Mr. Hall.

MR. HULL: Hi. Good morning, Ms. Anderson. How are you? My name is Matt Hull. I am the Director of Policy and Research for the Texas Association of CDCs. We represent over 150 non-profit community-based development groups across the state.

And I just want to pick up on the thread that has been mentioned before from the disability community, but also expand it to some of the other single family home rules and the proposal in the slip to move the funding percentages from 20 percent for both TBRA and homebuyer assistance, down to 10 percent in raising OCC from 60 percent to 80 percent and that at TACDC, we are opposed to the shifting of single-family HOME funds around. And the main reason relates to homebuyer assistance. And that is, is that home ownership as you know, for most moderate income families, it is the largest asset that they will ever own.

For upper income families, that is not necessarily the case. But for moderate and lower income families, it is absolutely the case, that home ownership is the largest asset that they will ever possess. And that those funding percentages are guidelines.

Meaning that we try to allocate 20 percent to homebuyer assistance. 20 percent to TBRA and 60 percent to OCC. However, what happens is that as you know, OCC is oversubscribed. It is the highest oversubscribed program. But however, TBRA and homebuyer assistance are oversubscribed in certain regions. And because you have a regional allocation for this, by capping, by reducing the amount by 50 percent, you will be hurting those regions that are currently oversubscribed in those other programs.

And for TACDC's point of view, it is not necessary to make this change, because any money that is not used for those programs can shift within region to other activities. So if a region is over, is only allocated 50 percent of its homebuyer assistance in any one region, the rest of that money can go to OCC already. And then if an entire region is undersubscribed then the money can go to the next most oversubscribed region.

So by shifting this funding percentage around, you are actually not increasing necessarily the amount of funding for OCC. But you are hurting those regions that are currently oversubscribed in TBRA and homebuyer assistance. Also, homebuyer assistance is the only one of these programs that leverages private resources. $10,000 down for down payment leverages 50, 60, 70, $80,000 in private mortgage from a lending company.

OCC does not do that. It basically provides $55,000 to rebuild a low income person's house that is already in deteriorated condition. Also, OCC currently under the new HOME program two year funding cycle, $275,000 program cap and moving away from a grant to a loan, depending on the income level, whether it is deferred, forgivable or zero percent interest.

It is currently unproven, because the program is just going out. So we are not sure if the demand in the field is still going to be there on the low income family side, if they want to actually get into a loan situation, what their insurance implications will be. Whether it makes financial sense for them to participate in this program, because as the Board has mentioned, you are going to be doing an internal working group, I would suggest that maintain the percentages as they are now, and have the working group look at this for inclusion next year.

MR. BOGANY: Are you saying that you don't want us to take it up to 80? You want us to keep it at 60?

MR. HULL: Well, not necessarily. Don't take it up to 80, but keep TBRA and homebuyer assistance both at 20 percent which, would -- right. Keep OCC at 60 percent.

MR. BOGANY: But I was under the impression that 60 percent of area median income --

MR. HULL: No. I am sorry. That is the funding percentage for the HOME single-family. It has nothing to do with the income.

MR. BOGANY: Okay. That is why I am asking that question. What is OCC?

MR. HULL: It is the owner-occupied housing. It is the rebuild or it is the rehab program for extremely low and very low-income families. And if the house has deteriorated beyond $25,000, it is basically a tear down and rebuild program. And it is the most oversubscribed because as the Board has mentioned several times, it is consultant driven, because you can get 4 percent admin fees and 12 percent soft costs.

The other programs, a lot of the non-profits that do it actually lose money on it, because you have 4 percent admin, 10 percent soft costs, but the allowable soft costs are so low that a lot of our groups wind up losing money on it and do it because they are the ones building the houses in the first place to get the homebuyers into the house.

MS. ANDERSON: Thank you. That concludes the public comment for this morning. With the Board's indulgence, I would like to proceed, take a couple fo things out of order. And so I would like to proceed at this time with Agenda Item 9A, which is a Multifamily Division item, presentation, discussion and possible issuance of multifamily mortgage revenue bonds and housing tax credit with TDHCA as the issuer for project 060619 Rolling Creek, Houston, Texas.

And we have a staff presentation on this, and then there is a lot of public comment on this item. And then I am going to forecast that by the time we do that, then we are probably going to want to take our lunch break.

Mr. Gerber.

MR. GERBER: Madam Chair and board members, this agenda item has been on your agenda previously but has not received a vote. Rolling Creek is a priority three bond transaction with TDHCA as the issuer for the new construction of a 248-unit development to be located in Houston. The developer for this application has submitted four separate applications for the same development over the past two years.

The first application in 2004 was withdrawn due to a missed deadline, in posting the notification sign on the property. The second application in 2005 was withdrawn due to the rescission of a letter from Harris County for consistency of the consolidated plan letter prior to the December board meeting in 2005. A third application in 2006 was submitted, and subsequently withdrawn, due to the possibility of the developer receiving additional housing tax credit because Harris County was a difficult to develop area by the federal government after the hurricane disasters in September 2005.

The current application is the second application submitted in 2006. The application itself has changed slightly with each submission, however, there were significant changes to the primary market area in each submission. The last submission or update being the most significant. There has been a concern of oversaturation in the area during the 2006 program year.

At the August board meeting, the board approved two other developments in the area. At the time, the information submitted to the Department showed that there would be a concentration issue, with the approval of Rolling Creek and the developer withdrew the application for consideration at the August board meeting to wait for the Board's decision on those other two applications. The other two applications were approved, and subsequently have closed.

On September 5, 2006, after the Board's decision, the primary market area was redrawn to exclude the other two developments in the inclusive capture rate. While this in itself is not a problem, the new information was not submitted within the 60-day requirement in the Qualified Allocation Plan and rules.

Although the current primary market area is the most appropriate, according to the Department REA rules and guidelines, the primary market area has some unusual and unique circumstances in that there were six unstabilized developments, three of which are family and three are senior that are immediately adjacent to the boundaries of the primary market area. Because of the number of unstabilized properties in the area, even though they were outside of the primary market area, the statutorily created executive award and review advisory committee, or EARAC made a negative recommendation on this project to the Board.

The committee is comprised of the directors across the Department and after discussion, the vote was unanimous against recommending this development. In addition to the vote of EARAC, the Department has received substantial opposition from the Rolling Creek area's elected officials and the adjacent community. There were 196 people in attendance at the public hearing on August 7, 2006.

The Department has received 66 letters of opposition from the community along with a petition of opposition with 1,867 signatures. The request is for bonds in the amount not to exceed $14,500,000 and are proposed to be privately placed by Capmark Securities with Capmark Mutual Mortgage Trust as the bond purchaser and PNC multifamily capital as the Syndicator. The Applicant also requested $1,014,308 in housing tax credits.

EARAC voted not to recommend approval due to concerns of the unstabilized developments and possible concentration of housing tax credits developments in the area and due to a violation of the requirement, that all outstanding documentation be submitted to the Department at least 60 days prior to the board meeting. Staff concurs with that recommendation and does not recommend approval.

MS. ANDERSON: There is a lot of public comment on this. Is it the Board's pleasure to hear that public comment before we put a motion on the floor?

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

MR. CONINE: I will second it, but you can go on with public comment.

MS. ANDERSON: There is a lot of public comment on this item, so you all know the dilemma that I am facing here. I guess we had better hear the public comment.

Mr. Bob Coe. Let's cut this to two minutes per person, or we are going to be here until after Mr. Conine's plane has landed back in Dallas.

Mr. Bob Coe. Mr. Barry Palmer and Jude Wiggins will be the next witness after Mr. Palmer.

MR. COE: Good morning. Bob Coe with O'Connor and Associates. I was the market analyst that did all of the various market studies on this project. The first thing I would like to address is the reason for the changes. In 2004, that market study was done under the 2004 guidelines. In 2005, the two were done under the 2005 guidelines.

Those guidelines allowed for over $100,000 population with justification. The 2006 report, the guidelines changed and a maximum 100,000 population was required. So we had to change the PMA. The final change was due to an error in our mapping program, we showed the southern boundary of zip code 77040 as being 290 where it actually was pointed out by the TDHCA desk that it was the Hempstead highway.

It was never our intention to include the area south of the Hempstead highway, because it is very different demographics. The second issue I would like to address is the market itself. The area of the PMA only includes one existing tax credits property family right now, which is the Park at Woodwind Lakes. It has a 97 percent occupancy, 100 percent preleased.

In order to address the staff's concerns about the other projects we are on, which were on the perimeter, we drew a larger boundary that would encompass all the three that you all talked about as well as Pinnacle, which is in the same general area. And one that you haven't voted on yet, which is Mansions at Hasting Green.

The PMA for that was under 500,000 people. The capture rate was under 15 percent. There is still plenty of demand in this area and I think you should consider the waiver. Thank you very much. And any questions I can answer.

MS. ANDERSON: Mr. Barry Palmer. Thank you.

MR. PALMER: Good morning. My name is Barry Palmer with the law firm of Coates Rose. We represent the developer on the Rolling Creek Development. And I wanted to address a couple of issues. First off, in staff's recommendation, the write up, the only reason listed for their recommendation to deny the project is the issue of the 60-day rule. This application was complete more than 60 days in advance of this board meeting.

But as previously stated, when a project was approved at the August meeting, it required that the market study be updated. And so the market study was updated within the 60 days before this meeting. That is a fairly common practice that we have seen happen many times before on bond transactions that have come before this Board.

And that 60-day rule has routinely been waived. But in the event that the 60-day rule is a big problem, then we would suggest that rather than turn the project down, that it be tabled to the next meeting at the November 9 meeting, 60 days would have passed. On the community opposition, there is substantial opposition, and the developer has worked for over two years now, with this community to try to address their concerns.

And he has worked to address, and he will come up here in a few minutes and speak of all the outreach that he has done to address their concerns on flooding, and on traffic congestion. But there are some concerns that you just can't address.

In the TDHCA summary of the community opposition, one of the major factors listed for the community opposition was concern with oversaturation of minorities. Which we think number one, is not an appropriate reason to oppose the project, but secondly it is just wrong. The most recent census data shows that this primary area is 65 percent white, 34 percent Hispanic and less than 1 percent African-American. Just in summary, I would like to mention --

MR. LITTLEJOHN: Madam Chairperson, I would like to yield my time to Mr. Palmer.

MS. ANDERSON: What is your name sir?

MR. LITTLEJOHN: Larry Littlejohn.

MS. ANDERSON: Thank you.

MR. PALMER: This same developer came to the Board in April on another project called City Park that was recommended by staff. The Board turned that project down because of concerns that it was going into an area that had a high concentration of minority population and a high concentration of poverty. So now this developer has gone to a high income area that is primarily white. And we are getting all this opposition from the community that they don't want it.

So where can a developer go? If you can't go into the wealthy white areas, you can't go into the poorer minority areas. That kind of cuts out a large part of the Houston area. So we would request that you approve this project. Or if there is a concern on the 60-day rule, that it be tabled until the next meeting. But it not be denied on the basis of a technical violation of the 60-day rule.

MR. BOGANY: My question, Mr. Palmer is that as I look at the report, and I have actually driven that area myself. And when I initially went out, I thought it was a good location. When I saw it up on the board. But what concerns me is what staff's concern is, is that you have got on all corners of your area, you have got unstable tax credit apartments already around it.

You have got elderly, you have got family. And they are all highlighted as being unstable. And so it seems from a layman's term, that we are putting another project in the middle of an area that is unstable.

I am not of the opinion about the minorities and all that. My concern is that the area that is surrounded with unstable projects. And that is what staff, what I read when I went through that part. Was that they were concerned about the unstable projects around it. How do you address that?

MR. PALMER: Well, I think that would be better addressed by Bob Coe or Nicole Flores. But I know in the staff writeup, they did say that this primary market area was the most appropriate market area of the different market studies, and a number of these projects are -- they may be on the fringe, but they are outside the market area, and separated by things such as natural barrier, like 290.

MS. ANDERSON: Thank you. Mr. Jude Wiggins. The next witness will be Jamie Cornelius. I note for the Board's information that eleven people have deferred time to Ms. Wiggins. And I trust that this is not a 33-minute presentation, because that does not serve your interests. Okay.

MS. WIGGINS: No. Absolutely not.

MS. ANDERSON: Okay. Just thought I owed you that warning.

MS. WIGGINS: Well, Good morning, Chairman Anderson, board members and Mr. Gerber. My name is Jude Wiggins. And I am a member of the Fairbanks Area Partnership, which is a grassroots organization comprised of ten very active and very impassioned subdivisions located in close proximity to the proposed Rolling Creek Apartment project, which compromises about 10,000 households in the Fairbanks Area Partnership. Many are here today. If you would stand in show?

The Fairbanks Area Partnership is vigorously opposed to the Rolling Creek application for the multifamily housing mortgage revenue bonds, and housing tax credit for more than two years, three applications, and three public hearings. In addition, our organization has hosted multiple fundraisers and organized public awareness rallies, resulting in thousands of signatures for petition claims. And as Representative Gary Elkins stated, we do have the support of many local officials in addition to our own Congressman, John Culbertson.

Today, as in the past, Fairbanks Area Partnership continues to oppose the issuance of multifamily housing mortgage revenue bonds and housing tax credit for the proposed Rolling Creek Apartment project, based on the following: the overbuilt market. The proposed Rolling Creek location is planned for a market which is already overbuilt. There are 150 plus apartment properties within 5.4 miles of the project.

Of the 39 comparable properties in the developer's first market study, over 50 percent had lower rental rates than those proposed for Rolling Creek. Current occupancy levels for all apartment communities in the Inwood Northwest Market tract, the report is 87.6 percent. The developer's financials are based on 92.5 percent occupancy. Occupancy levels reached 90.9 percent in the area at the peak of Hurricane Katrina evacuee influx.

Each of the past five months has shown a negative absorption of the units. To maintain the occupancy levels, many apartment communities are now offering in the area concessions and deep discounts. The developer has also submitted four different market studies to gerrymander his PMA and avoid other tax credit properties by less than a quarter mile. There are six unstabilized developments adjacent to the PMA boundaries.

Moreover, two additional HTC properties, Stonehaven and Meadowlands were approved by the Board at the August 2006 meeting, and have closed. The developer's market study states 93 percent of proposed tenants would have to come from existing properties in the PMA.

Our current rental rate for all properties in Inwood Northwest is 68.4 cents per square foot per month. And Rolling Creek will average 80 cents per square foot per month. Additional units are being built could cause this rate to fall, as communities offer more concessions to maintain their occupancy rates. Given these factors, the financial feasibility of this project is at best suspect.

Schools; schools, funding, and increased traffic are also concerns of Fairbanks Area Partnership. The schools; Fairbanks Area Partnership is not opposed to the project based on class warfare as the developer has hinted at. We simply recognize and know that the Cy-Fair school district is currently overburdened in those schools with minority, of about 60 percent economically disadvantaged population, with an even higher percentage of minorities.

We are also concerned with traffic. We believe the tenants will access Rolling Creek by cutting through adjoining neighborhoods, Terrace Brook and Courtyard Glen. And to eliminate waiting for a traffic light, at Tammy Renee [phonetic] and Fairbanks North Houston. Additionally, changing the traffic control device from the current three way to four way signals will further slow that traffic that already backs up during peak periods. Houston's notorious traffic jams.

Common sense dictates an additional 421 vehicles, 248 units in Rolling Creek times 1.7 vehicles, Mr. Bower's figures, would greatly increase the time to clear one traffic light, and further increase the likelihood of tenants detouring through the neighborhoods to avoid the traffic control device. Mr. Bower has stated that the Tammy Renee extension is voluntary and is not required by the TDHC, or Harris County.

We have not seen any specific funding item in

Rolling Creek's financial documents for this extension. If the extension is not completed, the traffic will be intolerable, and the Terrace Brook and Courtyard Glen Communities. It will disrupt the lives of residents on Cup and Gatehouse Drive and will also endanger the children who are waiting for school buses. The proposed extension is shown as two lanes, and will be a bottleneck during peak traffic hours.

There are photographs attached to the -- not to my testimony, but to other testimony that is here. Fairbanks Area Partnership has the same concerns as the staff of TDHCA for withholding recommendation to the TDHCA Board for the issuance of the multifamily housing mortgage revenue bonds and the series 2006 housing tax credits for this project. We appreciate the very thorough understanding and of all the complexities and the dynamics involved in this application for the TDHCA staff.

And we respectfully request that you deny this application. Fairbanks Area Partnership would like to thank the TDHCA Board and particularly the staff as well for the constant diligence and earnest efforts and assistance they have provided us in this endeavor. I also appreciate the opportunity myself to appear before the Committee today and present this testimony on behalf of

Fairbanks Area Partnership. Thank you.

MS. ANDERSON: Thank you. Mr. Jamie Cornelius. The next witness will be Mark Bower.

MR. CORNELIUS: Good morning Board, and thank you for letting me be here today. I would like to begin by thanking all of you except your new board member, Ms. Ray, because she is new to you, for your support for the City Walk project in Dallas, here just two months ago.

I think you know that, because I appealed to each of you, that I was passionate about that project. And I think it is a great project. And the type of project that this Board is out to support and out to provide. And I want to thank you for that support.

Which makes it quite peculiar for me to be here today as a developer not supporting your project. We are the developer of the neighboring Terrace Brook community and that is the nature of our interest here. And let me give you a little bit of background there. Our thought process is that your time is valuable.

The state's resources are valuable. And the reputation of this program is valuable. The review process has established a program to give you the opportunity to pick out the projects that would be a good reflection on the TDHCA and on the program's goals and your efforts.

I am here today to ask you to follow your staff's recommendation and to deny this request, because the TDHCA cannot afford to approve a bad sponsor of a project. You have heard reasons and read primarily through the many pages and I bless you for reading 1,441 pages of these things of why the project might not be approved. I will just tell you my experience.

As a neighboring single-family developer, when we first heard about the project, I said, you know, I would prefer residential next door. This is Houston by the way. There is no zoning. And I would prefer residential next door, instead of commercial use. And so I thought that would be all right.

And when I visited with the developers, the project they were talking about, it sounded like I understood the nature of your program. It sounded like it might be okay. One of the big concerns because of the requirements of Harris County is that we have a street that must be adjacent to their and tie to their property. We would like to minimize the impact of that traffic. Understand, we can't make it go away.

I was assured and shown as we were in each of the public hearings that a street was going out to

Fairbanks North Houston. Because this is a big concern of mine, I stayed on top of it. And the general plan, the preliminary plat approved the City of Houston showed that street. So I thought, okay. These guys are living up to their word. Well, I kept following up. Uh, oh. The street was gone.

So I got my engineer involved. And we got down to the City of Houston and got down to the planning department. And what we found out was that the Planning Department said, we can't believe this. We don't know how this is going any farther. And they were required to repeal their plat and remove their plat because they had taken the road out to Fairbanks North Houston, the direct access.

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

MR. CORNELIUS: Okay. I want to thank you for your time. I have explained my reason. We believe that it is important that you manage the integrity of your program. Thank you.

MS. ANDERSON: Thank you, sir. Mark Bower. The next witness will be Chuck Rice.

MR. BOWER: Hello. I am Mark Bower with the developer, Cynosure Developers. And really, what I was going to do, and I want to address real quickly how we addressed the community, and then I know that its primary concern is of the market area, so I wanted to address that a little bit.

But I wanted to show how we reached out to the community. I gave you a summary of that. The main things in talking about what they wanted. And actually, this traffic issue. I have a map here, if you want.

But the bottom line, there is a street that the City of Houston required us to put across that connect to Dane bridge [phonetic]. It is on the plat, it is in the proof plat, it is in all the permitting. The new street that goes to Fairbanks North Houston. So I don't know what Mr. Cornelius is talking about, but there definitely is a street that goes from the apartments directly to Fairbanks North Houston.

We are definitely building a stoplight. We are putting a four way stoplight there, re-cutting all the curb cuts and all that type of stuff to do that. It was our desire to accommodate the neighborhood and that is what is done. That is on the plats. That is on everything that you would have, all our permits and everything. The neighborhood was concerned about flooding and all.

Quickly, we told them flooding is basically an engineering issue, and it is engineered to -- we have a big detention pond on the property, engineered to absorb at least as much water as it always had. We invited them to have any of their engineers, or the MUD engineers review our plans. And it was open to them if they wanted to make any recommendations.

They asked us about fencing. And they wanted to know what kind of fencing we would have backing up to the neighborhoods. And I told them, I didn't know. But they told me, because my partner is the building side of it. And when I went and looked, it was chainlink fencing. But they asked me at a meeting that I had with them, if we would consider putting in quality wood fencing to back neighborhoods, because some of their fences were falling down. So I made that commitment.

And sent an e-mail to their representative that asked us to do that. And that is, again, in all our permitting and materials, everything we are doing, we are putting quality fencing in there. The school issues, I went and spoke directly with the school superintendent to ask him if he had any concerns.

The school superintendent does not oppose our project. He said that their school district was going to grow by more than 6,000 students this year. He said that the area that we were in is not the fastest growing area, and that they had plenty of room to accommodate people. The basic -- so that is the basic issues.

And we met with them numerous times over the past two years. Obviously, having a difficult road. It has been mainly confrontational. On the market, the primary market, I would point out that the difference between the last study and this study, the O'Connor, when they described, those other two projects that were approved were never supposed to be in our primary market study. One of them definitely wasn't.

The one on the bottom. The Stonehaven is on the other side of Highway 290. And when Bob Coe wrote his primary market study, he wrote it to say zip code such and such, whatever that is, of which the southern boundary is Highway 290. And it wasn't until you all's staff pointed out that his zip code program was wrong, and it had to actually include one block on the other side of Highway 290, which is what caught the Stonehaven would have been illogical.

And so we had already turned in that market report. And we didn't think anything about it. It would have been illogical. And it was never meant to be part of it. And it was written clearly in the first market study that the primary market ends at 290, because these are definite serious boundaries between two neighborhoods, and we wouldn't consider part of it.

So that is why we changed it to accommodate what was really -- that was why he changed it, I guess, not we. But he changed it to accommodate what he really intended to accommodate. And I would point out again that all these things, Highway 290, Beltway 8 are all natural boundaries that make this market an isolated market from some of these other areas.

But even when you look at it all in the big picture, the type of capture rate you would have to have to take care of all of these are good. By saying that some of these are not -- what is the word. Basically, they are not full yet. I mean, we are talking some like Willington Park, it says it is not at capacity.

But Willington Park is like 90 percent or 88 percent and Bob Coe could confirm the right number. So these are not like these are sitting at zero and waiting to get leased up. And I would tell you that everything that we have seen in the market area, our lenders all knew about all these projects. Capmark did. PNC did. Stephanie Crisler will yield her time to me.

MS. CRISLER: My name is Stephanie Crisler, and

I would like to yield my time to Mr. Bower.

MR. BOWER: All these other neighborhoods were well known by our lenders. So you had PNC. You had Capmark go in and study this and try to address the exact same issues. It doesn't make any sense for them to be in the same areas. And Nicole Flores will tell you, they have actually invested, I think, in some of these properties. So they understand.

They are not in the business of losing money. They believe this is a good primary market area that we have drawn. And the primary market area is accurate. And the capture rate is accurate. And the staff agrees with that. So you had four different people sit and look at something that says that our capture rate is a good capture rate, and this is a good market area.

It is logical. It looks funny on a map to see this many projects all around it. But these are major natural boundaries around these projects. And these are not things that we would expect to impact our market area. When you start talking about Beltway 8 and Highway 290 and these type of things, this is -- it would be illogical for us to try to go onto the other side of that.

So it looks funny, looking at the map, with all of these things. But it is just not. With that many different people looking at it, it is just not, no one else has that concern from the lending community. And we didn't either. That is why we proceeded. So I wish you guys would change your mind. That is all.

MS. ANDERSON: Thank you. Mr. Charles Jackson.

MR. JACKSON: Ms. Anderson, board members. I am Charles Jackson, also a member of FAP. I would like to just point out a few things that I think may be mis-stated. And the Board's review by the underwriters show a 67 percent minority basis in the PMA. Not the 65 percent white, as was stated by the attorney for the developers. The schools in the area have a majority of minorities. Frasier Elementary in the area of 92 percent minorities, 8 percent white.

This is not a class warfare thing. There are too many apartment complexes in the area now. Mr. Bower is very apt at saying that his capture rate is low. But his capture rate must come from outside the boundaries that he is talking about that are natural boundaries. Just a couple of things to consider. No one has considered class warfare but the complex, the apartment complex community is overbuilt in the area. Thank you for your time.

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

Saur.

MS. SAUR: I yielded my time to Jude. Thank you.

MS. ANDERSON: Okay. Thank you very much. That concludes the public comment on this agenda item.

There is a motion on the floor, and it has been seconded. Discussion?

MR. BOGANY: I'd like to hear from staff.

MR. GERBER: We'd be glad to. Would you like to hear from Ms. Meyer?

MR. BOGANY: Ms. Meyer.

MR. GERBER: I think Mr. Gouris is also available to offer his thoughts.

MR. CONINE: Oh boy.

MS. MEYER: Robbye Meyer, Director of Multifamily Finance.

MR. BOGANY: Ms. Meyer, if you could explain the map. I know that before the meeting we were given a map, a nice color map. But if you could explain the unstable markets around it that are already tax credits. And I did drive this area. And on the surface, when I went out, I think this has been a 2004. And each time I have gone out and looked at it. So on the surface, it looks like a great place to have some apartments. But then when you see your map, how far the unstabilization, the units that are not, and what are they? Are they 95 percent occupied, or 88? Why all of a sudden we changed? What made you change your mind about recommending this project?

MS. MEYER: It was a decision of the EARAC Committee. And we went through a lot of discussion on this particular issue. It is a unique circumstance for this particular deal, and I don't think that we have ever been faced with this instance where on every border of the primary market area, there is an unstabilized development. And that was the concern of the Committee. Now as far as the actual occupancy of those, two of those are brand new. They were, you just approved those at the last meeting. So there is no occupancy whatsoever.

MR. BOGANY: Okay. Which ones are those?

MS. MEYER: That is the Meadowlands, which is to the left, right outside the border. And Stonehaven which is just south of 290.

MR. BOGANY: Do you know how far Stonehaven and Meadowlands is from this location?

MS. MEYER: [inaudible].

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. Stonehaven is about two miles. That green circle represents a mile radius. So Stonehaven is about two miles. I would have to guess that Meadowlands is probably closer to three, 3-1/2 miles.

MR. BOGANY: Okay.

MR. GOURIS: I can point out the red lined outline is the outline of the current market study. And so that orangish area is the current market area. And you can see there are red dots, red flags, you know, on each of the sides. And those are the things that we have been talking about. The mention of Wellington Park earlier, which is to the north of the market area. That is an '03 transaction. The number is 03466. And that is in lease up and may very well be 80 percent occupied at this time. Our capture rate requires stabilized properties, unstabilized properties to be included in them, and an unstabilized property is a property that has not been 90 percent occupied for twelve months consecutively, and so that property would definitely fall into that category, even though it may be well on its way to occupancy now.

MR. BOGANY: I guess another question I had, it looked like two of the -- let's take away that the ones that have not been built yet. But a couple of them are elderly projects. Would we be -- I mean, they are going after two different set of people. So why would that, if the elderly is unstable, then why would that affect the family deal?

MR. GOURIS: We were just -- when we do these maps, we show all the properties that are in the area. We were making note that there were new developments, even elderly developments in the area. Elder developments are separate, go after a separate market.

But there are elderly residents that would be living at the subject. There is no prohibition against them living at the subject, so they would be included. We wanted to make sure you all had full information about what the new properties were in the area.

MR. BOGANY: Okay.

MS. MEYER: And Mr. Bogany, just to add -- the EARAC Committee actually specifically addressed that issue, too. Just so you know. We divided both of those out.

MS. ANDERSON: Other questions for staff?

(No response.)

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The staff's recommendation is followed.

I want to thank the members of the Fairbanks Area Partnership for being here today. And really, what I want to say is, I know that you have had -- this is not the first trip that you have made. Because of the way this proposed transaction evolved, it has required multiple trips by you all to visit with staff and to come and appear before this Board at personal cost and distraction.

So I appreciate it. The Board fully recognizes the commitment you have made to this process, and we appreciate you being here today. Thank you.

VOICE: Thank you.

MS. ANDERSON: At this point, we are going to take a lunch break, and the Board has an executive session, so I am going to anticipate that we are going to be out until approximately a quarter of, probably close to 1:00. Call it 1:00?

MR. CONINE: 12:30.

MS. ANDERSON: About an hour, 12:45. Just for your all's planning purposes. And now I get to read this set of comments into the record.

On this day, October 12, 2006, at a regular meeting of the Governing Board of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed executive session, as evidenced by the following.

The Board will begin its executive session today, October 12, 2006 at 11:45 a.m. The Board may go into executive session and close this meeting to the public on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code Chapter 551.

The Board may go into executive session pursuant to Texas Government Code 551.074 for purposes of discussing personnel matters, including to deliberate the appointment, employment, evaluation, reassignment of duties, discipline, or dismissal of a public officer or employee, or to hear a complaint or charge against an officer or an employee of TDHCA. Consultation with attorney pursuant to 551.071 of Texas Government Code with respect to with respect to pending litigation styled TP Seniors II, Limited versus TDHCA, filed in state court, in Travis County, Texas; with respect to pending litigation styled Gary Traylor et al versus TDHCA filed in state court in Travis County, Texas.

With respect to pending litigation styled Deaver versus TDHCA filed in federal court. With respect to pending litigation styled Ballard versus TDHCA and the State of Texas, filed in federal court. With respect to any other pending litigation filed since the last board meeting.

(Whereupon, the Board met in executive session.)

MR. CONINE: Let's come back to order. I get to run the meeting for a little bit. I know you all are excited. The Board has completed its executive session of the Texas Department of Housing and Community Affairs, on October 12, 2006 at 12:45 p.m. I hereby certify that this agenda of an executive session of the Governing Board, Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 of the Texas Government Code.

The agenda was posted at the Secretary of State's office seven days prior to the meeting, pursuant to 551.044 of the Texas Government Code, and that all members of the Board were present. And that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government

Code. All right.

Back to our agenda. And we are going to go to Item 1, which is the approval of the following items on the consent agenda. Does the Board see that list of items? Is there anyone wanting to remove any particular item off the consent agenda for separate consideration?

MR. GERBER: Mr. Chairman?

MR. CONINE: Yes.

MR. GERBER: If I could respectfully request that Item 1B, which deals with the Housing Trust Fund being used for the FEMA application be moved to a separate item?

MR. CONINE: I had it marked as well. Okay. We'll remove Item 1B and take it separately. Any other items or discussion?

MR. SALINAS: 1D or 1B?

MR. CONINE: B as in boy. Seeing none, I will entertain a motion for approval of the consent agenda.

MR. BOGANY: So moved.

MR. SALINAS: Second.

MR. CONINE: Okay. There is a motion and a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Now going back to Item 1B, Mr. Gerber.

MR. GERBER: Mr. Chairman and board members, I asked that this item be treated separately because I wanted to call to your attention the work that the Department is doing to seek additional federal funding to assist families with low and very low income individuals regarding future disaster relief. FEMA has presented an opportunity to seek funding to help create additional housing designs to be used in emergency situations to replace the trailers that have become so notorious in the recent Katrina and Rita zones.

The Gulf states are eligible to compete for these funds. Again, available through the Federal Emergency Management Agency. The Department published a request for information to determine interest in this application, this FEMA pilot, and received a significant amount of interest. 17 applications.

We have established a panel, led by Mr. Conine to review the information that has been submitted, so that

Texas can put forward a strong application to seek up to $40 million of the funds that are available. This agenda item relates really to our application process. We believe that the persons potentially most impacted by relocation are the low and very low income families who may not have funds for increased rents.

And we believe this effort fits within the Housing Trust Fund parameters. To improve the overall strength of our application, we are asking the Board to authorize the inclusion of up to $1 million in currently uncommitted Housing Trust Fund dollars as potential leveraging funds for the application. The FEMA application is asking for available sources of state leveraging, and these Housing Trust Fund dollars would serve that purpose.

Our staff recommendation currently requests that you authorize me to spend these funds if needed. But I would like to strike that part of the recommendation that you see in your board book, and ask that and commit to you that if we are successful in our application, and we require Housing Trust Fund dollars be committed, that we will bring that award back to this Board and with a recommendation for any Housing Trust Fund dollars that are needed, and balance those out with other Housing Trust

Fund priorities in a recommendation that would be more appropriate.

So again, under the scenario, staff is recommending your approval of allowing our application to include up to $1 million in Housing Trust Fund as leveraging with us coming back for a specific award at a later date, if we are successful in the FEMA round.

MR. CONINE: Okay.

MR. BOGANY: So moved.

MR. CONINE: There is a motion to accept Mr. Gerber's recommendation with a slight change to it.

MR. SALINAS: Second.

MR. CONINE: I heard a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Yes, Mr. Bogany?

MR. BOGANY: I would like to bring up, before we move on, so I don't forget, the Sienna Trails.

Earlier, we had a presentation and public comment.

MR. CONINE: Uh-huh.

MR. BOGANY: And I wanted to at least try to get Sienna Trails on the board book in November, brought it back on the agenda in November, if we could, to re-look at that.

MR. CONINE: Okay. Mr. Gerber, would you make a note of that, I guess?

MR. GERBER: Make a note of that. Mr. Hamby, would that require a motion by the Board to bring that item back?

MR. HAMBY: It would require a consensus of the Board if they choose to bring it back, or choose to put it on next month's agenda.

MR. CONINE: Any other comments from any other board members? Since the chair is not here, we ought to let her have a chance to chime in, I guess.

MR. BOGANY: Okay. The reason for it is because of the lack of housing down there. And everything that we are trying to do to put housing on the ground, in the Beaumont-Port Arthur area. This might be something, if we are going to re-look at it, and take a look at it, that may be something that we need to really just sit down and take a look at it, and at least let the staff bring something to us, saying whether or not it is a good idea, and whether or not they are in agreement with what the public comment had to say.

MR. CONINE: Well, why don't we hang on to that thought, and when the Chair gets back, we can bring it back up again. Prerogative of the Chair, I am going to move to Item 3, if that is okay, in the agenda, which is the presentation, discussion and possible approval of portfolio management items. And specifically the HOME Investment Partnerships Program award. Mr. Gerber.

MR. GERBER: Mr. Chairman and board members, there are ten amendments under the HOME owner-occupied rehabilitation or OCC program. These are appeals of staff denial of amendment requests by the local administrators. As you are aware, the Department is not approving extensions that allow the delay of our programs to reach the intended beneficiaries.

I would like to briefly summarize these amendments. Mr. Chairman, would you wish to go one by one?

MR. SALINAS: I think we all have the same problem.

MR. CONINE: Yes. Let's just do a block. Go through them all. We don't have to vote on them all. But go ahead and go through all the whole presentation.

MR. GERBER: Okay. Number one is Val Verde County was previously granted a nine month amendment. The county is now requesting a second amendment to further extend the end date of their contract from May 30, 2006 to March 31, 2007. The number of assisted households will be reduced from ten to six, or a reduction of 40 percent. The reduction in the number of units will result in deobligated funds of $208,000.

The Department has denied the second amendment request. To date, 37 months since the contract start date, the county has only expended 31 percent of the contract funds. The Department recommends denial of the extension. If the Board should choose to grant an extension with any of these, we would be recommending that it be done with very firm conditions that are outlined in the board writeup, not the least of which include a monthly progress report.

MR. CONINE: Okay. I am going to change my mind. We are going to vote on these independently, and I also probably need help with public comment, if there is any public comment on these. Is there a stack somewhere? Because I don't want to pass up anybody, if --

MR. GERBER: I don't believe we have any public comment on Val Verde County.

MR. CONINE: Okay.

MR. GERBER: Am I mistaken? Is there anyone who does wish to speak?

(No response.)

MR. CONINE: Why don't you sit down and help me with public comment. All right. Nothing on Val Verde?

(No response.)

MR. CONINE: Okay. Is there a motion? I didn't hear a motion.

MR. BOGANY: We move they accept staff's recommendation.

MR. CONINE: Is there a second? I'll second it.

MR. SALINAS: There is a bunch of [inaudible] have they had for to expend the grant.

MR. GERBER: 37. Ms. Trevino.

MR. SALINAS: Anybody here is from Val Verde? Anybody that is here? I don't know if they have torn those houses down or if the application for the people that are waiting for them to get their application or --

MS. TREVINO: Lucy Trevino, Manager of PMC. They would like to complete six homes, provide assistance to six households. Three have been completed. And three of them, one of them has been demolished and the foundation has been completed.

The second one is partially demolished, meaning the windows have already been taken out and so it just needs to be knocked down. So the home is no longer habitable. And the third one is they haven't demolished the house, but they have started construction on the same lot, right next to it.

MR. SALINAS: So what do we do with the --

MR. BOGANY: Well, staff is recommending that we approve, recommends that we approve their request.

MR. CONINE: No they are not. They are denying.

MR. SALINAS: They are denying it.

MS. TREVINO: Staff has denied their request, and they are appealing it to the Board.

MR. CONINE: The contract date ended in May. And they are coming back asking for more time.

MS. TREVINO: Right. They would need until March 31, 2007 to complete the three remaining homes. That is what they are asking.

MR. GERBER: Again, they are seeking to reduce the number of individual --

MR. SALINAS: Yes. And I agree that the things that they are not doing, when they make a commitment to do an application and help these people for 18 months, the last time, we did an extension until March on the other small communities. And their very small community is having the same problem. And I don't know what it is. But I think we should go ahead and help all these people get this to March. And then from then on, when they apply again, make sure that instead of 18 months, they get 24, and make sure that we hold the rules to that amount of time. But some of these people have already knocked down, some of the applicants that own those homes have no home now.

They have torn those homes down. And what I am saying is, let's give these people some extension to get through this program, and be sure that we don't do it again, and go through the same process all over again. It seems to me that they just don't understand that they have a commitment of 18 months. And they just don't do what they are supposed to do.

MR. BOGANY: I withdraw my motion.

MR. CONINE: Motion --

MS. RAY: Mr. Chairman.

MR. CONINE: Yes, ma'am.

MS. RAY: May I ask a question of staff?

MR. CONINE: Yes, you may.

MS. RAY: You mentioned in your presentation that one house has already been demolished. And the foundation has already been prepared. The other one, the windows have been taken out. And so the house is no longer habitable. What happens to those families should we deny this request? Homeless.

MS. TREVINO: Their homes have been demolished, so --

MR. SALINAS: They are homeless.

MS. RAY: Mr. Chairman, I move that we grant the extension for Val Verde County.

MR. CONINE: With the reduction from ten to six homes?

MS. RAY: Yes.

MR. CONINE: Which would then just basically say -- I think, and Lucy you need to correct me, if I am wrong. That the reduction from the ten to the six would finish the three that are in progress, and they couldn't start any more.

MS. TREVINO: That is correct. We would de-obligate --

MR. CONINE: Do I hear a second to that motion?

MR. SALINAS: Second.

MR. CONINE: There is a second. Counselor.

MR. HAMBY: Can I get clarification? Is that with the conditions that the staff has placed?

MS. RAY: With the conditions that the staff has placed.

MR. HAMBY: Thank you.

MR. CONINE: Any other discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Let's go on to the Town of Anthony.

MR. GERBER: Mr. Chairman and board members, with your indulgence, I would request that the Board look at the next six contracts together, as they all face the same issue, and have the same request.

MR. CONINE: Okay.

MR. GERBER: They include the Town of Anthony, City of Pearsall, City of Balmorhea, City of Presidio, Town of Combes and Frio County. These six contracts are all being handled by the same consultant and are in the same stage of their contract.

All six contracts are requesting a six month extension to extend the end date of their contract from September 30, 2006 to March 31, 2007, to ensure proper completion of the contract. To date, 24 months since the contract date started, none of the six communities have been environmentally cleared and none have committed nor drawn any contract funds.

Just to be clear, all of the communities signed a contract in the 2004 cycle, and have yet to draw any funds or to our knowledge take steps to assist the intended recipients. The Department has denied the amendment request, and does not recommend approval for any of them.

If the Board chooses to approve these extensions, the staff again is recommending several conditions be placed on the amendments, including replacing the current consultants and compliance with most of the 2006 HOME rules as outlined in the Board writeup. The application of the 2006 rules represents the fact that for the most part, these contracts are just beginning at the same time as the 2006 awards even though they were awarded in 2004.

MR. CONINE: Okay. I do have public comment here before do any motions. The first one is Carlos Colina-Vargas. Is Carlos here?

(No response.)

MR. CONINE: Going once, going twice, gone. George Cabasos?

MR. CABASOS: Yes, sir.

MR. CONINE: Come on up. The next name I have is Mike Rodriguez, next.

MR. CABASOS: Okay, Mr. Chairman --

MR. CONINE: Excuse me. Back to the three-minute time limit, please.

MR. CABASOS: Okay. Real quick. All right. Mr. Chairman, distinguished Board. My name is Mayor George Cabasos from the City of Pearsall. And I come here before you to also in the same situation on the request for an extension on our HOME program. We do fall under the same consultant.

What I got to base my appeal on is that, we did come on board about a year ago. And it had been granted in 2004. And this new counsel has really been pushing that, because somewhere down the line, the ball was dropped. And we are up to a point right now that we are just ready to sit down with the families and start offering contractors to them.

As a matter of fact, the environmental reports was sitting ready to go, but then we received the letter of the possibility of not allowing us an extension, so we held back. We didn't know what to do after that. But we are in a -- I feel that if we are offered this extension, we are real close to getting this accomplished.

And with these new city council, these new people that we have on board, we are really pushing it and we are really going to get after it and try to accomplish that. I appreciate anything that you all can do for us on this matter.

MR. CONINE: Any questions? I have a question. With a consultant, it seems to be the same consultant with all of them. So are you hiring a new consultant to continue the process?

MR. CABASOS: Glad you brought that up, because I was under the two-minute deal or three-minute deal. But yes. It has forced us to hire an inside grant writer, which we have on board already. Simply because of these situations that Pearsall had been facing in the past, of these projects not being completed.

So we do have that in line already. Or we have somebody that -- we could possibly attack it from that direction.

MR. CONINE: Any other questions?

(No response.)

MR. CONINE: Thank you.

MR. CABASOS: Thank you, sir.

MR. CONINE: Mike Rodriguez?

(No response.)

MR. CONINE: Mike is not here. Paul, Raul Rodriguez. City of Balmorhea?

(No response.)

MR. CONINE: Tom Nance, City of Presidio?

(No response.)

MR. CONINE: Struck out on several. That is all the public comment we have on out of those six.

MR. GERBER: Mr. Chairman?

MR. CONINE: Yes.

MR. GERBER: The Department has received a letter from Representative Pete Gallegos. Could I read that into the record?

MR. CONINE: You are more than welcome to.

MR. GERBER: It is addressed to my attention. Dear Mr. Gerber. I am writing to you, in support of the City of Presidio, and the City of Balmorhea application. The appeal is to extend the implementation of the homeowner-occupied housing assistance project grant of

$500,000. Unforeseen delays were experienced during the construction of the housing units.

However, the initial requirements of the project have already been met. It is my understanding that your Department awards grants to projects which guarantee decent, safe and sanitary housing for low income individuals. The families residing in these cities are in dire need of this grant money.

The percentage of household incomes below $10,000 in our area are much higher than the state average. The prevalence of poverty is also above the state average. Terminating this project would harm many families in desperate need. I would sincerely appreciate your full consideration and attention to this matter. Representative Pete Gallegos.

MR. SALINAS: I would move that the Board wait and allow them to have another six months for the six cities. The families that are losing here the opportunity of having a home. And they should not be blamed for having a bad consultant or having a bad administration.

MR. FLORES: Mayor, Chairman, may I?

MR. CONINE: Yes, Sonny.

MR. FLORES: Would you amend that to make sure that you put these certain other points that were made by, recommendation by the staff. That is, that a new consultant be made, and new contractors and so on. I forgot what those options were. I can't find my paperwork. But if somebody will read that into the record, that is --

MR. SALINAS: The recommendation of the staff in having a new consultant.

MR. FLORES: Yes. But there is several other items.

MR. CONINE: First off, he hasn't made a motion yet.

MR. FLORES: Well, I am trying to get him to frame the motion. I will second it for him.

MR. CONINE: Right. Okay.

MR. SALINAS: My motion was to go ahead and allow the six communities to have an additional six months, so the families would not suffer losing their application and their grant.

MR. CONINE: Is there a second to that motion?

MR. FLORES: I don't like the time limit you are putting on there, because the time limit that was recommended by the staff was some time longer than that. I don't know that that would give them enough time to finish the project.

MS. RAY: Mr. Chairman, I will second the motion in order to get the motion on the floor for discussion.

MR. CONINE: On the floor. Okay. The motion is to grant them the six month extension. And it has been seconded. And now we can have discussion on the motion.

MR. BOGANY: I have a serious problem. And I can't be more for these families getting housing. But when you have the same grant writer with six deals, and he is not able to get any of them to the table, we'll be here six months, eight months later down the line, going through the same deal.

And at least at this point, no money has been spent. No windows have been removed. And we are at a point. Now I am in favor of that motion, only if they get new grant writers and move forward. But not with the same team that they are working with right now.

MR. SALINAS: I will accept your amendment to that motion.

MR. CONINE: And I would speak against the motion as well. I think if the cities are getting ready to start over anyway, they might as well start over in the new round going forward, rather than doing it in this particular process. Or extending this. So I would speak against the motion. Any other comment? Ms. Ray?

MS. RAY: Yes. I would like to ask Mr. Gerber to re-read the staff recommendation should the extension be approved.

MR. GERBER: Yes, ma'am. Staff is recommending the termination of the contract with the current consultant. We are recommending environmental clearance within six months of the amendments approval date, recommending demolition of homes must be completed 90 days prior to the amended contract end date.

Homes not demolished prior to the deadline become the responsibility of the administrator for completion. Recommending commitment of all contact funds in the TDHCA contract system be completed 90 days prior to the amended contract end date. Funds not committed prior to the deadline will not be eligible for reimbursement.

We are recommending inclusion of language in any subcontract that provides the Department the ability to directly review, monitor and or audit the operational and financial performance and or records of work performed under this contract. We are recommending inclusion of language in any subcontract that failure of a subcontractor or consultant to adequately perform under this contract may result in penalties up to and including debarment from performing additional work for the Department, should debarment be an option provided by this Department, by this Department's Board.

We are also recommending authority of the Department to directly review, monitor, and audit the operational and financial performance and or the records of work performed under this contract. The method of assistance provided, and submission of a monthly contract progress report in a form that is prescribed by the Department, and is known to the Board.

MR. CONINE: Mayor, is that your motion?

MR. HAMBY: Mr. Gerber, if I could remind the --

MR. SALINAS: My whole point here is that those people that have already have an application and that are hoping that they are going to get their homes rebuilt have that hope. And I can understand the frustration that nothing has been done. But I don't know why we should penalize the applicants.

And I believe that we should go ahead and give them the extra six months with the same recommendation that Mr. Gerber is recommending us to do. And allow them to continue.

Now whatever happens after six months, is beyond our control. For any other new applications that we might have in the second round, we should make it very clear that those things cannot happen anymore.

MR. GERBER: And Mayor, and members of the Board, if I could just mention, if the Board does choose to approve the amendment, the contract end date would be extended for 18 months to give them adequate time.

MR. SALINAS: Okay.

MR. GERBER: If that was the Board's pleasure. Again, staff is recommending denial. But if the Board were to choose, we would recommend the Board give them up to 18 months with those conditions.

MR. SALINAS: I agree.

MR. CONINE: Mr. Bogany.

MR. BOGANY: A quick question. This particular grant writer or contractor, whoever was working with these cities, I am just wondering how many more cities he has got tied up in funds that he has committed to, that we could get this money somewhere where somebody is really going to use it and put it on the ground. And so, I agree with the Mayor about that we need to do it.

But my problem is that you know, we are giving the same person the opportunity to fail again. They have done absolutely nothing since then. And we have got other places. East Texas that needs rebuilding. All these other little cities.

Think about the ones that did not get granted at all. And I just have a serious problem with prolonging it and prolonging it. And now I am concerned about the other HOME funds that this same grant writer is tying up because he can't perform on these six cities.

MR. CONINE: He will get paid on these on well.

MR. BOGANY: Yes.

MS. ANDERSON: I think that is a great question. Can somebody on staff, does anybody in staff know how many others are in this -- or how many other contacts this consultant has active?

MS. TREVINO: In the 2004 round he had seven communities that he was working with. All seven have been, have requested an extension. All seven were denied. And six of the seven have appealed. So one of the communities did not appeal.

MR. BOGANY: Anything in '05, in '06?

MS. TREVINO: '05 and '06, I am not sure.

MR. BOGANY: Okay.

MR. CONINE: Any other questions? Ms. Ray?

MS. RAY: I have one question. If we should deny this appeal, do those funds, those committed funds become available for other communities? What happens to the money?

MR. CONINE: It goes back in the pot. In the HOME fund.

MS. RAY: It goes back in? It will be available. Okay. So it is not lost.

MS. TREVINO: No. They will be deobligated funds available to make [inaudible].

MR. CONINE: Any other discussion on the motion?

MR. FLORES: Mr. Chairman.

MR. CONINE: Yes, Mr. Flores.

MR. FLORES: Would you clarify the motion?

MR. CONINE: I think the motion is to grant an 18 month extension under all the terms and conditions outlaid in the staff report. Staff recommended denial, and the Mayor made the motion to grant the 18 month extension and got a second.

MS. RAY: With the staff recommend --

MR. CONINE: Plus all the stuff that Mr. Gerber read a few minutes ago.

MR. FLORES: Thank you very much.

MR. CONINE: That is the motion that is on the floor.

MR. FLORES: You answered the question properly.

MR. CONINE: And seeing no other discussion, I will call for a vote on the motion. All those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: There is three votes. All opposed?

(A chorus of noes.)

MR. CONINE: There is three against. The motion fails.

MR. FLORES: Mr. Chairman, being that we can't do anything on that motion, I would like to bring up a subject of I think of some consequence. And that would be a question of whether it is possible for this Board to debar this particular consultant from doing business with this organization for a certain period of time?

MR. CONINE: Mr. Gerber?

MR. GERBER: The Department currently does not have a debarment process. That is, the Board gave us permission to create an enforcement policy, of which a debarment process would be part of that. But we do not have one currently. We expect to bring at the November board meeting a proposed rule for the Board's consideration.

If approved by the Board, which would include a debarment process, it would go to public comment. And then we expect at a subsequent board meeting, probably two board meetings after, that it would come back to you all for final approval.

MR. FLORES: Thank you. You also answered the question right.

MR. BOGANY: Mr. Gerber, I have a question for you.

MR. GERBER: Yes, sir.

MR. BOGANY: So these communities, they could apply again, in the next round?

MR. GERBER: Yes, sir. I don't believe there is any action taken against the community or anything that would prohibit them from --

MR. BOGANY: Because we wouldn't be any further along than where we are today.

MR. HAMBY: According to the -- Mr. Bogany. Kevin Hamby, General Counsel. According to the current rules of course, for non-performance, they would have some negative scoring criteria.

MR. SALINAS: Yes. They are completely gone for a few years.

MR. HAMBY: And actually, if you recall, we are doing a two year round. So the 2006 and 2007 was one application cycle, and so the 2008 would be the first round available.

MR. SALINAS: You know, that is the problem. The people that loses are the people that are hoping for this housing.

MR. CONINE: Yes. I agree. All right. Let's move on to the next city, is the City of Caney City. And I have one public testimony here from Sara Perry. Sara, is she here?

(No response.)

MR. CONINE: I guess we lost them all. Okay. Mr. Gerber, Caney City.

MR. GERBER: The City of Caney City is requesting to reduce the number of assisted households from five to three, or a reduction of 40 percent. The reduction is in the number of units. The reduction of a number of units will result in deobligated funds of $115,365.

The City is also requesting a three month extension in order to complete construction. The City has committed assistance to the three households, has provided a program implementation timetable, and has assured the

Department that the contract will be completed by the extended contract end date. Construction on the three homes started in August 2006.

The Department is recommending denial of the amendment. But again, if the Board chooses to grant an extension, we would recommend that it be done with the conditions outlined in the Board writeup.

MR. BOGANY: And these houses have been demolished and started on, also?

MR. CONINE: Yes.

MR. GERBER: Yes, sir.

MR. SALINAS: They have no homes at all?

MR. GERBER: Have the homes already been demolished, Ms. Trevino, in Caney City? And new construction has already been --

MS. TREVINO: [inaudible].

MR. CONINE: This would effectively be like the first one, where we were actually reducing the award down to the three that were under construction. We give them more time to finish the three, and they are done. Correct?

MS. TREVINO: They just need three months to finish the three that they have already started.

MR. CONINE: All right. Do I hear a motion?

MR. SALINAS: So moved.

MR. BOGANY: Second.

MR. CONINE: All right. The motion is to grant the appeal and grant the extension of time, and the reduction of the award from five to three, so that we can finish the homes. Does everybody understand what the motion is?

MR. FLORES: Yes. But is three months -- Lucy, is three months enough?

MS. TREVINO: We have --

MR. FLORES: Did they request three months, or did you give them three months?

MS. TREVINO: They requested three months, but we verified with them. We have gotten a schedule from their contractor that has assured us that they just need the three months to finish.

MR. FLORES: And they have a general contractor, rather than subcontractors?

MS. TREVINO: That is correct.

MR. FLORES: Okay.

MR. CONINE: Any other discussion.

MR. FLORES: General contractors are going to build it. Good luck.

MR. CONINE: Any other discussion on Caney

City?

(No response.)

MR. CONINE: Seeing none, all those in favor of the motion, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. The City of Wolfe City. Mr. Gerber.

MR. GERBER: Board members, the City of Wolfe City is requesting to reduce the number of assisted households from nine to three, or a reduction of 67 percent. The reduction in the number of units will result in deobligated funds of $343,255. The City is also requesting a two month extension in order to complete construction.

The City has committed assistance to the three households, and has provided a program of implementation timetable. And again, has assured the Department that the contract will be completed by the extended contract date. Construction on the three homes started in August 2006. The Department recommends denial of the extension.

Again, if the Board chooses to grant an extension, we would recommend it be done with the conditions outlined in the board writeup.

MR. CONINE: No public testimony on this. Is there a motion, or do you want some discussion?

MR. FLORES: I want a question.

MR. CONINE: Okay.

MR. FLORES: You are building three homes. You have $514,000. Are we building three homes for half a million dollars?

MR. SALINAS: No. They are going to de-obligate the 67 percent.

MR. CONINE: No. We are deobligating down to 171 from 575 to build three homes.

MR. FLORES: Okay. So it is the 171 number I am looking at.

MR. CONINE: Yes.

MR. FLORES: I move to approve the request, based on there are no other recommendations.

MS. RAY: Yes, there are.

MR. GERBER: There were other recommendations that were listed in the board writeup.

(Crosstalk.)

MS. TREVINO: They are requesting two months.

MR. CONINE: Down at the bottom. Very last paragraph, I think.

MR. GERBER: They must enter a monthly contract progress report.

MR. CONINE: The very last paragraph there dictates the specifications.

MR. FLORES: Subject to all the conditions put on by the --

MR. CONINE: There you go. There is a motion made by Mr. Flores. Do I hear a second?

MS. RAY: Second.

MR. CONINE: There is a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. Now moving on to the City of Mesquite.

MR. GERBER: Board members, the City of Mesquite is requesting to reduce the number of assisted households from 20 to three, or a reduction of 85 percent. The City is also requesting to exceed the $55,000 cap per house, in order to eliminate hazards due to lead-based paint, and to accommodate foundation stabilization work for the three homes.

The reduction in the number of units, and the increase in the limit per house to $66,000 for each of the three homes will result in deobligated funds of $314,080. The City is also requesting a six month extension in order to allow adequate time to complete construction. The City recently procured the services of a consultant to assist with program implementation.

The City has committed assistance to the three households, and has provided a program implementation timetable. And has assured the Department that the contract will be completed by the extended contract end date. The Department recommends denial of the extension, but again, if the Board chooses to grant an extension, we would recommend it be done with the conditions of the monthly progress report.

MR. CONINE: Okay. We do have public comment on this one. Cliff Keheley.

MR. KEHELEY: Members of the Board, my name is Cliff Keheley. I am the Director of Community Services for the City of Mesquite. We appreciate the opportunity to request an extension and the deobligation of the funds to allow us to do the three homes that we have committed.

And I would be happy to answer any of your questions.

MR. CONINE: Any questions from any board members? Thank you very much. Do I hear a motion?

MR. FLORES: I move to approve the extension, subject to the conditions made by the staff.

MS. ANDERSON: Second.

MR. CONINE: There is a motion and a second. Any further discussion?

(No response.)

MR. CONINE: Seeing none, all those in favor, signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: The motion carries. I think we move now, Madam Chair, I will turn the mic back over to you. And we are at 3B.

MS. ANDERSON: You were doing such a great job. It is nice to sit here.

MR. CONINE: It is nice to sit side saddle every now and then.

MS. ANDERSON: Thank you, Mr. Conine. All right. Agenda Item 3B, which is request of four minutes to HOME contracts, to HOME TBRA contracts, 3B.

MR. GERBER: Madam Chair, item 3B is -- this agenda item represents 16 administrators with tenant-based rental assistance that are seeking to remove their match requirement. We have taken them collectively, as they are all in similar situations. The match was identified on their applications when the award was made. The Board grants these amendments, the total match that would be eliminated is $941,576.

As you may remember, the Board recently approved deletion of other match requirements. The administrators support these amendments, but and here, let me provide some additional information. Support of services is the only eligible category of match for TBRA contracts. And because support of services typically originate from a federal source, TBRA contract administrators have significant difficulty meeting the match requirements in their home contracts.

TBRA administrators and Department staff spend a significant amount of time and effort to document, prepare and review and verify the validity of match reported for each individual activity. TBRA administrators would have received an award of HOME funds without their match commitment. In recommending the granting of the amendments, the staff considered that as of federal fiscal year 2005, the Department has approximately 13.7 million in excess match to carry over to future years.

Also as part of the Hurricane Rita disaster relief effort, the Department's entire match requirement for fiscal year 2006 and 2007 has been waived by HUD. The Department anticipates the carry over match balance to increase to approximately 24 million by the end of 2007. The administrators have also attempted to identify alternative sources of eligible match, however, none were identified. The administrators were in compliance with all monitoring and auditing requirements for Department programs. Again, in compliance.

And to address this issue in the future, the HOME task force, which we have spoken about, which currently in the internal phase, has identified the TBRA match issue as one of concern. And research is being conducted to evaluate and recommend options to resolve the match issue for the future, including looking at other sources of match. And this of course, will be discussed during the external phase of the HOME task force. Because of the burden on administrators and staff to document and review match, and because of the expected increase in the match carryover for the next two years, the Department is recommending that the match requirement for these contracts be eliminated.

MR. BOGANY: So moved.

MS. RAY: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Going on to Item 4A, an appeal on tax-exempt bond credit decrease, request the fee for that. Mr. Gerber.

MR. GERBER: Madam Chair, I think Item 4 has been withdrawn.

MS. ANDERSON: Okay. 5A is the presentation, discussion and possible approval of single-family mortgage revenue bonds, 2006 Series F. Mr. Gerber.

MR. GERBER: Madam Chair and board members, this agenda item would provide the necessary approval of resolution 06037, authorizing bond issuance for mortgages which will be securitized and will be marketed to very low, low and moderate income residents of Texas. We have determined that there is adequate demand in the marketplace for these bonds, and our advisors believe that the proposed transaction will be beneficial to the marketplace.

Staff is recommending approval of the resolution, again, 06037, authorizing issuance of single-family mortgage revenue bonds as outlined in the resolution. Matt Poger, our acting director of Bond Finance is here, available to answer any questions you might have about the bond structure.

MR. POGER: Good afternoon. Matt Poger, acting director of Bond Finance. I would like to just maybe just quickly over the history. Back in early June of this year, we had a great program, $241 million. That went out the door very quickly. We have just a small amount of that money left over. And that is restricted to really the 60 percent AMFI or below.

And that has about, of the $71 million that were for that 60 AMFI or below, only $30 million is left of that. So that is a very good story for our agency, that we are addressing for very low income families here in Texas. Going forth with this new bond structure, since it was going out so quick, we were able to go to the Bond

Review Board with your help, and get an additional $120 million of volume cap.

I married that with an additional $15 million in commercial paper, for $135 million bond deal. Looking at the market, we were trying to stay somewhat very close to the loan rates that we had with Program 66. So in doing that, understanding that when Freddie bought our bonds the last time, they bought them through the market, 25 basis points.

And it would be kind of difficult to match that without Freddie coming back to buy our bonds. They have indicated that they probably will not be able to do that on this round. So in order to get that rate somewhat close, we decided to do a swap. And normally, it is a small swap. It is the smallest one we have. Or we have done so far.

We have done three prior to this. UBS is our underwriter on this. And they have structured our first swap deal. They are backed on this structure, and we are doing identical swap that we have done with them in the past. The only difference is, we are not -- we do not need insurance on this deal, because we are Triple A rated now with Standard and Poor. So that helps out.

We also are putting -- we are having premium

PAC bonds with this deal. And what that helps us do, is we can take the $2.9 million of premium bonds. We can add that with some zero loans that we have available in our agency to marry with that for down payment assistance. The same structure as last time. We are going to have half of this structure go to the GO Zone area, the GO zone.

And all that is going to be assisted loans. The other half is going to go to the rest of the state, and 30 percent of that is going to be for assisted loans. The loan rates, we are trying to target, is very similar. The unassisted is 5.5 percent we are trying to target. And the GO was 5.625, so there just barely is a little bit of a swing there.

Assisted loans, we are looking at a 6 percent on this deal, versus a 6.125. And then the GO, is the 5.75 mortgage rate for them, versus a 5.875 which they have currently. So we are pretty close.

If you were to look at the market today, the market swung on us, going back there in the summertime. The rates went up to what, 6 7/8 or something. About 6.75 or so. They dropped back down to 5.75. And now they are back up to 5.9. So the market has been swinging on us. And if you were to book our bond deal, let's say if you were to price our bonds today, we would be very close, right on top of what we are looking to go out with. Do you have any other questions?

MR. BOGANY: I have a question. Why are we doing a swap with only 15 basis points? In the past, it has been 25 to 35 percent, 35 basis points.

And here, we are doing a swap now which puts the Department at risk for just 15 basis points. Is that going to make that big a difference?

MR. POGER: Okay.

MR. BOGANY: And you have got single issuers out there. Bonds are being sold now. The rates right now, you know, is anywhere between 6 and 6-1/2. I have seen some quotes under six in the last week or so. And I am just saying, for 15 basis points to do a swap, it seems like we are taking a lot of risk for 15 basis points.

MR. POGER: Okay. Our swap is LIBOR, plus -- 63 percent of LIBOR plus 30 basis points. So I am trying to understand where the 15 percent is coming from. Doing the swap will bring us 15 basis points below the market. So we are able to do a swap.

MR. BOGANY: What if we don't do a swap at all?

MR. POGER: Our rates would be higher, then.

MR. BOGANY: I just think we are taking a little bit of risk for 15 basis points.

MR. POGER: If you look at the risk we are taking, right now we have 24 percent of our total single-family mortgage portfolio is a swap. Variable rate demand note. After doing this deal, it is still going to be 24 percent. We really are not taking on any additional risk.

MR. BOGANY: Okay. It just seems like the rates are -- when we did those earlier deals, the rates were higher. Now rates have gone down, and they shot up a little bit this week. But it just seems like, why do we need to do a swap in this instance?

MR. POGER: Okay. Gary is here, if you want to hear a different comment.

MR. MACHAK: Thanks, Matt. Good afternoon, board members. Gary Machak, RBC Dain Rauscher, financial advisor to the Department. Mr. Bogany, that is a great question, because you are right about where interest rates are. And the question is, why is the Department extending themselves into the swap market again on this transaction. Matt mentioned a point.

And that is, we are putting more dead on. With the percentage of the amount of swap that this is, on this transaction, when you look at that in the total indenture as far as the percentage that we'll have swapped, it doesn't increase it, because of the size. So we are not really increasing our exposure on a percentage basis.

The other factors are that we are able on these swaps now, as we have in the past, to mitigate the risks of swaps. We mitigate counterparty risk by doing it with UPS, who is a Double A counterparty. Highly insured. We mitigate termination risk. That is, there are prepayments come in, and we have to keep the same type of bonds, the same amount of bonds outstanding.

By putting optionality in the swap, as we have done before. We mitigate basis risk and that is the difference in the taxable market which our swap is based, and the tax-exempt market by going with an indices. 63 percent of LIBOR plus 30 basis points. And we have found in the past, that that has been our best tracking indices of the ones that we have utilized. They are all in the plus 90, 95, 98 percent in terms of tracking.

So we have taken the safeguards on the swap. And ultimately, what it comes down to is the objective of what rate do we want to offer on these loans? If we are comfortable with a higher rate, then yes. We can take that 27 million right now that we have got in there, in terms of swap, take that out, put it on the long end, and issue those bonds.

Right now, the differential between -- although it is just a 15 basis point estimated differential all over the whole transaction, when you compare that swap rate we'll be getting to what we would be getting on those bonds if we had to put them on the long end. It is about 100 basis points. But then when you mix in all the others, you are right.

It is only about 15 basis point. But if we took that out, we would have to take those swap bonds, put them on the long end, and issue them in today's market which is about a 490 versus in today's market, the swap rate you would be paying is about 488.

MR. BOGANY: Do you think it is worth the exposure? Based on the benefit to who we are trying to serve?

MR. MACHAK: What we did find is that there is more than two times, and this is based on a survey of the Department, more than two times the demand for loans, at the rates that we are talking about. So there is heavy demand out there. The question would be, I think, if the rates were a little bit higher, how much of that demand would fall out.

And what risk does the Department have in not originating that over a period of time. The lower rates that you have insulate you from the risk on origination. Going back and restructuring the issue, because of an origination. So it is a tradeoff.

MR. BOGANY: What is the difference though, Gary? I am just trying to get -- I don't think it is that big a difference between 5.99 and 6 1/4. I just don't see it in monthly payments.

MR. MACHAK: Yes, sir.

MR. BOGANY: And so I am just trying to get a feel for why we are doing it, or what is the difference. I hear you. But I am just trying to figure out, is it worth the difference? Rates are going down.

And I know the higher we offer, the money might not be used. And I agree with you, trying to have the lowest rate is going to make it work. Do you have sort of an idea of what the unassisted would be, and what the assisted would be?

MR. MACHAK: Without the swap, they would be approximately 15 basis points higher than we have right now, in each of the categories. What happened was, that was our objective. Our objective was, try to get the same rates that we achieved on the last program.

And with Freddie Mac out of the marketplace. As you know, in the last program, we did not, because we had Freddie. And I just want to make sure you all understand, they are not just out of the marketplace for our bonds. They are out of the marketplace for bonds, very much so, across the country.

There has been a number of issues that have been out there, where they have not participated. They have had their program where they were helping issuers with their Rita GO zones, Katrina GO zones. And now they have had their capacity of that.

But that was the objective in structuring the program. So given that objective, the way we were able to achieve that was to layer in a swap. And doing it with the safeguards that we have used in the past, and that are the best in the marketplace right now.

MR. BOGANY: Okay. Thank you.

MR. CONINE: No one likes to see Machak squirm any more than I do. But I thought those were good questions. But I think there is a psychological benefit to getting the rate. And it is incumbent upon us at least, to get the rate as low as we possibly can. And as long as you stay below that magic six number in a couple of areas, I think you are going to get the psychology of the lenders working to put our money out the door.

And when you are talking about first time homebuyers, every penny does count generally in those situations. I would move for approval of Item 5A, resolution 06-037.

MR. FLORES: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 6?

MR. GERBER: Item 6 has been pulled. Yes, ma'am.

MS. ANDERSON: I am trying to think what else we -- I am mindful of the time, and one of our board members has a -- I wonder if we ought to do these bonds, these other 4 percents. I don't want to skip around a whole lot. But I think maybe we had better do the bond deals.

I am sorry, Mr. Flores. Item 9A. The remaining five transactions. And the first one then, would be East Texas Pines in Houston. Mr. Gerber.

MR. GERBER: Yes, ma'am. Board members, East Texas Pines is a Priority Three bond transaction with TDHCA as the issuer for the new construction of a 250-unit development, to be located in Houston. This is a sister property to Greens Pines Apartments in which the Department was the issuer of the bonds, and was awarded housing tax credit in 2001.

The bonds will be privately placed with J.P. Morgan, Chase Bank, and RedCapital will be the syndicator. The Department received one letter in opposition from the Aldine school district which was later rescinded. And one letter in support from City Councilman Adrian Garcia. No one attended the public hearing. Staff is recommending approval of Resolution 06039 as the issuance of housing mortgage revenue bonds and tax credits as presented in your board materials.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The next transaction is Havens at Mansfield.

MR. GERBER: Board members, this agenda item is for the Havens at Mansfield. This is a Priority 1C bond transaction with TDHCA as the issuer for the construction of a 100-unit development, proposed to be located in Tarrant County. The developer has elected to restrict 100 percent of the units at 60 percent of AMFI for both rent and income.

This application was previously brought before the Board on March 20, 2006, as an intergenerational application, along with what is now Generations at Mansfield, which we will present next. Staff did not recommend the application at that time, due to a capture rate that exceeded the Department's guidelines on the family portion of the development. The Board concurred with staff's recommendations, and the application was not awarded.

The main difference between the previous application and the current application is that the development has been separated into two applications; one elderly and one family. The previous application received a letter of opposition from State Senator Ken Brimer, however, the Department has not received public comment from his office with regards to the current application.

The bonds will be privately placed by Capmark Securities, with Capmark Mutual Mortgage Trust as the bond purchaser. The bonds will be fixed rate and have a term of 30 years. Boston Capital will be the syndicator. There is substantial opposition to this development. There were 50 people in attendance at the public hearing conducted by the Department on August 22, 2006.

The Department has received opposition letters from State Representative Toby Goodman, State Representative Bill Zedler, although this developer is not located in his district. Mayor Mel Newman, School Superintendent Vernon Newsom, again, although this development will serve an elderly population. 20 letters from the community, and a petition which contained 350 signatures.

Staff has reviewed the reasons stated for opposition, but believes that the development could succeed. After full evaluation, staff is recommending approval of Resolution 06040 and the issuance of housing mortgage revenue bonds and tax credits for Havens at Mansfield.

MR. BOGANY: So moved.

MR. CONINE: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The next transaction is Generations at Mansfield.

MR. GERBER: Board members, this is the former companion to the previous development. Generations at Mansfield is a Priority 1C bond transaction with TDHCA as the issuer for the construction of a 152-unit development, proposed to be located in Tarrant County.

The bonds will be privately placed by Capmark Securities, with Capmark Mutual Mortgage Trust as the bond purchaser. The bonds will be fixed rate and will have a term of 33 years. Boston Capital will be the syndicator. Like the Havens at Mansfield, this application was part of the application brought before the Board on March 20, 2006, as an intergenerational application.

Again, these have been split up. They have split up for one elderly, and one family. Similarly, the same opposition commented on the Havens that was received for Havens at Mansfield was received for this application.

This transaction is not being recommended by staff, because the calculated inclusive capture rate exceeds the Department's 25 percent requirement under 10 TAC, Section 1.32. Specifically, there is a comparable development within the primary market area that is considered unstabilized as again, defined under 10 TAC Section 1.31.

It should be noted that if the Board overturns staff's recommendation and approves the transaction, you would need to waive a second of the Code, 10 TAC Section 1.31 of the 2006 real estate analysis rules. Staff is not recommending this waiver, nor are we recommending the issuance of bonds or tax credits for this development.

MS. ANDERSON: I have public comment if the Board would like to hear that first. Mr. John Shackelford.

MR. SHACKELFORD: Good afternoon, Board. My name is John Shackelford. I am an attorney with Shackelford, Melton and McKinley, and represent the developer. Obviously, we are in favor of the Board issuing, approving the issuance of tax credits and bonds on this particular matter.

Unlike Rolling Creek that you voted on earlier today, this particular project is located in an area of Mansfield that has only one apartment complex within three miles of this particular project, and the particular project that staff is looking at, that has not reached stabilization within twelve months is located over five miles away. This particular project I believe, if given 19 days, I think is all that separates this being granted approval recommendation by staff, because of Providence at Rush Creek just hasn't made the twelve months, and it would hit the twelve months upon November 1. And here it is, October 12. So in 19 more days, I believe if we were to come back to you, we would have a little bit different staff recommendation. I would have to have that confirmed by Mr. Gouris. But that is my understanding. I represent Providence at Rush Creek. It is my understanding that their occupancy as of today is over 90 percent as well. So we would ask that the Department waive the rule, and issue tax credits and bonds on this particular matter. Any other questions?

MS. ANDERSON: Thank you.

MR. CONINE: Could you again, repeat the staff reason for denial? And I guess, my question after hearing his comment would be, what about tabling it until the next meeting?

MS. ANDERSON: Let's let our staff respond to that question. They can probably answer that, Mr. Shackelford.

MS. MEYER: Robbye Meyer, Director of Multifamily. The reason for it is the stabilization of twelve months. And it has to do with market analysts and the market rules. And I will let Mr. Gouris address that issue. But it has to do with the real estate analysis rules, that they have to have twelve months of stabilization, which is one of the concerns that you had on Rolling Creek earlier. And that is what the discussion is about it.

MR. GOURIS: Tom Gouris, Director of Real Estate Analysis. We checked over the last week with the competing project, and determined, based on their verbal comments to us that they have not been continuously 90 percent stabilized for the last twelve months. In fact, they were going back and forth. And their latest was that they were below 90 percent currently. They may have an economic, or they may at some level be close to that 90 percent level. But they are right at the cusp. I don't believe at this point that waiting until November would change that decision, because they wouldn't have had twelve months consecutive.

MR. CONINE: Thank you. Move to accept staff's recommendation.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The next transaction is Aspen Park in Houston, Mr. Gerber.

MR. GERBER: Madam Chair and board members, Aspen Park is a Priority Three bond transaction with TDHCA as the issuer for the acquisition and rehabilitation of an existing 256-unit development, located in Houston. The bonds will be publicly offered through Merchant Capital with Greystone Servicing Corporation underwriting the transaction for Fannie Mae, which will be credit enhanced by Regents Bank, and carry a Triple A rating, with a 32.5

year term. The Department has not received any letters of support or opposition.

However, representatives from the Alief Independent School District attended the public housing and voiced their support for the development. school district which was later rescinded. Staff is recommending approval of Resolution 06042 and the issuance of housing mortgage revenue bonds and tax credits as presented.

MR. CONINE: Move approval.

MR. FLORES: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. The final transaction is Villas at Henderson.

MR. GERBER: Madam Chair and board members, the Villas at Henderson is a Priority Three bond transaction with TDHCA as the issuer for the new construction of an intergenerational 140-unit development, to be located in

Cleburne. The bonds will be publicly offered through Citibank and will be variable rate and will -- I am sorry. It will carry an A, Double A rating. Sorry. Big A and two little As. Citibank will provide --

MR. CONINE: Like this financial job, do you?

MR. GERBER: Yes. Citibank will provide credit enhancement through a direct pay letter of credit. The term of the bonds will be for approximately 36 years. The development was awarded $700,000 in Housing Trust Funds in July of 2005. There were six people in attendance at the public housing conducted by the Department on September 21, 2006.

The Department received letters of support from State Representative Rob Orr, State Senator Kip Averitt, and Mayor Ted Reynolds, and no letters of opposition. Staff is recommending approval of Resolution 06043 and the issuance of housing mortgage revenue bonds and tax credits as presented.

MR. CONINE: Move for approval, even with the ownership.

MR. BOGANY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 9B is an inducement resolution. Mr. Gerber?

MR. GERBER: Madam Chair and Board members, this item has a correction. It currently states that it is in the 2006 program year. And it should be in the 2007 program year. Inducement resolution 06044 includes two applications that were received on or before September 14, 2006. The applications will reserved approximately 30 million in 2007 state volume cap.

Upon Board approval to proceed, the application will be submitted to the Texas Bond Review Board for placement on the 2007 waiting list. These applications will be the first applications approved by the Board for the 2007 program year.

the Board approves these projects for inducement, the notification will include that this approval does not assure that the development will ultimately receive approval for a housing tax credit determination or the issuance of private activity bonds.

We can take these two items in one motion or separately as the Board wishes. The first development is Parklane at Loyola. And it is proposed new construction development, to be located in Austin, Travis County. The second is Mesquite Creek Apartments. And it is a proposed new construction development, to be located in Mesquite, in Dallas County.

The Department has received letters of opposition for the Mesquite Creek Apartments from State Senator Robert Deuell, State Representative Elvira Reyna, and Mayor Mike Anderson, and no letters of support. Staff is recommending approval of both of these projects for inducement.

MS. ANDERSON: We have public comment on one of them and not the other, so maybe we can go ahead and vote the first one, which is Park Place at Loyola. Separate them would be my suggestion.

MR. CONINE: Move for approval.

MR. BOGANY: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Now Mesquite Creek, I have two people that would like to make public comment. Mr. Matt Chatham.

MR. CHATHAM: I am yielding my time to Will Thorne.

MS. ANDERSON: Okay.

MR. CONINE: Will Thorne. If he is not coming up, you have got to call him.

MS. ANDERSON: I am sorry. Will Thorne. I am very sorry. Sorry for the confusion.

MR. THORNE: My name is Will Thorne. I represent the applicant and owner. And we ask that you approve it, because it is just a preapplication, and we have not had time to meet with the Mayor or with the State Representative at this time. And we will meet with them and work with them to make sure it is the kind of project that they want, I guess.

MS. ANDERSON: Questions?

(No response.)

MS. ANDERSON: Thank you. Is there anything else that you would like to say to the Board?

MR. THORNE: I would like to say, they did zone the apartments, zoned it to apartments approximately four years ago from commercial, I believe, knowing that it would obviously be apartments. And they did it in a planned development with specific requirements of just a lot of amenities and little things like that, which we obviously will meet, so --

MS. ANDERSON: Have you met with the developer that attempted a similar initiative in 2005 on the same piece of dirt?

MR. THORNE: No, ma'am.

MS. ANDERSON: What happened to that development?

MR. THORNE: I am not sure. I think it was an issue with the actual site. The site is 27 acres and they were only purchasing, I am not positive, but around 12 acres.

And because of drainage issues I don't think it was financially feasible for them to work that out, because they had to have an open channel and some other issues with that. But we are actually purchasing the whole 27 acres, and we are able to have a detention pond and meet the requirements of the drainage issues.

MR. CONINE: Why is the Mayor's letter stating that -- it says the comprehensive plan designates the subject property as most appropriate for neighborhood and medium density, and not apartments.

MR. THORNE: When I saw that letter last week, I re-did as much research as I could on that. And as far as a comprehensive plan, I could not find anything about that, other than median density related to apartments, from all I could find.

MR. SALINAS: You haven't bought the property yet, have you?

MR. THORNE: I'm sorry?

MR. SALINAS: You haven't bought the property yet, have you?

MR. THORNE: No. We have not bought it. We have it under contract. And it is 27 acres and we are building 252 units on 27 acres. So it is actually very low density.

MS. ANDERSON: And when you became aware of this letter, did you attempt to meet with the Mayor then, between October 2 and now?

MR. THORNE: No, ma'am. I found out of this late last week. And I would like to say too, I have it in my bag over there. One of them, I think the State Representative wrote a letter of support for the '05 application, citing it fulfilled the need for affordable housing and it was a good location for it. And then he wrote just -- I don't know why he wrote one in opposition.

MS. ANDERSON: She.

MR. THORNE: Or she.

MR. CONINE: Well, in light of that, Madam Chair, I am going to move to table this to next month's meetings, to give the applicant time to go meet with those people and see what we can come up with.

MR. SALINAS: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion to table carries. I think that is a great thing to do, Mr. Conine. And as other applicants know, we are very sensitive to inducing things. And then having the argument be when there are multiple points of view once we get down the road 150 days about whether or not to approve the deal, then one of the things applicants love to do is to come tell this Board how much money they have invested in the last six months.

And so I think looking, a proper scrutiny at inducement is an appropriate role of this Board. So I would encourage this applicant to meet with these people. And we certainly would be looking for a different set of letters between now and the next meeting.

MR. SALINAS: Check the Sony.

MS. ANDERSON: Check the Sony. We have got about ten more minutes of Mr. Conine. So does the staff have a particular thing? We don't want to lose a quorum. I am sorry? 10B. Okay, let's go to 10B, which is presentation, discussion and possible approval of the final policy for addressing cost increases for 2004 and 2005 competitive housing tax credit developments.

Mr. Gerber?

MR. GERBER: Madam Chair and board members, staff is bringing the policy for addressing cost increases for 2004 and 2005 competitive housing tax credit developments to the Board for final approval. Draft policy has been available for comment since July 31, 2006, for comment by the public.

To refresh you, this is a policy that grants an approximate 14 percent credit increase for all 2004 and

2005 9 percent tax credit developments to compensate for statewide unforeseen increased costs. As proposed, awards from 2004 will receive a credit increase from the 2007 ceiling and awards from 2005 will receive a credit increase from the 2008 ceiling.

As such, the estimated total credits to be used for the 2007 ceiling is $2,996,327. And the estimated total credits to be used from the 2008 ceiling is $3,396,511. Additionally, for 2005 applications given a forward commitment of 2006 tax credits, $160,098 would be utilized for the 2006 credit ceiling.

So the total amount of additional credits to accommodate the final policy is $6,522,936. Staff has revised the policy to add the clarification requested during public comment. If you would like for staff to describe the most notable changes, we can do that, or proceed with public comment to help direct your questions. Staff is recommending approval of the final policy to address cost increases for the 2004-2005 competitive tax credit developments and approval of staff's recommendations of awards to eligible developments under this final policy.

MS. ANDERSON: I have several people that want to make public comment on this. So why don't we start there, and then maybe if we have questions, we will ask the staff. Randy Stevenson. And the next witness will be Jim Brown.

MR. STEVENSON: Madam Chair, members of the staff, I am not sure this is the right category that I need to be. I am Randy Stevenson, from Arlington, Texas. And we understand that there is a possibility that there may be tax credits returned.

MS. ANDERSON: I think your comments would be out of order at this time, Mr. Stevenson. Thank you.

MR. STEVENSON: Okay.

MS. ANDERSON: Mr. Brown.

MR. BROWN: Jim Brown, Executive Director of THAAP. And I am going to be very brief. THAAP appreciates the amount of time that staff has given in working with our various members on this issue. And we would encourage the Board to consider approval. Thank you.

MS. ANDERSON: Mr. Bill Fisher and then Gail McDonald.

MR. FISHER: Good afternoon, board members. I am Bill Fisher, Odyssey Partners. I want to thank the Board and the staff for addressing this cost increase issue. I do want to call to your attention, the way the increase is being applied is really only the direct cost component of your construction contract.

When we got subcontractor bids, or change orders in certain cases, the subcontractor is passing us all the material costs associated with the increase, but they are also passing us costs in overhead and fee, which is an additional 8 percent. And we would ask the Board to consider applying that since they did not apply any increase at all to site work, to at least allowing what the subcontractor passed us, which was the direct cost of the materials, plus their fee and overhead. Thank you.

MS. ANDERSON: Thanks. Ms. McDonald. And then the last witness on this, Ms. Bast.

MS. MCDONALD: Good afternoon. I am Gail McDonald of Winstead, Sechrist and Minnick on behalf of the Harris County Housing Authority. We want to urge the Board to approve the policies for extra credit for cost increases resulting from Hurricanes Rita and Katrina, so that otherwise eligible projects can receive the extra credits, irrespective of the $2 million cap.

Application of the $2 million limit would deny relief to those projects that have the most need for these extra credits. I speak on behalf of two projects in Harris County. Close to the direct impact of Hurricanes

Katrina and Rita, a county that opened its arms to evacuees from these hurricanes, and subsequently has been directly and immediately impacted by the increases. Construction costs have gone up.

Materials have been scarce. And labor has been scarce as a result of these hurricanes, as well as having a continuing need to house the evacuees from these two hurricanes. We have had a need to continue to house these evacuees in low cost housing. We view the $2 million limit in an application round as applying to credits handled in the calendar years 2004 and 2005, pursuant to Section 2306.6702.

Those extra credits are not part of those application rounds, which have already been applied. And they are not part of these extra credits. The extra credits are 2007 and 2008 forwards, issued in 2006. And therefore, are part of a different application round, and a different calendar year.

How can one allocation be limited by, and applicable to two different application rounds. The purpose of the $2 million cap statute was to be sure that credits were spread around among applicants in any application round. And that goal has already been achieved in the 2004 and 2005 when the cap was applied.

Therefore, we urge that the $2 million cap not be imposed on the 2004 and 2005 group. Thank you.

MS. ANDERSON: Thank you. Ms. Bast.

MR. FLORES: Before you leave, Ms. McDonald. Who are you representing?

MS. MCDONALD: Harris County Housing Authority.

MR. FLORES: All right.

MS. BAST: Good afternoon. Cynthia Bast of Locke, Liddell and Sapp, representing a variety of developers with interests in the 2004 and 2005 tax credit rounds. Again, we do appreciate the staff and this Board has pursued this policy for additional credits. And we appreciate the way in which staff responded to public comment.

But I do have one problem in the policy that I need your help fixing and that was referred to by Ms. McDonald, which is the application of the $2 million cap, and having that applied to the original application year. By implementing the policy in this way, you are producing a variety of undesirable results. And let me give you a couple of examples.

McDonald alluded to two properties in Harris County, in the GO zone, both with a general partner that is a governmental entity, but each one having a different developer. Those two are on your list, in your board book for an allocation. But technically, if they receive those additional credits, they would violate the $2 million rule as it is currently written. Another example.

We have a situation with a non-profit where they had to terminate their developer. They brought in another developer. And now technically, if that project along with the developer's other project were to receive these additional credits, again, they would violate the $2 million cap that is written in the policy. The thing that is interesting about this is, TDHCA does not have a formal policy to track changes in developers.

So there may be other situations like this out there, that you all don't even know about. So we have a policy that is supposed to help everyone, but is now excluding a few applicants, and it doesn't have to. Your staff has tried to implement something that is in the statute. We all know this $2 million cap is statutory. But I personally think that it helps to look at these things, because I think --

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

MS. BAST: Just a couple. If you will look briefly at the language with me. It says that the board may not allocate credits in an amount greater than $2 million in any single application round. The definition of an application round is a calendar year that does not extend past the date of the calendar year. So first of all, this is not an application round, for these extra credits. No one has applied for anything.

Certainly, we are not in the 2004 application round. We are not in the 2005 application round. Those application rounds have already terminated by the definition. So what we are asking is that you revise this policy to remove the restriction imposed by the $2 million cap.

Please understand, I am not asking you to waive a statute. I would not do that. But what I am asking you to do is acknowledge that this as written really does not apply to this situation of extra credits.

MS. ANDERSON: I have one question for you.

MS. BAST: Yes, ma'am.

MS. ANDERSON: so then when we get into the '07 and '08 rounds, are you going to be back in front of us saying that these credits don't apply to those rounds either, or when we give additional credits to people now, out of the '07 and '08 pool, to deal with -- and we waive the $2 million cap, those count toward their cap in '07 and '08?

MS. BAST: If you choose to do that, I would accept that.

MS. ANDERSON: Okay. Thanks. Ms. McIver?

MS. MCIVER: I just -- I did sign up, but all I want to say is say thank you for working with us on this policy.

MR. CONINE: You are welcome.

MS. ANDERSON: Thank you.

MR. CONINE: Move approval of the policy with the amendment that we ignore the $2 million cap.

MR. BOGANY: Second.

MR. CONINE: We can't do that? Okay. Tell me why I can't do that.

MS. BOSTON: As they noted, it is statutory.

MR. CONINE: It is not statutory.

MS. BOSTON: It is statutory.

MR. CONINE: I disagree, because her point about us, this is not an application round.

MS. BOSTON: I agree with you that the wording in the statute makes it unclear how the test would apply to this particular batch of increases.

MR. CONINE: Right.

MS. BOSTON: I don't think it means that we should take several million dollars of future credits and not apply the test. I do think one of the suggestions, which is to take it out of 2007 and 2008 is a valid suggestion that doesn't provide any harm to the existing properties that are coming for the credit increase. We would apply the test.

And just for clarification, if you choose to do it that way, you wouldn't be applying only the ones who are about to exceed 2 million. Not just them in '07 and '08. You would be applying this new, the chart in your writeup that has amounts, all of those would count against each of those developers and owners in '07 and '08.

MR. CONINE: That is a different issue, and everybody is okay with that.

MS. ANDERSON: Wait. I would want to amend your motion, and make that clear now, because otherwise, we get to '07 and '08 and they are back up arguing why it is exempt from that pool too.

MR. CONINE: All right. Well, my motion would include that any of these credits would apply to the same developers for the '07 and '08 rounds. Now let's get back to the 2 million being statutory or not.

MS. BOSTON: Okay.

MR. CONINE: That is the real crux of the issue. For us to not be able to assist those projects, I don't see how you get there with that.

MS. BOSTON: Well, I agree with you. As long as we do it with the '07, as long as we apply it at some point in time. And I checked this with our counsel, we feel like then we are following the statutory requirement that it be attributed for credits awarded. I agree with you.

It doesn't necessarily have to happen in '04 or '05. And it doesn't need to be a penalty on anybody. They should be able to get above 2 million in '04 and '05 and we are just going to kind of credit that against them in '07 or '08.

MR. CONINE: They would have, let's just use a couple of examples. If you have got a project that has got just under $2 million today, and they get another million dollars in credits, or another $100,000 in credits, it would put them over the $2 million limit. What you are saying is, those two projects would have a million nine worth of, 1,999,000 worth of '04 or '05 credits and another $100,000 of '07 and '08 credits?

MS. BOSTON: Yes. We are not going to split the difference. We will just take the whole amount. So if they were at 1.9, they would stay at 1.9 for '04. And then in '07 we would put the whole new credit amount in '07. We are not going to split it out so that it partly attributes in '04 and partly in '07.

MR. CONINE: You are not?

MS. BOSTON: No. We would just say, for every credit amount listed in the table, which you have reflected, starting on page 11 of your writeup, all of the far right column, every one of those figures would just attribute to that developer owner in '07 or '08 respectively.

MR. CONINE: What happens to the '04 and '05 credits?

MS. BOSTON: They are fine. They re going to get the full amount they are asking for, or that they are eligible for. But we are not going to evaluate the 2 million test in those years. We are going to just apply it in the future. And our counsel has advised that as long as we do it --

MR. CONINE: So does that eliminate them from additional projects in '07 and '08?

MS. BOSTON: If for instance, let's say it is $100,000 on two deals.

MR. CONINE: Yes.

MS. BOSTON: We would attribute $200,000

cumulatively out of '07 so that they could apply for up to 1.8. They couldn't apply for two.

MR. CONINE: Okay. All right. I got you.

MR. FLORES: So, are you going to amend your motion?

MR. CONINE: I think I have amended it all I needed to.

MR. FLORES: I thought you wanted to clarify that.

MR. CONINE: No. I did that for her.

MS. ANDERSON: Yes. Let's just make sure the minutes reflect what we have done accurately here, when we do it, that is.

MR. FLORES: Was there a second to that motion?

MR. BOGANY: I second it.

MS. ANDERSON: Is there any other discussion on this?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. All right. Thank you, Mr. Vice Chair. Okay. Do you want go back up to 10A?

MR. BOGANY: Madam Chair.

MS. ANDERSON: Yes, sir.

MR. BOGANY: While you were out, we brought up Sienna Trails, which was brought up earlier, about getting -- and the Vice Chair thought we should wait until you get here, about bringing Sienna Trails up the next board meeting. This was the attorney who got up and talked about Sienna Trails and about the DAD down in Beaumont, Beaumont-Port Arthur area. And what I would like to see done is that next meeting, that we put it back on the agenda, and revisit it.

MS. ANDERSON: Okay. Let me just ask staff one question about that. Is Sienna Trails the only remaining development that is in this category. And if not, how many are there?

MS. BOSTON: It is my understanding that there are two that have, not necessarily in that region, but that were in the GO zone area, there are two, at least that still have not bee funded. And I would like to note that after all the actions we have taken, including the policy that you just approved for next year, Region 5 has

$22,000 in credits available. So you would be having to give '08 forward.

MS. ANDERSON: So we would be giving '08 forwards, not '07s.

MR. BOGANY: Okay. I guess my thought process, because it is in a GO Rita zone, and the need of housing is great there, could we at least revisit it in November?

MS. ANDERSON: I'd certainly be happy to put it on the agenda. But we have done a boatload of forwards down there already. And so I think you just heard, we have got $22,000. And in order to fund this, you would be going further into the negative.

And then you get, what I have seen happen is you get in a death spiral where people just always want forward year after year. All that said, unless there is an objection from somebody else on the Board, we can put it on the agenda.

MS. BOSTON: And there are five. Not to correct myself.

MS. ANDERSON: Five? In the GO zone?

MS. BOSTON: Yes.

MR. SALINAS: Well, we can put them on the agenda. It doesn't mean we are going to --

MS. ANDERSON: Well, then you have got 42 people come and want to tell you all the reasons why. So I mean, I am going to miss the November meeting. So that is totally up to you.

MR. SALINAS: I'll go with you.

MR. BOGANY: And I really don't want to get in the habit of giving out forward commitments. I mean, you can make a case for everyone who didn't get one, a forward commitment. But I just -- I didn't realize it was that many.

And when I listened to what he had to say, and I am thinking, okay, this is an area where we are really trying to get some housing down. It may be something to look at. Just a thought. Whatever is the Board's pleasure.

MS. ANDERSON: Well, I mean, you tell me.

MR. BOGANY: What I would like to see is at least, I don't want to listen to 42 people.

MS. ANDERSON: Well, and so the next question comes from an equity perspective. Do you just put that one on, because they were the only people that came today, and then you get the other four coming back during public comment next month asking to be put on the December agenda.

MR. BOGANY: All right. Thank you. I

appreciate it. I am through. No, it is okay.

MS. ANDERSON: Okay. 10A has been withdrawn, so 10C, Mr. Gerber, which is determination notices for housing tax credits with other issuers.

MR. GERBER: Yes, ma'am. 10C Artisan at Salado Heights has been pulled from this agenda. It will be presented at the November 9, 2006 board meeting. Moving to Mansions at Turkey Creek, this is a Priority Three application, consisting of 252 units proposed to be built in Houston.

The bonds will be issued through the Houston housing finance corporation. The applicant is requesting $1,110,365 in housing tax credits. Staff recommends approval of these housing tax credits, is recommending approval of housing tax credit in the amount of $1,059,669.

MR. SALINAS: So moved.

MR. BOGANY: Second.

MS. ANDERSON: Any discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Mansions.

MR. GERBER: Item 6D?

MS. ANDERSON: We have got Mansions of Turkey Creek.

MR. GERBER: I am sorry, ma'am. That was Mansions of Turkey Creek. So the next would be 10D, Gardens of Weatherford.

MS. ANDERSON: Oh, did you take them together? Did we just take them together?

MR. GERBER: Artisan has been pulled.

MS. ANDERSON: I am sorry. I apologize to you all. I need to get tuned in.

MR. GERBER: Artisan was pulled and will go on the November 9 board meeting, so we did Mansions of Turkey.

MS. ANDERSON: Okay. Thank you. Would you just take over?

MR. GERBER: I am sorry.

MS. ANDERSON: No. I am sorry.

MR. GERBER: 10D.

MS. ANDERSON: Yes, sir.

MR. GERBER: 10D is the Gardens of Weatherford.

And this is a Priority Three application, consisting of 76 units, proposed to be built in Weatherford. And the bonds will be issued through the Northwest Central Texas housing finance corporation. The applicant is requesting $295,247 in housing tax credits and $1,144,376 in HOME funds. Staff is recommending approval of housing tax credits in the amount of $283,232 and a HOME award in the amount of $1,144,376.

MR. FLORES: Move approval.

MR. BOGANY: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: The next item, Madam Chair is the Gardens of DeCordova. This is a Priority Three application, consisting also of 76 units, proposed to be built in Granbury. The bonds will be issued through the Northwest Central Texas housing finance corporation. The applicant is requesting $294,166 in housing tax credits and $1,194,376 in HOME funds.

The Department has received one letter of support from County Commissioner Heffington, and one letter of support from a citizen. A resolution in opposition to the development from the City Council of DeCordova, nine letters of opposition from citizens and a petition in opposition that has 367 signatures.

Even with this opposition, staff is still recommending the project with the approval of housing tax credits in the amount of $281,258 and a HOME award in the amount of $1,194,376.

MR. BOGANY: Move approval.

MR. FLORES: Second.

MS. ANDERSON: Discussion? I have one question for staff. What is the nature of the opposition, if there are 367 signatures in a town that size? What is going on there? Just so we can be fully informed.

MR. FLORES: What is the population of the city?

MS. ANDERSON: Of DeCordova?

MS. MEYER: I don't know exactly. Robbye Meyer, Director of multifamily. I don't know what the population of DeCordova is. For this particular tract, there is 10,633.

MS. ANDERSON: Well, it says the property is actually in Granbury. It is called DeCordova. But it is in Granbury. So I don't know. It is a little bit bigger.

MR. FLORES: Yes. I know where Granbury is. Where Cordova was.

MS. MEYER: They are both about the same size.

MS. ANDERSON: My question to you, Ms. Meyer, is just what is behind the petition? In a town that size, that is a lot of signatures.

MS. MEYER: Well, it just states the opposition is they are opposed to the development.

MS. ANDERSON: There are no reasons given?

MS. MEYER: There is not a major emphasis on reasons as to why. It just on the petition it just shows the opposition.

MS. ANDERSON: And then -- I am sorry -- who is the issuer?

MS. MEYER: This one is Northwest Central Texas.

MS. ANDERSON: Have we -- I don't remember having voted credits for deals for them before. Are they active in this market?

MS. MEYER: Not recently.

MS. ANDERSON: Okay.

MS. MEYER: Again, this is one of the smaller areas.

MS. ANDERSON: All right. Thank you very much. Any other questions for anyone?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. So now we are back to Item 2.

MR. GERBER: These are audit issues. Madam Chair, if Mr. Gaines would come forward?

MS. ANDERSON: Yes.

MR. GAINES: Good afternoon. And welcome, Ms. Ray. I tried to provide you summaries of the more significant issues for the four agenda items we have today. That is 2A through 2D, behind each tab. There is a summary provided for you. Again, I tried to emphasize more significant items.

For the sake of expediency, I am going to speak at even a higher level, for if you would care for me to elaborate on any of this, please let me know. The first agenda item behind Tab 2A, this relates to a recently completed audit that the Internal Audit Division did on the Office of Colonia Initiatives sub-recipient monitoring and draw processing function of the self help centers program.

And while OCI has various strategies in place to provide reasonable assurance that the sub-recipients perform satisfactorily, there were several conditions noted during the course of the audit that may preclude the achievement of those objectives. Again, a summary is provided.

Of these conditions, management has acknowledged the conditions and is receptive to the recommendations and is moving forward on that. We are behind Tab 2A. I'll be glad to touch on those, if it is the pleasure of the Board.

MR. BOGANY: I have a question on OCI. What is the time frame that they have got to get this cleared up>

MR. GAINES: I believe the furthest target date out is January '07.

MR. BOGANY: Okay. And they have accepted the recommendations of we need to get a contract with ORC or some third party. They have accepted all of your recommendations?

MR. GAINES: On that particular issue, this relates to work that is currently providing these field monitoring function for the Department. We aren't under contract with them, so there is no real strong assurance they are performing at a level we would consider acceptable. We haven't, in other words, spelled out the performance measures for them.

In this case, we have recommended a series of options. And I believe the one that is currently being pursued is that that function is going to be assumed by the existing monitoring function under Portfolio Management and Compliance. That is, of course, a risk based model.

And so it will be put in the risk assessment with the other sub-recipients and listed as warranted based on that risk assessment model.

MR. FLORES: When you set a target date, do they set the target date, or do you set it, or do you jointly set it?

MR. GAINES: No. That is management's target date. What they think is a reasonable time frame. And what I will do with these issues is, carry them to a prior audit issue report that is provided to you periodically, and we will discuss the status of those issues as they are resolved, up until the point of resolution.

MR. FLORES: And if you don't agree that the target date is prompt enough, what happens?

MR. GAINES: I think generally, actually what I have typically found is people are overly aggressive on their selves and often times if they were to ask me, I would give them more time. But having said that, I encourage management to be reasonable with their target dates. But not unreasonable in extending it too far.

I think if it was entirely unreasonable, I would probably bring it to at least their attention and as we discussed it here in the board meeting, those target dates would come up.

MR. FLORES: So actually, the response is actually --

MR. GAINES: These are management's responses.

MR. FLORES: Yes. I thought it is opposite of what I expected. I thought because management has other things to do other than to respond to auditors, that they would perhaps delay it, and it would lag behind. But it is actually the other way around.

MR. GAINES: With the strong support of the

Board and the charter that I operate under that is approved by the Board, management recognizes I have got the support of the Board and they are generally very responsive.

MR. FLORES: Okay. Thank you.

MR. GERBER: Mr. Flores, if I could interject, I place a very high priority on resolving audit findings. And our Executive team has placed that priority and emphasized that to all of our Division directors. Cleaning audit issues up is a very high priority. And we work in close concert with David to make sure that that happens.

MR. GAINES: Good answer. Thank you. Good question. Otherwise, they may not listen to me at all. It is the support of the Board in accepting it, makes my job so much easier.

MR. FLORES: How welcome you are.

MR. GAINES: Thank you. Any other issues in that particular agenda item or questions, you would care to discuss?

(No response.)

MR. GAINES: If you will, let's turn to Tab 2B. This is the status prior audit issues, the report I just mentioned to you. And this is prior audit reports where we had audit issues that weren't fully resolved at that time. They are all over this report. There is 14 issues being reported to you.

Five of these issues are being reported as resolved. Of the remaining nine issues, satisfactory progress has been made on seven of the issues. There are a couple of issues that I have identified that may warrant specific discussion if it so pleases the Board. I take that as a yes.

The first issue, and actually, it is kind of a non-issue as of this morning. It still continues to be an issue for us, but I did receive some fairly good news in this respect. This related to a HUD monitoring visit. And they identified one of the sub-recipients that hadn't had inspections, FHA VA closings.

They were foreclosed properties and at the time of closing, they were not documented inspections that the houses were up to local housing standards. HUD basically gave us a series of options, saying either come up with the documentation of the original inspections or inspect them again and determine that they are up to standards, and if not, get them up to standards.

Or refund the monies to HUD with non-federal funds. And there has been some negotiations back and forth between the Department and the consultant and the sub-recipient. And as of this morning, I was informed by Portfolio Management that the Executive Director of the sub-recipient has agreed to cut the Department a check for those properties that were financed with HOME funds pending approval of his governing board. And so that is kind of -- we will be anxious to see how that turns out.

MR. BOGANY: What is the time frame on finding out --

MR. GERBER: Does the Board meet November 8? Is that the word?

MR. GAINES: So the Board will meet in November, and we'll find more out about that. The second issue relates to a contract for deed award, whereby the sub-recipient had been servicing its own mortgage loans. And these are mortgage loans with HOME monies. And additionally, the liens are in the sub-recipients name.

We have asked the sub in this respect, to remit all program income relating to those mortgages, and to begin the process of transferring the liens to the Department. Provide a list of the mortgagors, the loan terms and the original and outstanding balances, so we can start bringing those loans back in-house and servicing them ourselves.

At this point, the sub-recipient has been generally amiable to that proposal. They are wondering, and they have asked about who pays the costs involved with transferring those loans back. I am not sure that answer has been fully answered, or that question has been fully answered at this point. Anything else you would like to say in that respect to anybody?

(No response.)

MR. GAINES: If there is no questions, that is where we are at on that. They are in general agreement. We need to figure out who is paying the costs of getting those liens transferred back to the Department and the mortgages.

MR. BOGANY: Are we going to put a deadline on getting an answer?

MR. GAINES: I believe the deadline on that right now is January '07.

MS. ANDERSON: That is not a deadline for getting an answer. That is a deadline for full implementation of the agreed procedures to resolve the finding.

MR. GAINES: That target date is implementation, full implementation for the whole thing.

MS. ANDERSON: For the whole thing.

MR. GAINES: Yes, ma'am.

MS. ANDERSON: Okay.

MR. GAINES: Let's turn to Tab 2C. This is a required report, required by the Texas Internal Audit Act. It is an annual report that is provided by each Internal Audit Division in the State. It is reported to the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditors Office, the Sunset Advisory Commission, to the Governing Boards and to the Executive Director or hammer part of each agency.

It is a report that is prescribed by the format and contents prescribed by the State Auditors Office. And it is basically an overview of the internal and external audit activities over the course of the last year. Among other information, the report includes the prior year's internal audit plan with budget variance explanations. The dates and overall results are the most recent external quality assurance review of the internal audit function.

A list of completed audits with the summary's audit issues noted, their status and the impact of those audit issues. The report on non-audit internal audit activities, and the expected date of the current fiscal year's internal audit plan. These are the primary issues. One other is a summary of any procured external audit searches during the year.

I will be glad to go into any of those areas further if it is the pleasure of the Board or the Board wishes. If there are any questions relating to this report. I will be finalizing that and delivering by the end of the month. It is finalized. I just need to put it on letterhead, actually. Okay.

Item 2D, this is a status of internal external audits. And it is a high level summary. It provides an overview of the current status of internal audit activities and external audits currently in progress or recently completed.

Just a couple of points of interest. The Internal Audit Division is currently going through a quality assurance review. That report is expected in a draft report this month, and the final report is expected in November. The Internal Audit Division is in the process of hiring, well, we are in the process of posting a senior audit position to fill a vacancy we have.

The balance of reports relates to the status of various audits, both internal and external. And I will be glad to go into some of those details if you so please. In that case.

MR. GERBER: Let me just add, the reason for that vacancy is because our former senior person in your shop, Kelly Crawford has gone on and has been promoted to be our Director of Portfolio Management and Compliance and we are committed to backfilling that position as quickly as we can and posting that opening.

MR. GAINES: That is right.

MS. ANDERSON: And we appreciate it. Yes. That is a good thing. That brings credit on you when the Department takes people takes out of you and leaves you shorthand in order to serve another area of the Department.

MR. GAINES: I've been nothing but excited about it. I am in full agreement with that. There is not a greater compliment to Kelly or the Division. So thank you very much.

MS. ANDERSON: Thank you.

MR. GERBER: Madam Chair, Item 7. Item 7 is a presentation and possible approval of community development block grant disaster recovery related items. Bill Dally and Jennifer Molinari will come forward and talk a little bit more about this. But this item pertains to the CDBG grant for the Hurricane Rita impacted areas.

Looking more closely at the areas impacted that we had discovered that a significant number of the intended housing beneficiaries homes are built in a flood plain. This includes several of the highly impacted cities. Staff is estimating that as much as 30 percent of the eligible applicants may reside in flood plains.

Under HUD rules, the Department is responsible for monitoring households in flood plains to make sure they obtain and maintain flood insurance for the duration of this relevant period. The relevant period depends on whether funds are loaned or granted.

Some factors that the Department considered in bringing this request forward are that one, if the funds are a loan, then the monitoring is for the loan term, which has no minimum or maximum loan term imposed by HUD. The Department believes that three years appears reasonable for a compliance period.

If the funds were a grant, the monitoring period is for the life of the improvement. So depending on the activity, that period of time could be as little as five years, for minor repairs, or for as long as the house is liveable in the case of a reconstruction. So the current action plan states that assistance will be in the form of grants, so a change to loans would require an amendment.

There will be some significant staff time involved in preparing these loans, but balanced against a perpetual monitoring function, staff believes that an amendment should be requested, and is recommending approval.

MR. SALINAS: And you are saying it is going to be grants instead of loans, or --

MR. GERBER: It is currently grants, and we want to be able to have the option of providing loans, because it reduces the long term monitoring function for the Department. We would only be obliged to have a three year period for compliance in a loan circumstance. Whereas in a grant circumstance, it could be for as long as 30 -- for as long as the life of that improvement.

MR. SALINAS: And you are going to be eligible to, you are going to force them to pay their flood insurance.

MR. GERBER: To move back into the flood plain, they would have to pay flood insurance. They have to maintain flood insurance.

MR. SALINAS: [inaudible].

MS. ANDERSON: For three years.

MR. DALLY: That is correct, Mayor. Our request is to put a time certain on our oversight of that particular thing. And by putting in a loan term of three years it will be a zero percent forgivable loan, forgivable one third for each of those years. Over the course of those three years, we will be monitoring that they have that flood insurance.

Beyond that, we would not necessarily be monitoring for flood insurance. The other caveat in this particular law is that if they do not keep up their flood insurance and if there is another disaster, they are not eligible. If they haven't kept up their flood insurance, for additional assistance.

MR. SALINAS: This is in the Beaumont area?

MR. DALLY: This is in Beaumont and Orange, yes. But much of the existing structures that are in that general area were already, are now determined to be in flood plains.

MR. GERBER: FEMA has revised their flood plain maps.

MR. FLORES: Mr. Dally?

MR. DALLY: Yes.

MR. FLORES: What volume are we talking about in numbers?

MR. DALLY: In numbers, I think it is about 1/3 of the area.

MR. FLORES: How many households? How many people are you dealing with?

MR. DALLY: Probably about 600.

MR. FLORES: This sounds like a pretty massive administrative program. Do we have people ready and able to do this in-house?

MS. MOLINARI: This is Jennifer Molinari, and I am the acting CDBG Program Coordinator. Whether we do a grant or a loan program, if we provide assistance in the flood plain, we will be required to monitor.

It is just the length of time we will be required to monitor for. If we change the type of assistance from a grant to a loan, we can control the amount of time that we are responsible for making sure that homeowners obtain their insurance.

Any time you provide federal assistance in a flood plain area, the federal government requires that you obtain and maintain your flood plain insurance. It is the grantees responsibility to check up on you. We are just wanting to check up on you for a lesser period of time.

MR. FLORES: But I still don't have my answer. The question had to do, do you have people to handle this program in-house, or are we going to have to go get some more help somewhere?

MS. MOLINARI: I'm not trying to answer that question. I am just --

MR. FLORES: Well, I am trying to get a question. I don't care where it is from. I don't care. Bill, do you all know? Kevin, do you?

MR. HAMBY: Well actually, it kind of splits it up. If we had to do a 30 year monitoring program, we were dividing that staff time up over the next 30 years. We will have to -- we are adding some additional staff in my division currently to help process loans for the HOME program, and they will also be doing this.

We do right now a significant amount of loans. And fortunately, these will be smaller loans, they will be loans that can be fairly well structured. Our biggest challenge on that is going to be doing the due diligence and filing the work afterward.

But it is a question of a short term increase in staff, versus a long term increase in staff. And that is what we are balancing against. But we are going to either have to look at outside or add some time to do this.

MR. BOGANY: Can I ask you a quick question?

MR. FLORES: I'm not through. Let me continue here. You know 600 sounds so few, Bill. But those -- you know, I travel that area. It is flat as a pancake. They actually built up Interstate 10 up because most of the people live down there in the swamp.

This is the nature and the culture down there. I mean, this is in Houston, too. I mean, we are used to flat land. So I am afraid this may be a massive project for us, is what I am thinking.

MR. DALLY: Well, in this particular instance, we sized that number down based on the number of beneficiaries that we were actually able to help. Remember, we had about $41 million, was all that we had for housing for all three COGs. And I think it is in the neighborhood of $26-27 million that is going to be for housing in South East Texas.

And chiefly, this is a South East Texas issue. So based on 2000 totals that we were going to be able to help reconstruct or repair their homes, about a third of those just rough estimate, would be perhaps in a flood plain. Particularly in the Orange and Port Arthur areas.

And so it is going to be probably about 600 homes. We don't know exactly the number. But that is our estimate. The other option is to say, well, it is to monitor on into perpetuity. And you know, we were trying to limit our administrative funds so that we could help folks. And we think we are still going to go out and help folks.

But we have a duty, as long as we assist people in a flood plain. Then we are going to need to monitor for flood insurance. And what we are saying is that at least, if we get them started on the first two or three years, we feel like we have met our responsibility there. But we don't want to do it for the life of that improvement necessarily.

MR. FLORES: I would have some interest in your reporting back once you get into this, whatever it is we do, because it just -- I still think that it seems like a substantial project for three years or for 100 years.

MR. DALLY: It could well be a discussion on budgets in the future.

MR. FLORES: Thank you.

MS. ANDERSON: Thank you. Mr. Bogany.

MR. BOGANY: If they did three years, if we did them a loan, then we only have to monitor it for three years?

MR. DALLY: That is our proposal, is to make that term for three years. So it is a zero percent. It is not amortizing. And it would be forgiven over the course of three years. But that puts an end term on our assistance.

MR. BOGANY: Are you going to price out and let a third party do the monitoring? Or are you going to, so we as a Board have an idea of whether or not you are going to use a third party? Because I am looking at the audit, and other things we have been monitoring over the years, since I have been there, we don't seem to do sometimes. You have got so much going on.

Maybe that is a better way to say it. Will we hire a third party or at least price it out to see if you have got a third party to monitor for the next three years?

MR. DALLY: I think what we will actually have done is probably have our COGS who we pass down the majority of our administrative monies to, have them monitor. And I didn't mention this, but they have made this request, that we allow in the flood plain situation, allow a three year forgivable loan. And then that puts an end term on their particular monitoring.

MR. BOGANY: Okay. So the COGS --

MR. DALLY: But we need to monitor that they are monitoring. But they would be doing the bulk of it.

MR. GERBER: And Bill, this is consistent with how other states have approached this challenge as well.

MR. DALLY: That is correct.

MR. GERBER: So Texas is coming to it based on some novel things that the other states have done. And Jennifer, did you want to add something?

MS. MOLINARI: Jennifer Molinari again, just as a point of clarification, we believe that this is an action plan modification and not an amendment. There are three thing that would require an Action Plan amendment, and this is not one of those three things.

Those three things would be a change in allowable activities, a change in beneficiaries, or a change of more than 5 percent in the funding allocation. Since this is a change of assistance, and non-activity or any of the other two, we would not be required to do an Action Plan amendment. Just a modification.

MS. RAY: Madam Chair.

MS. ANDERSON: Yes, ma'am.

MS. RAY: I move that we accept the staff recommendation on the subject.

MS. ANDERSON: Thank you.

MR. BOGANY: Second.

MS. ANDERSON: Any other discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. Item 8A. Mr. Gerber.

MR. GERBER: Madam Chair, Item 8 on this agenda is a notice of funding availability for the Texas Bootstrap Loan Program. This NOFA would re-program approximately $2 million that has been de-obligated from Texas Bootstrap Loan Program contracts awarded in fiscal years 2002, 2003 and 2004.

The NOFA is written to give priority to organizations that have projects that are ready to proceed to get the funds out to Texans who qualify as quickly as possible. Staff is recommending approval of this NOFA.

MR. BOGANY: So moved.

MS. RAY: Second.

MS. ANDERSON: Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries.

MR. GERBER: Madam Chair, the last items, I am hoping to handle them in block. Items B, C and D. In an effort to provide a transparent operation and to make funds available to those who need them, in as equitable a manner as possible, the Office of Colonia Initiatives Division created the draft rules found in these three sections.

Upon Board approval, the Office of Colonia Initiatives will hold four public hearings, in Dallas, San Antonio, McAllen and El Paso. The hearings are scheduled to be held in late October or early November. Again, we can take these one at a time, or together as the Board desires.

Item 8B is the draft rules for the Texas Bootstrap Loan Program and will require the repeal of the existing Title X of the Texas Administrative Code Part I, Chapter 2. These rules take many of the current processes and procedures of the Office of Colonia Initiatives and codifies them.

Item 8C is the draft rules for the Colonia housing standards. The U.S. Department of Housing and

Urban Development has granted a waiver relating to standards in the Colonias based on the extraordinarily poor conditions of housing stock in the colonias, for which the use of the Section 8 standard would create a hardship for potential homeowners. The Colonia housing standards have not previously gone through the Department's rulemaking process.

And this does just that. Item 8D is the draft rules for the Colonia self-help center program. And the Department has established, as you know, Colonia self-help centers in Cameron, Willacy, Hidalgo, Starr, Webb, Val Verde, Maverick and El Paso Counties. Previously, colonia self-help center program requirements and regulations were transmitted through contractual agreements and policy issuances that are now being codified and opened for public comment.

Again, this is part of our effort to be an agency that is more closely aligned with statute, and an agency of clear and transparent rules. And these three are the last set of programmatic rules. Again, in November, we will bring to you a set of enforcement rules, and that will be the full body of rules for this year.

MR. FLORES: Move for staff's recommendation.

MR. BOGANY: Second.

MS. ANDERSON: Discussion.

MR. FLORES: On all three.

MS. ANDERSON: Thank you, Mr. Flores. Discussion?

(No response.)

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

(A chorus of ayes.)

MS. ANDERSON: Opposed, no.

(No response.)

MS. ANDERSON: The motion carries. I have been remiss in not recognizing Christine Gibson, who is here with the House Urban Affairs Committee. Thank you, Christine. And also earlier today, and I don't think she is still here.

Amanda Arriaga from the Governor's Office, the Housing Policy Advisor for the Governor's Office was also here. And we value our working relationships with both Christine and Amanda. We appreciate them being here. Executive Director's report, sir.

MR. GERBER: Madam Chair, I just have a couple of items that appear in the --

MS. ANDERSON: Oh, I am sorry. Yes. My

apologies. It was just going so smoothly that I -- sometimes you are better off to just let that happen. I am just teasing. Yes. I am sorry. I am acting way out of practice today. We do have people that wanted to make public comment on the rules. Mr. Gage Jager? I apologize.

MR. JAGER: Far be it from me to stop your wonderful progress there. Thank you, Madam Chair and Board and Mr. Gerber. Mr. Lytle is sitting over there. My name is Gage Jager. I am the Executive Director of Trinity Habitat for Humanity, which is based in Fort Worth. We serve Tarrant County, Parker, Wise and Johnson County with Habitat for Humanity up there.

I just basically wanted to say the NOFA is a great thing. And obviously you guys voted on that. So that is great. We are ready to go. We'll be submitting 21, 22 units to be constructed and finished up real quick.

So it is important to get the money back out in the public like you said. And that is exactly what we are ready to do. As far as the draft rule changes, I wanted to support those. They are wonderful. I agree with what Mr. Gerber said.

Transparent, make it quantifiable. It is easier for the staff. It is easier for us. We know what the target is. It is all good stuff. Homero and his staff are wonderful to work with, and we are talking all the time with him about the rules.

Our affiliate was the very first Habitat affiliate to start using the Bootstrap funds. So it is wonderful to keep this going, and make it grow and work with each other. I like the streamlined process. I like the fact that you guys have, or the staff is suggesting lowering the debt ration from 50 to 45 percent.

I think it is incumbent upon us collectively to help ensure financial responsibility, and not incur too much debt in our rush and desire to promote home ownership. Which of course, is good. But if it doesn't work in the long run, then it obviously doesn't work at all. So 45 percent is a better number than 50 percent. If it were up to me and our affiliate, it doesn't let it go over 40 percent.

So keep that talk going and talk around the State and see if 45 is even maybe a little bit too high. I mean, you are talking about people that own 30 percent. That is a really small number. If it is that $17,500 reference, that is $9,000 left to pay everything else after housing, after debt. Excuse me.

And so that is certainly good. Also, there is a lot of weight given to very low income, which is less than 30 percent or less than $17,500. There is a total of 18 points. You have to have 70 points to be considered. If you don't have the total 18 points which are in Section 2.11, number one, and 2.11 number 8C, then you only have 82 points left. It is very hard.

Most people don't make it less than 30 percent. I think they were saying the average for the program is 42 percent right now. That is really a good number. That is good and low.

MS. ANDERSON: I am sorry. Right now, the less than 30 percent -- I am sorry.

MR. JAGER: The average for the program is 42 percent.

MS. ANDERSON: Okay.

MR. JAGER: I think that is a great number. I mean, that speaks volumes for how the Bootstrap program is helping providers like ourselves get housing and home ownership into very low income families. So that was it. We just appreciate the partnership we have had with you guys forever, and we look forward to it continuing for a long time.

MS. ANDERSON: May I ask you a question?

MR. JAGER: You bet.

MS. ANDERSON: Because I have not seen the rules or the NOFAs before, I don't think. At least, I don't remember them. How, when you say 18 points go to the 30 percent income level, what, how does that compare to the way the NOFA is the scoring criteria in prior NOFAs for bootstrap?

MR. JAGER: I would need these guys to help me discern the exact -- it wasn't as quantifiable. It was more credit given, but it wasn't as obvious. Is that the right way to say it, Homero?

MR. CABELLO: Homero Cabello, Director of the Office of Colonia Initiatives. The legislation states that we must give priority to families earning $17,500. So our previous applications was giving points for applicants assisting families that earn $17,500 or less.

Now we added this 30 percent into the rule AMFI, just to try to help them implement Rider 4 of the Appropriations Act. But hearing the concerns from the Habitats, maybe it is weighted a little bit too heavy on the 30 percent. But that was the reason why we put that in there.

MS. ANDERSON: Okay. Thank you.

MR. JAGER: Is that all for me?

MS. ANDERSON: It is. I appreciate your

comment today, and I trust that staff will take that comment as one of the first public comments on this proposed draft set of rules. And we will, I am sure, as a Board, be reviewing all of that public comment as we get ready to take these rules final, whenever that is, December, January, whenever.

MR. JAGER: Sure. Thank you much for your time.

MS. ANDERSON: Thank you. Mr. Carlos Hernandez.

MR. HERNANDEZ: Hello. My name is Carlos Hernandez. I am the Executive Director of Habitat for Humanity Texas. It is the state support organization for Habitat in the State of Texas. We represent all 85 affiliates in the state that work with us, and with you in our efforts to build more affordable housing for families in need. I am here just to speak a little bit about those rules that have been drafted.

We really do appreciate the fact that they are in the codified form now. And it is less subjective and more objective. And we appreciate the staff working on that. We appreciate the fact that they are willing to work with us and hear our concerns about it.

The one concern that I have from the statewide organizations is that it does not address the need for, or our feeling, that it doesn't address the need for quantifying how a state organization or an umbrella organization would apply on behalf of their affiliates. We will give you an example. In the last round for Bootstrap, a Habitat Texas for the first time, because we are a new organization, applied on behalf of several different affiliates. And in that scoring process, an affiliate that was going to build one or two houses alongside an affiliate that was going to build ten or twelve houses, they were given equal weight.

So if a small affiliate that might not be as sophisticated as a bigger affiliate was scored less, and a larger affiliate which has a little more in terms of capacity was scored higher, but those scores were averaged.

And we feel like there should be some sort of consideration given to weighting those different parts of the application. In other words, an affiliate that is only building one house should be weighed against an affiliate that is building ten houses in that application.

MS. ANDERSON: How would you weigh them, sir?

MR. HERNANDEZ: Well, we are going to work with your staff on that. And I think that one of the things that we were looking at is, actually looking at the houses that are actually going to be produced from each of those affiliates and weighting them in such a way. So that --

MS. ANDERSON: And what way would that be? I am trying to understand what your policy issue is. You don't need to wait and work with Homer about that. You obviously have something in mind. I am just curious about what it is.

MR. HERNANDEZ: Sure. Let's say if an application package has ten houses.

MS. ANDERSON: Okay.

MR. HERNANDEZ: Representing two different affiliates. One affiliate is building one house. The other affiliate is building nine. That the one affiliate score would be weighted as one. And in proportion to that, the other affiliate would be weighted as nine.

MS. ANDERSON: Well, doesn't that just move all the money to urban areas where you have got larger Habitat entities?

MR. HERNANDEZ: Well, just as a concept, that is what I am saying, that is how it should be scored. I am not saying it is going to be an urban affiliate that we are going to be representing, because those affiliates are already applying. They are doing their own. And we as a state organization, we don't have to worry about Trinity.

We don't have to worry about Dallas. But we put together some of the medium size affiliates with the smaller affiliates, that is where our concern comes in, because in the last round, we were penalized that way.

MS. ANDERSON: Right.

MR. HERNANDEZ: And we feel like there is a better way of considering that. So we would like to weight those scores based on the number of houses that those affiliates will be making. And then averaging those out proportionally as opposed to averaging those scores per affiliate.

MS. ANDERSON: I think I understand. Well look, we appreciate your participation in the rulemaking process, and working with the OCI staff over the course of the next several weeks.

MR. HERNANDEZ: Yes. We will be working with them closely, and we do appreciate it.

MS. ANDERSON: Great. Thank you.

MR. HERNANDEZ: Thank you so much.

MS. ANDERSON: That I believe, really does end the comment on any agenda item today. I am sorry, Mr. Hernandez, that I overlooked you all.

MR. HERNANDEZ: I feel like the messenger that needs to be shot.

MS. ANDERSON: We are still here. We hung in with you. So Mr. Gerber, your Executive Director's report.

MR. GERBER: I have just a couple of items, obviously at the end of the board book. There are several items for the board's review. I am going to let you peruse at your leisure. I just wanted to make a couple of quick announcements. As I already shared, Kelly Crawford has become Director of the Office of Portfolio Management and Compliance, and we are delighted by that choice.

There is another announcement, that Robbye Meyer, who has been serving as acting director of Multifamily Finance has assumed the role of Director of that office permanently. And we are delighted.

She brings a tremendous amount of skill and dedication to that job. And we are very much looking forward to great things to continue in that office under her leadership. So I hope you will join me in congratulating her on that.

Also I just wanted to just mention to both Mr. Hernandez and Mr. Jager, I think has departed, that we very much at the Department value our relationship with

Habitat for Humanity. And we look forward to continuing to build on that and appreciate your active participation in the rulemaking process on our OCI rules.

And the last thing, and I guess really saving the best for last. It is always an honor for the Department as a whole when one of the members of our staff is acknowledged for his really almost professional lifetime of contribution to a particular area. The Texas Homeless Network recently acknowledged the work of Eddie Farris, our Director of Community Affairs at TDHCA, and presented him with their Cathy Reid [phonetic] Award, which is presented every year at their annual Texas Homeless Network Conference to the individual whose work statewide has had a significant positive impact on the lives of homeless people.

Eddie has been instrumental in ensuring that persons experiencing homelessness and those at risk of homelessness all over Texas receive supportive services and housing from agencies that are funded by TDHCA. He is a friend and supporter of the Texas Homeless Network, and has been a true champion of homelessness, and addressing homeless issues and challenges throughout the state for many years.

He serves as the chair of the Texas Interagency

Council on the Homeless and we are very proud that his hard work has been acknowledged in this way. And I would like to invite Eddie to come forward for just a minute to say just a word about the things he is doing in homelessness and to receive our thanks for his dedication in this area.

MR. FARRIS: Well, thank you. Eddie Farris. Director of the Community Affairs Division. Thank you, Mr. Gerber and Board for the opportunity to talk about receiving that award. You know, it is just a matter, if you stick around long enough, you know, you start getting some awards. But it does offer me an opportunity to thank the Board for something that I wanted to do

To thank the Board for supporting the Department's exceptional item request for $109,000 for each year of the next biennium. And we look forward to the Legislature approving that. As you know, we submitted recently a statewide Continuum of Care application requesting $16,911,676 which will expand the services to homeless people across the state.

There is 21 projects in that application. Geographically distributed throughout the 182 counties that currently either have never applied for Continuum of Care or have applied and haven't been successful. 21

projects, 17 different homeless coalitions participated in that process. And the plan would be, if that plan is, if that application is fully funded, we expect to serve 12,000, almost 13,000 people, including 1,600 with permanent and transitional housing. And we expect that to -- we really expect that to be funded.

Actually, the first thing I wanted to say was welcome to Ms. Ray as the new board member, because I had an opportunity to meet her, and I know that she sits on the board of the Alamo Area Council of Governments, which operates our energy assistance programs in Bexar County. And we look forward to working with you.

And I just wanted to take a couple of more minutes to talk about a few other things that have been, that I am sort of proud of, that we have done recently. And we will be sharing more information periodically at other board meetings. But recently, we conducted a workshop at a national conference, at the national community action partnership conference. And they had asked us to do a workshop on our performance awards.

I know you are familiar with the awards that we give community action agencies for transitioning people out of poverty. So we were there talking at this workshop called high stakes, and high rewards. And we presented that information to this national audience, so that they could consider using that same type of incentive to encourage their community action agencies to transition people out of poverty.

We also were able to take our two highest performance award winners with us, who participated in that workshop.

And one other thing. Recently, the community action of Taylor County, Community Action program of Taylor County, which is located in Abilene applied to the Department of Health and Human Services for a discretionary award to support their Assets for Independence program, which is an individual development account program. And they were the only organization in Texas to receive funding under that discretionary application. They got $100,000.

And this is the third year in a row that they have gotten $100,000 to operate their IDA program. And the Department also provides a small amount of leveraging for them to carry out that program successfully. So thanks for that opportunity. Thanks for the recognition. And welcome.

MR. GERBER: Thank you, Mr. Farris. That is all I had. And thank you, Madam Chair.

MS. ANDERSON: Thanks. Thanks to everyone. And seeing that we have no other business to come before the Board, except maybe one more motion.

MR. BOGANY: Move to adjourn.

MR. SALINAS: Second.

MS. ANDERSON: We stand adjourned.

(Whereupon, at 3:00 p.m., the meeting was adjourned.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: October 12, 2006

I do hereby certify that the foregoing pages, numbers 1 through 217, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Carol Oppenheimer before the Texas Department of Housing & Community Affairs.

10/20/2006
(Transcriber) (Date)

On the Record Reporting
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