TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Auditorium
Capitol Extension
1100 N. Congress Avenue
Austin, Texas

Thursday,
July 29, 2010
9:35 a.m.

MEMBERS:

C. KENT CONINE, Chair
GLORIA RAY
LESLIE BINGHAM ESCAREÑO
TOM H. GANN
LOWELL KEIG
JUAN MUÑOZ

STAFF:

MICHAEL GERBER, Executive Director

A G E N D A

P R O C E E D I N G S

MR. CONINE: Good morning.

(A chorus of good mornings.)

MR. CONINE: How are we doing this fine summer day here in Texas?

Welcomes to the July 29 Board meeting of the Texas Department for Housing and Community Affairs. We'll call the meeting to order and let's see who might be here.

Ms. Bingham:

MS. BINGHAM-ESCAREÑO: Here.

MR. CONINE: Kent Conine's here.

Tom Gann?

MR. GANN: Here.

MR. CONINE: Lowell Keig?

MR. KEIG: Here.

MR. CONINE: Juan Muñoz?

DR. MUÑOZ: Here.

MR. CONINE: Gloria Ray?

MS. RAY: Here.

MR. CONINE: All present and accounted for.

As customary, we will open with our public comment period. I have several witness affirmation forms for those of you who want to speak, either at this public comment period or the one at a particular agenda item that we may have. Any of you that want to speak that haven't filled out a form, please do so and get it up to us as soon as possible. I have several -- like I said, several witness affirmation forms, so we'll just start in with them.

Frank Fernandez.

MR. FERNANDEZ: Good morning. My name is Frank Fernandez and I am the Executive Director for Green Doors. Green Doors is a local nonprofit housing group that provides supportive housing for folks struggling with homelessness, with an emphasis on homeless veterans, families and persons with disabilities.

I'm here today on behalf of the Texas Supportive Housing Coalition. I am the Chair of that organization. It's a coalition of housing and supportive service providers who are focused on helping to prevent and end homelessness in our community. And what I just passed out to you all is basically the coalition's recommendations as they relate to the QAP for the low income tax credit process you guys are going for public soon.

For those of you that aren't as familiar with supportive housing, supportive housing is that critical linkage between safe, quality housing for folks who need it, and services, and that service menu can run the gamut from case management, substance abuse treatment, access to employment training, and such.

And our recommendations really are focused on three things. The first one is talking about the neighborhood support portion of the tax credit application as I'm sure you all get lots of comment on that piece of it. Supportive housing by its -- most affordable housing -- or much affordable housing engenders neighborhood opposition. And this is particularly acute for supportive housing because of who we work with. We work with folks struggling with homelessness who have -- often have many challenges.

And that -- what makes it particularly acute for supportive housing are three things, in our opinion. One is timing. It often takes us a long time, more so than others, to educate neighborhoods about the work we do and who we serve.

About two years ago, some of you may recall, an organization was here pleading our case for tax credits, and you all had awarded us a forward commitment. And we, unfortunately, had to return those credits because of neighborhood opposition that killed the zoning variance we needed. We ended up doing a project in that neighborhood, but it took us another year of working with the neighborhood. And so timing is a critical issue for a lot of folks in different cities.

Another part is capacity, so a chicken-or-the-egg kind of thing. Because it is so hard, you don't have as many examples of it, and what people need is they need to be able to see it on the ground, and not just in Austin, but in Dallas, San Antonio, Houston. You have some, but you don't have as much as we need to be able to point to neighborhoods to go see that.

And the third is funding. When you have letters of opposition that are public record, that has an impact on us -- on our ability to get private fundraising or private funds.

And so to that end, the recommendation we would make is twofold. One is consider conducting an analysis on the disproportionate impact of that fee, the way the scoring criteria works, for neighborhood support has on supportive housing versus your general or elderly projects that are part of this process.

And second is consider altering the scoring process in the following way: no longer give additional points -- I'm running out of time, so I have provided it for you here in writing, that particular point. The second point is related to services. We get points for services. Consider broadening that and accounting for the breadth and intensity of services that is available to permanent supportive housing.

And the third is on the signage on property. We would request that you consider removing that requirement and make us -- on the same ground that market rate housing. They don't have to do that, we don't think that supportive housing, or affordable housing for that matter, should. But if you do, maybe change that signage notification process consistent with what we have outlined here, which I can follow up with you on a different point.

Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much for your presentation.

MR. FERNANDEZ: Thank you.

MR. CONINE: Mayor Steve Brewer?

MAYOR BREWER: Thank you very much, Chairman, Board members, Mr. Gerber. How are you all doing today?

MR. CONINE: Doing all right.

MAYOR BREWER: I'll be brief. I'm here to talk about Sunflower Estates in my city of La Feria, Texas. We did testify about a month ago at the previous meeting, and we actually brought in our Superintendent of Schools to reaffirm how important it is to our community. The city is behind this project 100 percent.

Back last month we talked a lot about how I know I've got a tremendous need right now, even from when I first got elected as mayor. After Hurricane Dolly came through, and what happened, a tremendous amount, probably 70 or 80 homes really got basically destroyed or unlivable.

Those families moved in with relatives in town, so I've gone from having full houses of six or eight people to houses of 12 to 14. And that really affects schools, how kids do homework, and that's one of the main reasons the school is big time behind this project. The Superintendent took his time to come out and testify as well.

My job as elected official is to represent my city and make their community a better place. It's my hometown. But, golly, this is a good project, we've got solid financing, we've got tremendous support, and I realize every one of your hundreds of applications are going to say the same thing, but I'm here where the only dog I've got in the fight is my community. And we want to make it a better place.

Gosh, I don't know how more better to explain it. We've never had a new tax credit for new construction in La Feria. We're due. We're a small community, we're located right in the middle of the Rio Grande Valley, predominantly Hispanic. I bet our area is 95 -- 90 to 95 percent Hispanic.

But as a mayor, if I go in and code out those unlivable conditions that a lot of people are living in now, I've made them homeless. And unless I work hard to find alternate housing, alternate apartment rental complexes for them, I can't go in there heavy-handed because I've made them homeless. And they've got hot water, they have a roof, no windows and doors, but, you know, what's the solution?

And that's why we're here being as persistent as we are as a small community trying to appeal to you guys that we have a good project, we know we can -- you know, we've got solid funding behind it, and we've got solid support. I'd be glad to answer any questions about it.

I know you hear -- I wouldn't want to be in your position. I've served on a committee, it was a disaster committee with 90 million in requests and nine million to hand it. It's tough. But the scoring system itself, I don't pretend to understand all the nuances of it, but I know I've got a need, I know I've got a good project, and I don't know how much better support you could possibly have. I've got the school supporting it, the city supporting it, and a good program.

So I'd be glad to answer any questions if you have any.

MR. CONINE: Any questions of the mayor?

(No response.)

MR. CONINE: We appreciate you showing up --

MAYOR BREWER: Thank you very much.

MR. CONINE: -- and advocating the project. Thank you very much.

Bogan Durr?

MS. DURR: Good morning.

MR. CONINE: Good morning.

MS. DURR: My name is Bogan Durr and I'm testifying on behalf of Senator Bob Deuell.

MR. CONINE: Okay.

MS. DURR: I have two properties I need to talk about. First I have the city of Sulphur Springs, Pioneer Crossing, TDHCA Number 10033. And I'm just going to read the letter he wrote, if that's okay?

MR. CONINE: Okay. Sure.

MS. DURR: Dear Board Members, I am writing to express my support for Sulphur Springs Pioneer Crossing, TDHCA Number 10033. Pioneer Crossing is a concept plan for a new independent senior living facility located on Gossett Lane in Sulphur Springs, Texas 75482. I've received notice from the Sulphur Springs City Council, and I'm assured the project will benefit the community.

The city of Sulphur Springs has seen a steady increase in population, including the senior citizen community. Pioneer Crossing will provide the opportunity of affordable independent housing to elderly citizens of Sulphur Springs.

Thank you for your consideration on this matter. Please feel free to contact me at any time if you need any additional information. Sincerely, Senator Bob Deuell.

MR. CONINE: Okay.

MS. DURR: And also on behalf of the Senator, we would like to respectfully request that Sulphur Springs be put on top of the waiting list, and if there are no funds for this year, that you grant a forward commitment to Sulphur Springs.

MR. CONINE: Okay.

MS. DURR: And then the second property I have to read is Silver Spring at Forney senior living facility.

Dear Board Members, I am writing to express my support for Silver Spring at Forney, Project Number 10090. Silver Spring at Forney is an 80-unit single story senior development located on the southeast side of FM 548 and Reeder Lane in Forney, Kaufman County 75126.

I have received notice from Mayor Darren Rozell and other community leaders, and I'm sure that the project will benefit the community. The city of Forney has seen a steady increase in population, including the senior citizen community. However, Forney does not currently offer a senior living facility. Silver Spring will provide the opportunity of affordable independent housing to the elderly citizens of Forney.

Thank you for your consideration on this matter. Please feel free to contact me at any time if you need any additional information. Sincerely, Senator Bob Deuell.

And also, on behalf of the Senator, we would respectfully request that Forney be put on top of the waiting list, and if there are no funds for this year, that you grant forward commitment to Forney. That's all.

MR. CONINE: Okay. Any questions of the

witness?

(No response.)

MR. CONINE: Thank you very much.

MS. DURR: Thank you.

MR. CONINE: Sunny Gilup, I think. I may have mispronounced that. I apologize.

MR PHILIP: Mr. Chairman, Board members, and Mr. Gerber, thank you for the opportunity. We have been coming before you on several meetings in a row. It kind of tells how persist we are, and also how important this project is. And I represent a nonprofit entity formed in the community, South Texas Collaborative Housing Development. And this is to complement the efforts of the city of La Feria that Mayor Brewer already commented on.

Our plan is comprehensive in order to provide home counseling, affordable project development, down payment assistance, and all of them. And what we want to reiterate to you is that we have the financing provided by BNC, we have the equity, and the other financing already in place.

Our region has been underserved for several years, and this year there may be an oversubscription of applications. And so overall we are ready to go, our community is committed. Senator Eddie Lucio is supporting the project, Eddie Lucio III, and also the school district, the city as a whole, and also our community as a whole is also 100 percent behind it.

We ask that the Board take into consideration what Mayor Brewer mentioned, and also a local capacity building we are offering for the community. Even if you cannot fund today, we are asking for your consideration for a forward commitment, because rural South Texas needed this. You can see that rural developments are rare, and it is really hard to do. And because of that, our nonprofit is coming forward to make that happen.

Thank you for the opportunity, and I'll be glad to answer any questions you may have.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you.

Jim Boynton?

MR. BOYNTON: Good morning.

MR. CONINE: Good morning.

MR. BOYNTON: I'm here representing Mark Homer in support of a project in Sulphur Springs. And I would -- you're being passed out a copy of the letter, but I will read it in my comments.

I am writing to express my strong support for

Sulphur Springs Pioneer Crossing for seniors, TDHCA Number 10033. Pioneer Crossing is a concept plan for a new independent senior living facility located on Gossett Lane in Sulphur Springs, Texas 75482.

I've received favorable commendations -- recommendations from the Sulphur Springs City Council, and I'm assured that this project will be a major benefit for the community. Unlike many towns in rural Texas, the city of Sulphur Springs has seen a steady increase in population, including its senior citizen community. Pioneer Crossing will provide this important constituency the opportunity for affordable independent housing in Sulphur Springs.

Thank you for your consideration on this matter. Please feel free to contact me at any time if you need any additional information. Sincerely Mark Homer, District 3.

The Representative sends his regrets for not being here in person. He's across the hall doing an interim study committee hearing right now.

The other thing we would like to add is because of the need in our community, we would join the request that we -- Sulphur Springs be placed at the top of the waiting list and a forward commitment be made if funds are not available this time. We appreciate your service in Texas, and thank you for listening to us this morning.

MR. CONINE: Thank you.

Any questions of the witness?

(No response.)

MR. CONINE: Appreciate you being here.

Chris Brown?

MR. BROWN: Good morning. My name is Chris Brown. I am currently a city council member for the city of Sulphur Springs.

MR. CONINE: You're not running back for the Tennessee Titans, are you?

(General laughter.)

MR. CONINE: Go ahead.

MR. BROWN: I've been there for the past eight years, and three of those years I've served as either mayor or mayor pro tem. I'm here on behalf of the city council, and also would like to read a letter from our mayor into the record.

I'm writing to express my support for Sulphur Springs Pioneer Crossing, TDHCA Number 10033. Pioneer Crossing is a concept plan for a new independent senior living facility located on Gossett Lane in Sulphur Springs. Having been a member of this community for several years, and serving on city council and presently as mayor, I can attest to the need for this development.

The city of Sulphur Springs has seen a steady increase in population, including the senior citizen community. Pioneer Crossing will provide the opportunity of affordable independent housing to the elderly citizens of Sulphur Springs that is currently in great demand and short supply.

We respectfully request that Sulphur Springs be put at the top of the waiting list, and if there are no funds for this year, that you grant a forward commitment to Sulphur Springs.

Thank you for your consideration in this matter. Please feel free to contact me if you have any -- need additional information. Gary Spraggins, Mayor, City of Sulphur Springs.

I would also like to add that -- just a couple of things. That, of course, the city of Sulphur Springs is 100 percent behind this project. Sixteen percent of the families in Sulphur Springs fall below the poverty -- the state poverty line, and we have -- the percentage of minorities in Sulphur Springs is above the state average for both African American and Hispanic communities.

Our city's median age is also above the state average. And also, we are over 50 miles from any other city with a population of 50,000 or greater, so we don't have larger cities to feed off of. Also, our Section 8 voucher program is the only type of assistance that we have. There are over 130 families currently on that waiting list. So there is a great need for this.

Also, the community that -- the development proposal site is off of one of our premier parks in Sulphur Springs. So not only will this be a nice community for the senior citizens, it will be in an excellent location. Access to walking trails, a pond, and even parks, both soccer and baseball parks for their enjoyment.

So we really have a premier location for this, and we've also got a great need. So this is not only going to benefit Sulphur Springs, but it's going to benefit the whole county and the surrounding counties as well because there's very limited senior housing available.

Thank you very much for your time. I appreciate all you do.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MR. BROWN: Thank you.

MR. CONINE: Mayor Hal Baldwin?

MAYOR BALDWIN: Mr. Chairman, members for the Committee, I'm Hal Baldwin. I'm the mayor of the city of Schertz, Texas, and I'm here representing the city council as well as the community of Schertz. I've brought with me today our City Manager, Mr. Don Taylor, and our Assistant City Manager, Mr. David Harris, to kind of support this project.

I'm here on the Ashton Senior Village project, Number 10040. This is a senior housing project that they are proposing to build in the city of Schertz. It's 176 units on 11 acres of land that is strategically located just off FM 3009.

One of the things about the city of Schertz, in all of the notoriety that we've gained over the past couple three years as being listed two years in a row as in the top 40 cities in the country under 50,000 population by *Money Magazine*, which we're very proud of, we have an extreme shortage of senior housing in our community.

We have basically 76 units of Housing Authority, HUD, housing, and we have Section 8 housing in the city. Both have a three- to four-year waiting list for people to get into those projects -- or those housing units, and this project is an outstanding project which would fit in very nicely in the area that they've got a commitment on a piece of property on.

I'm here to ask for your support and a commitment to our developer and these people, that we will do our utmost to do anything we can do to get this project. It is a great project, it is a beautiful facility, and this community, our community, is a proud community and this would nothing but enhance the city of Schertz. So we'd appreciate any support we can get for this project. Thank you very much for your time.

MR. CONINE: Thank you, Mr. Mayor.

Any further questions of the Mayor?

(No response.)

MR. CONINE: Appreciate you being here today --

MAYOR BALDWIN: Thank you, sir.

MR. CONINE: -- you and the other city officials. I hope nothing bad happens at the city today while all you all are out of town.

(General laughter.)

MR. CONINE: Jay Chapa.

MR. CHAPA: Good morning. I'm Jay Chapa. I'm the Director of Housing and Economic Development for the city of Ft. Worth; I'm here representing the city. I'm also Assistant General Manager for the Ft. Worth Housing Finance Corporation. And I'm here to speak on Terrell Homes I, which is 10117. We're passing out endorsement letters from both Mayor Mike Moncrief and Senator Wendy Davis for this project.

We've been working on this project for the last year or so. We believe this project is a very innovative project in which it involves a multifamily scattered site project in which single-family homes will be available in a neighborhood that has a multitude of empty lots. The project is currently not on -- it's below the line to be funded, although we thought that it had been above line before.

We are asking that -- an endorsement to provide forward funding on this project. This project is key as we move forward in the city of Ft. Worth with our redevelopment efforts in communities and neighborhoods. We are currently working on in-fill developments within the inner city, and we have various neighborhoods in which, over the several years and a couple of decades, vacant lots have become very prevalent, and we're trying to go through and do some in-fill housing.

As you probably know, one of the big obstacles in in-fill housing, when you going to purchase with the economy is the inability to gain mortgages. But at the same time is going in, you have to make a tremendous impact on the neighborhood in order to get folks to want to buy in that neighborhood.

We believe this project goes hand-in-hand with our in-fill purchase product in that it'll bring 54 new single-family units that will be for rent to be built in the first year alone, which will completely transform that neighborhood, which is one mile from downtown and within one mile from the housing -- I mean the hospital district. Those two areas are the two biggest employer areas of the city, and there is no work force housing really in close proximity.

This affordable project will go hand-in-hand with, as I mentioned, our in-fill project. We also see this as a model that we can take to other neighborhoods in the city that have similar situations as we move forward with our overall in-fill development. It is adjacent to an area that the city has been working on, a redevelopment area for commercial that we've been working on for the last 10 or 15 years, and that's where the city has invested over $20 million in public facilities, specifically a library and also a neighborhood center that houses a couple of city departments.

With that, I just want to ask for your endorsement, and thank you very much.

MR. CONINE: Thank you.

Any questions of the witness?

MR. GERBER: Could I ask a quick question?

MR. CONINE: Yes, you bet.

MR. GERBER: The city of Ft. Worth had a lot of NSP products -- projects.

MR. CHAPA: Yes, sir.

MR. GERBER: In the area that you all have targeted some of those NSP dollars, is that an area that more NSP dollars would be helpful?

MR. CHAPA: The city --

MR. GERBER: I don't know if it's an exact match, but --

MR. CHAPA: Yes, it's --

MR. GERBER: -- for that program.

MR. CHAPA: The NSP program has to be for foreclosed homes, and --

MR. GERBER: Because I just looked through the letter from the mayor; you know, lots of vacant lots and --

MR. CHAPA: That's correct. These --

MR. GERBER: -- I was just wondering what your --

MR. CHAPA: These vacant are -- over time they've become vacant. Some of them are tax-foreclosed properties. The majority of them -- actually there was an effort a few years back by a developer to buy -- well, he bought several of the lots, we were going to try to come in with single-family homes. The economy turned, went under, and now they're just all for sale. A lot of these lots end up the city having to go through and mow them, high code costs, those kind of things.

We are using our NSP funds for both multifamily and single-family redevelopment of foreclosed homes and getting families back into those. But we, I think, obligated all but about half a million of the 6.3 million that we'd received.

MR. GERBER: Thanks.

MR. CONINE: Any other questions?

(No response.)

MR. CONINE: Andre McEwing.

MR. McEWING: Good morning, Chair, Madam Vice Chair, and Board members. Thank you for this opportunity. I'm here on behalf of Southeast, Inc. and the neighborhood in regards to Terrell Homes I, Case Number

10117.

As Executive Director of the economic development organization, Southeast, Inc., I'm involved with the community on a day-to-day basis. This project would truly benefit from development in the area because it would create mixed income opportunities in the area.

We're at the tipping point in this community. We need your support. It's in a decline. This particular project would move it forward to help us create that opportunity and that development for quality affordable and accessible housing opportunity in the area, as was discussed by the city of Ft. Worth representative.

I speak on behalf of the neighborhood, Association of Historic Southside, and the full support of the Terrell Heights I project. All the key stakeholders are on board collectively in support of this project. The Terrell Homes I projects is structured such that it empower the neighborhood, thus enabling residents to fell at home and safe in the community with this 54 singled family project.

As Executive Director, I am charged with creating sustainable development, bringing mixed income development, retailer, tenants, restaurants to the area. They're looking for sustainable housing, they're looking for structured housing, quality housing that will be there for the future. This won't happen without your support. The neighborhood survived through collaboration. We need your collaboration. Thank you for this opportunity to present to you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you for being here today.

MR. McEWING: Thank you.

MR. CONINE: Kathleen Hicks.

MS. HICKS: Good morning, everyone. My name is Kathleen Hicks, and I'm a city council member for the city of Ft. Worth, and I also chair the Ft. Worth Housing Finance Corporation. I'm here also this morning about Terrell Homes, TDHCA Number 10117.

As was stated, this project is just one exit from downtown. It is near the medical district, right off of I-35, yet in many ways it might as well be another world for so many citizens in that area. I grew up in the community on the south side of Ft. Worth in the 1980s, and I watched with dismay as the area fell into disrepair. This project, not only as a council representative for this area, but as someone that grew up in southeast Ft. Worth, it is deeply personal to me. There are scores of empty lots in this community.

The city of Ft. Worth has shown its commitment to this area through city facilities, promoting commercial development, and other ways. But the lack of quality affordable housing is really a detriment to promoting this community that is so close to our downtown.

I can't overstate how critical this project is to the city of Ft. Worth, and it truly promotes home ownership and quality affordable housing right in the community. It enjoys broad support, not only from elected officials, but most importantly the residents that have stood waiting to see this development occur in their community.

Without funding, I'm very concerned that this community could sit vacant and empty for many years to come, and it would continue to see the decline that it has experienced. We truly feel that this could be a model for other areas because we're not simply putting people in housing, temporary housing, but actually giving them that path to home ownership. The housing is close to downtown and other commercial areas where people need jobs, and there isn't affordable housing going in into these areas.

This is an opportunity to change lives for the better. It's an opportunity to transform a community that truly needs it. Thank you so much for your consideration. We hope that we'll be able to move forward with this project.

MR. CONINE: Thank you, Councilwoman Hicks.

Any further questions of the witness?

(No response.)

MS. HICKS: Thank you.

MR. CONINE: Thank you. Appreciate you being here.

Ernestina Martinez.

MS. MARTINEZ: Good morning. My name is Ernestina Martinez, and I sit on the council, Del Rio, and I'm here in support of Project 10262, Las Brisas Manor, that will be developed by Pace Foundation. Del Rio, I don't know if you'll recall, we're right along the Mexican border.

We suffered the flood of '98, and just a month and a half ago we had another flood, that we have people that have been having to move from their homes because they're not livable. And this project would really help our senior citizens because that would be affordable housing for them. Right now, the way the economy is, they either pay rent and not buy medications. So I'm here to ask for your support on this project.

Also, I would like for you to keep the resources for our area in our area. I feel that we need to do something. I understand it's been 10 years since our area has gotten any kind of funding, so I would appreciate your consideration in this manner. Again, I thank you for your time and your consideration.

MR. CONINE: Any questions of the witness?

(No response.)

MR. GERBER: Thank you, Councilwoman.

MR. CONINE: Thank you.

Mary Ann Zapeda.

MS. ZAPEDA: Good morning. My name is Mary Ann Zapeda and I'm with the city council for the city of Del Rio. I'd like to come up here and affirmate what Mrs. Martinez has just said. And I'm here for the application for senior housing, Number 10262, for Region 11, Las Brisas Manor, and it is for a total of 48 units.

There is a great need for affordable senior housing, and as we all know, it is a problem everywhere, in ever community. And we would really appreciate this very much if we could have this project funded in our area.

Most of our seniors, as they are -- that are in our community are humble people, low income individuals.

These individuals were once strong, energetic, self-sufficient people that helped forge our community, our community that we are proud of. We are very proud of what has become of Del Rio, and what is in the future for Del Rio. And for them, we would not be where we are at this moment.

So please take into consideration that funding be granted for Del Rio for these seniors. I may not know all the logistics and financial matters that entail in building a project such as this, and how much money it would take and what, you know, is allocated. But I do know that there is a great need, a need for affordable housing for our seniors. Thank you again, and I'll entertain any questions.

MR. CONINE: Any questions for the Councilwoman?

(No response.)

MS. ZAPEDA: Thank you.

MR. CONINE: Thank you very much. Appreciate you being here.

Breck Kean, who's got some time allotted to him for five minutes.

MR. KEAN: Good morning, Mr. Chairman. Good morning --

MR. CONINE: Good morning.

MR. KEAN: -- members for the Board. My name is Breck Kean and I'm with -- the Chief Operating Officer of the Paces Foundation. We are a nonprofit housing organization and CHDO. We are the developers of Las Brisas Manor in Del Rio, TDHCA Number 10262, which falls within the Region 11 rural allocation.

As the two council members have just stated, Las Brisas Manor is a 48-unit new construction senior community, which has been -- which has requested Housing Tax Credits and HOME funds. It will be located adjacent to and be a Phase 2 to the existing Las Brisas Apartments, which was built, developed by Paces Foundation and is a 2000 tax credit award. And as was pointed out, that was the last tax credit resources allocated to the city of Del Rio in Val Verde County.

My purpose today is to present some important information, and appeal to the Board to award Las Brisas Manor a Housing Tax Credit allocation and HOME request based upon these facts. Fact number one, Las Brisas Manor applied for and has been awarded a $500,000 federal home loan bank AHP grant. As hopefully all of you know, that's a very competitive process. Our project was deemed worth and it highlighted the acute need for affordable senior housing in Del Rio.

Unfortunately, the application cycles do not perfectly coincide, but we have presented new underwriting information reflecting this increases sources to the transaction, which allowed us to reduce our request of both Housing Tax Credit and HOME funds from TDHCA.

The second fact I'd like to bring to light is, we feel there's been an oversight on how the Las Brisas application was reviewed, financial feasibility determined, and recommended credit amount determined. My understanding of your rules and procedures, all applications reviewed for threshold criteria, financial feasibility is underwritten and any material non-compliance issues are discovered. Out of that process, recommended credit amounts are then used in determining awards in each subregion.

We feel that's not been done for our application and the other applications in Region 11. In Region 11, rural set aside -- or the rural allocation in Region 11 is 2,088,317. The top two scoring applications in Region 11, the Artesian at Port Isabel and our application at Las Brisas Manor, exceed that allocation by $6,496. $6,496.

Neither the Artesian at Port Isabel or Las

Brisas Manor have been through a credit underwriting process, and a recommended credit amount has not been determined. Thus, we feel that the sweeping of nearly $700,000 from Region 11, a historically underserved region, is not warranted and should not happen. If underwriting had been undertaken, it's very likely the recommended amounts would have been reduced, allowing Las Brisas Manor to be funded. But especially now, factoring in the AHP award and our reduced request to staff.

So our request is simple, and the council members have already emphasized it, keep the Region 11 allocation in Region 11, direct staff to incorporate the revised sources in Housing Tax Credit and HOME requests that we've submitted, and award Las Brisas Manor 691,704 in Housing Tax Credit.

MR. CONINE: Could you repeat that number one more time?

MR. KEAN: 691,704.

MR. CONINE: Thank you.

MR. KEAN: This would allow Las Brisas Manor to move forward and bring critically needed affordable housing to Del Rio. If that option is not workable, we hope that is the case, we would respectfully request the project be put on the waiting list and being awarded a forward commitment.

MR. CONINE: Any questions --

MR. KEAN: Thank you for your time.

MR. CONINE: -- of the witness?

(No response.)

MR. CONINE: Thank you. Appreciate the testimony.

You want to address that now, or later or --

MR. GERBER: I think staff would probably, from public testimony and --

MR. CONINE: All right.

MR. GERBER: -- Board comments, have some -- we'll need some time to work through the list.

MR. CONINE: Right.

MR. GERBER: We'll probably do that over the executive session or a break. And we'll take that into account.

MR. CONINE: Just make note I want a response to what he said there.

MR. GERBER: Mr. Chair, could I also interject, for the benefit of the councilwoman.

MR. CONINE: Sure.

MR. GERBER: We know that the Governor has issued a disaster declaration. All of us have seen pictures of Del Rio and the problems of the people out there. Our HOME Program does have some resources that we make available in times of disaster to help fix up and repair homes.

And so we encourage you to -- before you leave today -- our staff that heads up the HOME Program can give you details, or we can certainly correspond with you to make sure you know how to take advantage of that program. It could make a real difference getting people back on their feet.

MR. CONINE: Okay. David Potter.

MR. POTTER: Good morning, Mr. Chairman --

MR. CONINE: Good morning.

MR. POTTER: -- Board members, and Mr. Gerber. I'm David Potter from the city of Austin, and I'm here to read a letter into the record from Mayor Lee Leffingwell.

"Dear Mr. Chairman and Board Members, Although I'm unable to join you personally today, I want to express on behalf of the city of Austin our strong support for the Shady Oaks tax credit application, Project Number 10152.

We're hopeful for an award of tax credits this year so that the Shady Oaks development can move forward with its rehabilitation plans. I'd like to take the opportunity to point out a few things that make Shady Oaks noteworthy.

"First, Shady Oaks is in a prime location on South Congress Avenue, a major thoroughfare into downtown. This location offers tremendous opportunity for residents to access transportation, employment, education, and recreation. It's within walking distance to the Capital Metro bus transfer station, and St. Elmo Elementary School. St. Edwards University is less than two miles away, and the city of Austin's nearby Battle Bend Park offers summer youth programs.

"Second, the South Austin Combined Neighborhood Group, the neighborhood association in which Shady Oaks is located, is in full support of this application. And third, Foundation Communities is setting aside 24 apartments to serve extremely low income families, most of whom would be or are homeless.

"There's an enormous need for this type of supportive housing in Austin. Just last year the city of Austin conducted a comprehensive housing market study, which revealed that our city's greatest affordable housing need is for households earning less than 20,000 per year. Austin has over 46,000 such households, but only 7,150 affordable housing units from which to choose. We are currently only meeting 15 percent of the need and Shady

Oaks will help address this gap.

"It's my understanding that Shady Oaks has the highest application score in Region 7, and the second highest score in the state. The city of Austin has already invested three million of local housing funds into the Shady Oaks development. We believe in this project.

"We're grateful for your past investment in affordable housing in Austin. We're hopeful you can invest in Shady Oaks this year. Sincerely, Lee Leffingwell, Austin Mayor."

And I would like to also point out that in March the city council passed a resolution that prioritizes permanent supportive housing, and as stated, Shady Oaks would provide 24 units of permanent supportive housing. We've invested $3 million in this project, and we would encourage the Board to develop a priority waiting list with Shady Oaks hopefully at the top. Thank you very much.

MR. CONINE: Thank you. Appreciate your comments.

Any questions of the witness?

(No response.)

MR. CONINE: Did you say Walter's already talked you out of three million on this thing already?

MR. POTTER: Something like that, yes.

(General laughter.)

MR. CONINE: Good. Okay. Thank you.

MR. POTTER: Thank you.

MR. CONINE: Dale Dodson.

MR. DODSON: Thank you, Chairman and Board, for letting me come and speak on a project that I own in Houston, Texas, Willow Meadow Place Apartments, Number 10250.

Willow Meadow is a property that got severely damaged by Ike. It's in an area that -- Willow Meadows is very key -- it's rehab -- is very key to that area, that little four-block area of apartments, to recover. We have strong support from the city, not only the city council, but we had not one opponent, in any hearings from any homeowner associations, or any trade associations, oppose this rehab.

The city has also approved CDBG funds if we get tax credit allocations. And we are -- we, as owners, are about at the point where we just can't put any more money into it. We've got to have help from some source.

We're the only rehab application that got approved in Region 6. With the disasters and everything that's happened in Region 6, I would hope the Board would take a look at doing at least some rehab projects, because I think it's really needed in this region.

Therefore, I'm requesting that you at least consider a forward commitment if we don't get current funds for our -- rehab of our project. I appreciate your time.

MR. CONINE: You bet.

Any questions of the witness?

MR. GERBER: Where exactly is this project? Where is this project?

MR. DODSON: In southwest Houston, Beechnut, Wilcrest, that area.

MR. GERBER: Thank you.

MR. DODSON: Thank you.

MR. CONINE: Any other questions?

(No response.)

MR. CONINE: Thank you.

Bobby Bowling, and he's got some time, so we get to hear Bobby for five minutes.

(General laughter.)

MR. BOWLING: Good morning, Mr. Chair, members of the Board. I'll try to keep this brief. Hopefully you won't have to hear me for the whole five minutes.

The first thing that I wanted to do, I'm handing a one-sheet handout that I'll get to in a second, but I wanted to recognize your staff and thank you for your leadership through this cycle. I think in the last 12 months, with the exchange in the TCAP, they've had a lot of work and I think they've done an excellent job.

When I go to national functions and I'm with peers from around the country, and I hear some stories about other state agencies, I'm really happy that I live in Texas and I'm really proud to be a tax credit developer and a partner with TDHCA. I think you're probably the model state agency in the country, and I appreciate that.

MR. CONINE: You can take five minutes, seven minutes, whatever --

(General laughter.)

MR. BOWLING: Thank you, Mr. Chair.

In the last -- we've had the Texas Housing Conference and over the last year we've kind of talked about, as an industry, some of the legislatively mandated items in the QAP. And I've been around in this program for about 10 years now, and I can remember back 10 years ago when some of these things were really needed. I understand why they were originated. A lot of us participated in discussions to get them developed. Some of them though have outlived their usefulness and hopefully, you know, maybe there'll be some corrections in the next session.

One legislatively mandated item though for the tax credit program that I think has been very effective over the last 10 years is the regional allocation formula. Basically, the regional allocation formula ensures a matrix kind of a formula as to how your tax credit funds will be allocated around the state.

And there's basically four items that are taken into consideration when that formula was developed: it's population, poverty level, housing need, and funds available, housing funds available for a region. So when all that is figured out, and I think your staff does an excellent job every year of allocating, you know, that formula and breaking it down for how the regions will be funded, or the model for that.

And the sheet that I handed you, it's titled Under Funded Regions per Statutory Regional Allocation Formula, this takes into account the public information that's on the website, and I put this matrix together just to kind of bear out where we stand. You have 26 subregions in the regional allocation formula. Most of those are funded or overfunded. Some of them are a little bit underfunded, but they don't have an application behind that. In other words, there was only one application for that subregion and it was funded.

But that leaves us with these other nine applications. There's nine regions that are underfunded at this point, assuming you went with staff recommendations today that are on the website. And I put them in order of percent underfunded for the region.

Now, it's pretty interesting sitting here -- I did this last night, and I didn't put the cities on the site; I wish I would have, because you've heard from most of these this morning. If you look at that number one, that's your friends from Sulphur Springs that have spoken to you today. Next is the group from Schertz, and the third one is the fine people from Del Rio, and then number four is the people from Austin, and then number five, in fully disclosure, that's our deal. So --

(General laughter.)

MR. BOWLING: So I like the way this chart works out. I'm here, I didn't bring all the city council people from El Paso, 600 miles is a long way to go for three minutes of speaking, but we have broad community support. This is a great project. It's right next to a new high school in El Paso. It's a beautiful site.

And basically what I wanted to bear out and show you with this little chart, is that I want to encourage you all to please encourage your staff to find more credits for this cycle, because all nine of these deals are probably wonderful deals. I'm not here to speak for all nine of them, I really like the one -- number five on the list, but --

(General laughter.)

MR. BOWLING: -- there's a lot of different money that still could come to Texas from the national pool, return credits, deals that couldn't make it through from prior years, and deals that are not maybe able to prove up their commitment notice. All that money should go into this matrix and fall down this waterfall pretty much the way the regional allocation formula statute directs it to.

The final thing that could help us a lot and would help you all fund pretty much -- maybe all nine of these deals, would be if Congress would pass the exchange, or extend the exchange program. You get a little bit of credits back when someone turns in their 85 -- all their credits and you send it to the feds for 85 cents and then work it down to 81 or 79. That extra money will come into this matrix and actually be reallocated this way.

So that's really all I had to say this

morning -- right on time. If you have any questions, I'd love to talk about the regional allocation formula with you, but with that, unless there's any questions, I --

MR. CONINE: Would you go ahead and give me the other four cities, just because I know you have that sitting there.

MR. BOWLING: The Dallas-Ft. Worth is the seventh, is -- I mean three rural and three urban --

MR. CONINE: Right.

MR. BOWLING: -- the six and seven there is Dallas-Ft. Worth.

MR. CONINE: Okay.

MR. BOWLING: Six urban is Houston --

MR. CONINE: Okay.

MR. BOWLING: -- and 11 urban is also the lower Rio Grande Valley, the Del Rio urban area. You're got the Del Rio rural area up there third, and the ninth when it's the Del Rio region.

MR. CONINE: And I assume all these numbers were -- did not include the Ike credits?

MR. BOWLING: The Ike credits were basically allocated in those regions. I think the only region that's still eligible for Ike credits is in Region 6. You had, I think , two other applications in other regions that got the funding --

MR. CONINE: But these numbers, these underfunded --

MR. BOWLING: Do not include Ike.

MR. CONINE: -- it was state allocation.

MR. BOWLING: Correct. And actually, Chairman Conine, it's a good point. Some of these deals aren't underwritten, so some of these numbers might decrease for the award call there, and you might have more funds available as they get underwritten, assuming some credits get cut back.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MR. BOWLING: Thank you.

MR. CONINE: Mary Ann Zapeda. You already spoke, didn't you? Okay. I had a second one here for you.

Joe Agumadu.

MR. AGUMADU: Good morning, Mr. Chairman, and members of the Board. I am here again talking about Sphinx at Lawnview, Project Number 10173. The reason why I come back is because last time I do not believe that I was able to properly to communicate to you the point we're trying to get across.

We believe that this application should not have been terminated for the very reasons that we are coming back. We had two applications, one in Wiley and here in Dallas. The two applications were terminated because on the argument from the staff that we did not provide the required third-party reports.

So we received letters of termination on both applications. Lawnview and Westgate. The letter on Westgate indicated that we did not provide market studies and environmental so they terminated the application. As of today, their record indicates that, yes, indeed we did.

The same time we uploaded the Lawnview environmental report, we also did the market studies. We've shown you evidence that, yes, indeed those reports were completed timely. And the same person will attest that, yes, indeed the time they uploaded the environmental, they also uploaded the market studies. We received the letter from the staff telling us that we did not have an environmental report and market studies.

Well, later on, they revised that. The record shows that, yes, indeed we do have the environmental report according to their own records. The letter was never revised. We had communication as to whether or not they were sending us a revised letter. They said they would. That's what we didn't follow up.

What I'm asking this Board to do, right now at this time, we probably may not be the first on the list in the region if we get reinstated, but we feel that it's fair for this Board to take its time to really take a look at this. We're not on the agenda, but I really think that we are worth taking a second look at. Just keep us alive. Let this application fend for itself. It's a popular deal with the city, the city supports it, the city has committed $1.6 million. We are just asking you to do what we consider is fair in light of this application. That's all I'm trying.

MR. GERBER: Mr. Chairman?

MR. CONINE: Yes, sir.

MR. GERBER: The staff has reviewed this issue, and has come before this Board three times, this being the third. We believe that we have done all the due diligence necessary to address this issue. The Board has declined to take this issue up twice. We believe that in the third -- in the process of bringing this third request to the Board, that were this to actually be a live application, the staff would be recommending -- I'd be recommending to you to debar this particular applicant.

They have pushed the point, the lead person who is involved in this has never shown up before this Board, and we've received numerous letters stating that he couldn't be there, he was out of the country at the time, and he puts Mr. Agumadu forward and tells us to continue this process.

It's unreasonable, and I think all of us feel for the city. I think we all are hopeful that the city will perhaps elect to find perhaps a more able development team that's able to manage this process. I think this is, frankly, just I think an inappropriate request, and I just want to put that on the record, that enough's enough from the staff's perspective.

MR. CONINE: Yes, I -- Mr. Agumadu, I also inquired staff to take a hard look at their, you know, computer hard drives to make sure that there was no computer mix up on our end, at TDHCA's end. I know we had one other case, as I recall, that there was forensic computer evidence, the hard evidence that the applicant actually sent the stuff to us, but we didn't get it. But ultimately it was found in never never land and we were convinced at that point on that application to move forward.

And we realize that computers can make glitches, can mess up, you know. Sometimes it happens, especially on application day. But so far I haven't seen any evidence from your side that there is some forensic computer evidence to verify that we -- that you actually sent it and we should have gotten it. So until, you know, the Board sees something along those lines, we'll probably just have to let the chips fall where they may.

MR. AGUMADU: Mr. Chairman, it's really your decision, and mine not to --

MR. CONINE: Right.

MR. AGUMADU: -- and just for the record, we just really want to submit -- we've been doing this business for almost 15 years, almost since its inception. We have more than 10 applications out there, so we're not coming here just to really -- just to let you know that --

MR. CONINE: And that's --

MR. AGUMADU: -- we believe these and we really don't mean any --

MR. CONINE: And I understand that. You guys have been around a long time and know how to process applications. And there was a foul up on the other Wiley deal that ultimately got resolved, which gives me credence, or makes me think there might have been a screw up on this thing, and that's why we've asked staff to go back and check three times now.

And so far no one can come up with any evidence that the market study or -- I can't -- is it the market study or the environmental, I can't remember which -- whichever one it was actually showed up here at the appropriate time. So until someone lays that in front of me, you know, I consider the issue pretty much dead.

MR. AGUMADU: All right.

MR. CONINE: Any other questions of the witness from the Board?

(No response.)

MR. CONINE: Thank you very much.

MR. AGUMADU: Thank you, sir.

MR. CONINE: Stephan Fairfield.

MR. FAIRFIELD: Thank you members of the Board. My name is Steve Fairfield, and I'm with a Houston nonprofit group that has provided financial coaching, savings matches, and loan packaging to help over 300 working families with an average income of $18,000 become home owners and college graduates, none of whom, based on our data, has experienced foreclosure. We have another 600 families saving in our pipeline.

We also develop senior communities in

underserved median-plus areas in which we have voluntarily pushed most of our 60 percent units down to 50 percent median income levels while offering services such as lift-equip transportation to shopping and doctor appointments.

Our proposed Orchard at Westchase project, Project Number 10096, is at the top of the waiting list for Region 6 and Ike credits, $1,019,921 of which remains unallocated under current recommendations. We are on the waiting list due to a loss of the six pre-application points because our pre-app became corrupted in the FTP system, though we were able to successfully transmit a complete and properly formatted back up copy of the pre-app to the Department by e-mail before the submission deadline.

We understand appeals on this issue have been granted, but unfortunately we submitted our appeal too early and staff apparently did not have the authority to process an early submission. And we admit our mistake in doing that.

All who have looked believe we have an excellent site, and market conditions have provided a window to obtain a location that may not long be available for this use. We would be grateful if you would consider an allocation of the remaining Ike credits to the Orchard at Westchase with a forward for the remaining $897,166 in underwriting's recommended balance. Thank you for your time.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you.

Steve Moore.

MR. MOORE: Good morning, Board members and Mr. Chairman. I'm Steve Moore, the developer of Premier Apartments in Houston. I'm here to thank you and your staff and Houston housing for funding the renovation of 408 units which is smack in the middle of one of Houston's roughest neighborhoods. Thank you.

I believe that funding renovation project like Premier in the middle of needy neighborhood has the potential to provide more overall benefit to low income Texans compared to projects which by location or how their manage remain isolated from the greater community.

Our goal for Premier, in addition to fully fulfilling all of the TDHCA requirements for our residents, is to provide many other support services. For example, we already have the Boy Scouts and others. And also, to be a force for improvement of the greater Westwood neighborhood. In particular we have already reduced crime by more than a third because crime has the biggest influence on neighborhood quality, and I hope that TDHCA can somehow incorporate commitment to crime reduction as part of your selection process. I really hope you can.

And thank you again, and you're very busy staff, for funding Premier Apartments, and we hope you can attend our grand opening.

MR. CONINE: Any questions of Mr. Moore?

(No response.)

MR. CONINE: Thank you for being here.

All right. That wraps up the witness affirmation forms that I have for the public comment period. The rest of them that I have are for a particular agenda item.

Is there anybody I missed or might have overlooked?

(No response.)

MR. CONINE: Okay. I'm going to keep public comment period open though, because we've got a treat for you later on this morning. Around 11:30 or so, for you Aggies in the room, Mr. Jim Gaines from the Texas A&M Real Estate Research Center, will be here to give us a little state of union message on the Texas housing market.

And he was recently at the TAAHP conference, for those of you that have been at the conference for the last three days, and I appreciate the interaction of the TAAHP folks, along with TDHCA and staff and so forth over the last couple of days. And we want Mr. Gaines to come, again, give us a little state of the union of the Texas housing market. That should happen around 11:30.

For your information, the Board is going to probably do an executive session at lunch, and we're going to take a 10 minute break right this very minute.

(Whereupon, a short recess was taken.)

MR. CONINE: -- for your indulgence in the 10 minute break.

Moving on to our agenda, Board members, to the consent agenda. Item 1 is a series of items that has been placed on the consent agenda.

MR. GERBER: Mr. Chairman, we would ask that Item 1(d) which is the presentation and possible approval of our Legislative Appropriations Request be pulled off for discussion.

MR. CONINE: You're not going to believe it, but I had a question too.

MR. GERBER: Okay. Very good.

MR. CONINE: Okay. Item 1(d) pulled. Any

other items any other Board member wishes to be pulled for individual discussion?

(No response.)

MR. CONINE: If not, I'd entertain a motion on the consent agenda.

MR. GANN: I so move.

MS. RAY: Second.

MR. CONINE: Mr. Gann moved, Ms. Ray seconded the approval of the consent agenda minus 1(d). 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: Motion carries.

Item 1(d), Mr. Gerber.

MR. GERBER: Mr. Chairman, before we go to 1(d), let me just make a note about Item 1(p), which is a discussion, and which you just approved, is our colleagues at the Texas Department of Rural Affairs to have very much the same flexibilities that TDHCA has in administering and obligating NSP, Neighborhood Stabilization Program, Round

I funds.

At the last Board meeting the Board basically gave TDHCA the flexibility to do whatever was necessary to obligate using the higher threshold of obligation that HUD has for NSP funds so that we do not lose any of those funds by the September 3 obligation date. TDRA has been a major partner with TDHCA. They administer a portion of those NSP funds, they administer a little over 19 million of it in its own effectively independent programs to serve rural Texans.

And so what you've done today, just to confirm with you, is to give them maximum flexibility, and I know Mark Wyatt is here, to do whatever is physically necessary, as TDHCA is doing, to obligate those funds and to make sure they're available to the benefit of rural Texans.

Tom, anything you'd want to add to that mix?

(No response.)

MR. GERBER: Then moving on to --

MR. CONINE: Especially since you were quoted in *USA Today* yesterday, you're welcome to add anything to that you'd like, your honor.

(General laughter.)

MR. GERBER: Turning to Item 1(d), which is them item about the budget. Mr. Chairman and Board members, Item 1(d) is our proposed policy decisions for the 2012-2013 Legislative Appropriations Request, or LAR. The LAR in its final form is submitted to the Governor's Office of Budget Policy and Planning and Legislative Budget Board in mid-August.

The LAR is used by the LBB and then the Senate committees on finance and House committee on appropriations to determine appropriate funding levels for each agency. The LAR includes a lot of historic and requested -- historic information and requested funding, as well as associated performance measures such as numbers of households served amongst various categories.

For the 2012-2013 biennium, state agencies have been asked to identify where a 10 percent reduction in general revenue could occur with the least impact on the agency's mission. And as most of you know, we receive a fairly limited amount of GR, only about $42 million in GR. Most of that is in two sources, the Housing Trust Fund which receives about $20 million, and then the Homeless Prevention Program which receives an additional $20 million.

We've included for you a summary of proposed 10 percent reductions in Item 1(d) that details our strategies and the dollar amount and the impact on programs of each reduction. Obviously we've tried to minimize the impact on our homeless populations in the cities that are using these funds for -- as an important source of financing to help that population, as well as the Housing Trust Fund. And many of us in this room know the important value that the Trust Fund has had in trying to meet gaps where federal funds leave off, and we've used it to serve veterans and rural communities, our Habitat for Humanity like programs, and otherwise.

Also included in the LAR packet is the draft Legislative Appropriations Request summary that provides a snapshot of funding for the biennium. Please note that HOME, single-family and multifamily strategies are being combined and are now shown as one strategy. And similarly the Housing Trust Fund is just one strategy.

The LAR permits agencies to request funding over and above the baseline, including requests for increased staff, and these were all referred to as exceptional items. Given the realities of the budget deficit that we are facing, staff is recommending to you a very conservative budget that we believe is appropriate with the times.

Our exceptional budgets -- our exceptional items are two-fold. First, we believe that the Housing Trust Fund and the homeless program have a lot of value, and should additional dollars be found to reinstate that 10 percent cut, we believe that that's an appropriate exceptional item, and that if state leaders can reinstate that 10 percent, we believe it can be of significant help.

The Housing Trust Fund is our second exceptional item. The last legislative session we asked for $40 million for the Trust Fund. It has historically received about 10, it doubled to 20 with repayments that come into the program. We hover around 21, $22 million, and so we felt that 40 would be pushing it, but we felt like we -- it's an important program and given the new programs coming from Washington, some additional dollars did make some sense, should they be available by the time we get to that point in the session.

And so we're recommending the Board ask for additional $8 million in GR for the Trust Fund for those types of initiatives. Beyond that we are asking for no additional exceptional items, and we think that's important to note.

You will also note in our budget as we are proposing it, there are very, very changes. We frankly know the challenges that the legislature is going to have to deal with, and we did not want to engage in a lot of miscellaneous recrafting of different things just for the sake of recrafting it. It's worked over time, things are clear, we have a good set of understandings, and we felt that keeping things as constant as we could made a lot of sense.

One area though that we have had to address though is the issue of employment, and we've addressed this at the last Board meeting where this Board gave clearance for us to work with the Governor's office and the LBB to hire additional staff using appropriated receipts.

And what we are doing is making a request in our LAR for a rider that would give TDHCA clear authority to hire full-time equivalent employees outside of our cap, provided that the Department certifies that those FTEs are, first, 100 percent funded through authorized fees not previously appropriated to the Department; two, that it's needed to effectively administer our programs; and that, three, that, again, we can certify to the legislature that this was the result of a mandate from a program -- set of program requirements from Washington in order to make this work, and that we need the staff to be able to effectively manage the program.

That is our budget. We hope that it -- Bill Dally is here to provide any additional context.

Bill, anything you'd want to -- you or David Cervantes would like to add to the mix?

MR. DALLY: I think the only thing I would add is maybe a discussion of the 10 percent cuts that we made, that we were requested to make. We were asked to do those in priority order, and there's a schedule in your book that will show where we took. And we 45-1/2 million dollars in general revenue as part of our baseline going into '12 and '13. So we would need to make, to get a full 10 percent, $4.55 million in the cut.

Our first priority to make a cut was the indirect administration. That has sort of been -- that was the first thing we cut in the last biennium. The second would be to cut a portion of the market studies; not all of it. We'll still have about $95,000 each year to continue those efforts.

In the last -- in the '10 and '12 -- I mean '10 and '11, we did not cut the $20 million for the big city homeless. That was a new initiative that was kind of brought by those big cities, and approved by the legislature last time we put in our fill pattern, so we didn't cut that at that time. But going forward into '12 and '13, we have proposed a million dollars each year. Now what will remain is still $18 million for that effort.

The final cuts then would be to the Housing Trust Fund of about a $1,150,000 to all total up to the 4-1/2 million.

Now there are some things that received general revenue that we did not cut in the '12 and '13 in our proposal. The first being the Supportive Service Coordination Council. You'll remember that was part of the LBB's interim studies. They brought that legislation, that passed, and that was added to our bill. And so we did not touch that since that still is, you know, coming off the ground and doing good work.

The other thing is we have some small amount of general revenue for the continue of care, which is what allows us to apply to HUD and get a homeless grant for the balance of state. These are not the big cities applying in their area, like the big cities. This is the balance of state. And we were actually successful in the last round. They previously took a small cut, but we are continuing to have about $50,000 each year so that we can continue to renew an application that's already been built.

And then finally Texas Online is off limits so far as cuts. So are there any questions?

MR. KEIG: Yes.

MR. CONINE: Mr. Keig?

MR. KEIG: On page 2 of 3 of the action item, actions taken, the date and time line, the first step in submitting both a strategic plan and LAR, the Department requested changes to its budget structure and performance measures; the GOBP and LBB have approved the majority of these.

Could you explain what you all mean by approving the majority of these as opposed to the minority that were not approved, or pending, or something else?

MR. DALLY: The first things, and this was in Mike's comments, the main priority that we were trying to do is in the past we had the Home -- Program HOME funds split between a single-family and a multifamily, and likewise for the Housing Trust Fund. And we made the argument that it would be better and we would have more flexibility, because we often go out and get public input, and we make priorities and do NOFAs after that, and that's long after, you know, we're going in with talking about '12 and '13 and it'll be '12 and '13 that we actually go out with those plans. So that was changed.

And I'm really not aware of what the minor items were. I know they didn't rise to anything that gave us heartburn and stuff. So to the degree -- and it's getting that structure and then probably some discussions on what the definitions of performance measures would be.

MR. KEIG: Okay. On the proposed request for riders, you have a new rider, employment limitation?

MR. DALLY: Right.

MR. KEIG: Requesting a rider for hiring additional FTEs outside of our cap. Will these be, you know, full-time permanent, or would some of these be temporary?

MR. DALLY: They would be temporary. And this comes out of our discussions when we -- the findings of fact that we did in the last Board meeting were with regard to the 2010 and 2011, and it had to do with the Tax Credit Exchange Programs that were not 100 percent federally funded. And so technically they didn't fall within that narrow definition in Article 9.

So we're crafting up something that says, These are federal programs, they don't have federal funds, but we're going to have asset management fees that you approved last -- that will pay for additional staff to do what's mandated in this federal program. And so they would -- and our intent though is that they be only temporarily there for as long as that program needs those FTEs.

MR. KEIG: And if we left that intent in the description of the rider, the requested rider?

MR. DALLY: Sure.

MR. KEIG: Is that doable?

MR. DALLY: Sure.

MR. KEIG: Okay.

MR. DALLY: In fact, Mike didn't mention it, but we're in the big middle of crafting what is about a 200-page document of details and schedules and stuff, and so we're going to have a few tweaks that are going to come along, but we'll certainly note that this is temporary for as long as that appropriated receipt funding is there. And the other thing to note is it specifically says, you know, no general revenue, not cost to the bill for those FTEs.

MR. KEIG: Then this one probably just is more educating to me, is under the performance target measures, Item 6, conversions of executory contracts. Is that a legislative performance target, or is that an executive requirement of the, you know, shall spend not less than four million for the biennium for contract for deed conversions?

MR. GERBER: It's legislative.

MR. DALLY: Those are riders that are crafted up by the legislature. And I believe that was Senator --

MR. GERBER: Senator Lucio.

MR. DALLY: -- Lucio --

MR. GERBER: And the Senate IRT Committee had --

MR. KEIG: So how does that sit with what I seem to recall is that recent activity is not as high there as it has been in the past because the need does not seem as great.

MR. GERBER: Mr. Keig, we've talked to Senator Lucio's staff about that. We've actually shared that language, and maybe some possible revisions of the language. Senator Lucio's committee had a hearing on contract for deed conversion, and I think the sense was there may some different avenues we could pursue that would more -- would potentially have us doing more of that work.

So what we talked about was maybe doing some refinancing of high interest loans after -- and using the funds that had been reserved for contract for deed conversation after a certain period of time, allowing them to be used for other purposes that would help that population.

I think some of that is still in open discussion, but it seems to me that the legislative intent is still there to have us strive to hit those numbers. And so we're trying to make a good faith effort, and we've been working with our staff to see what we can do to -- certainly to comply. But it is -- it's a tough program.

MR. KEIG: Thanks.

MR. CONINE: Any other questions of staff at this point?

MR. GERBER: Mr. Chairman, I would just mention, Brian Owens is here from the Governor's office. We're always glad to have him. We are working aggressively with the Governor's office and LBB to craft the language correctly on the FTE issue from the last Board meeting, as well as how we crafted it in our LAR. And so we would ask in the motion hopefully to approve the LAR that the Board give us the flexibility to work, with your help, Mr. Chairman, to get the language just right, to make technical corrections in time to submit it for April 16 -- August 16.

MR. CONINE: August. Any other questions of staff.

(No response.)

MR. CONINE: If not, I'll entertain a motion.

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: I move to support staff's recommendation for the LAR, with the -- giving them the ability to make technical and administrative changes as necessary.

MR. CONINE: Motion by Ms. Ray. Do I hear a second?

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig. 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.

Item 2.

MR. GERBER: Mr. Chairman, Item 2 is asking the Board's permission, and to confirm the staff's recommendation to award a contract to McCall, Parkhurst & Horton to serve as bond/securities disclosure counsel during fiscal year 2011, with the possibility of extending this contract into fiscal year 2012.

MR. CONINE: Okay. Any questions?

(No response.)

MR. CONINE: I see that we're going back from two to back to one. Is that correct?

MR. GERBER: We are. We've had a very strong partnership with McCall, Parkhurst over the years, and we feel like they can serve the Department's interests effectively and efficiently.

MR. CONINE: Okay. Any further discussion?

(No response.)

MR. CONINE: If not, I'll take a motion.

MS. BINGHAM-ESCAREÑO: Motion to approve.

MR. CONINE: Motion by Ms. Bingham to approve. Is there a second?

DR. MUÑOZ: Second.

MR. CONINE: Second by Dr. Muñoz. 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.

Item 3(a).

MR. GERBER: Mr. Chairman, I do not believe there are any appeals under any item in Item 3. But I do believe that there are some -- there's some public comment.

MR. CONINE: We do have some public comment on 3(a).

Bill Fisher, who's got some time, five minutes.

MR. FISHER: Good morning, Chairman Conine, Board members.

MR. CONINE: Good morning.

MR. FISHER: We have two applications that we submitted in the 2010 round, one in Dallas and one in the Rio Grande Valley, in Brownsville. They're both showing as a cap violation. That is a result of the work we did in October of '09 where the Board granted a forward commitment for a second application that we had in Galveston due to the hurricane damage, and the neighbors coming forth about a particular property that was very negatively affecting their community.

We certainly made an effort at the time to make that record as clear as possible. I've included copies of that transcript for you. I tried to include more pages than are probably necessary in the -- to try and be complete. But if you'll look at pages 94 and 95 where Mr. Shackleford and I spoke before you regarding the possibility of giving us a forward, second allocation that same year in Galveston, which would put us over the $2 million.

But the Board has authority to grant a waiver because of the hurricane credits. We asked specifically for the waiver. Mr. Shackleford followed and once again said we were asking you to take action on the basis of the forward granting a waiver based upon the ability -- because you have no authority to waive a statute, which the cap is a statute, you only have authority to waive a rule, and since you had included the hurricane credits under your rule, you had authority to make the waiver. And that is the basis under which we requested the allocation.

If you go to the minutes of the October meeting, which you adopted in December, on page 12, they summarize the testimony of the witnesses, and Mr. Shackleford is very specifically summarized as asking for approval for the forward on Marina Landing and Baywalk combined in that year, incorporating a waiver of the $2 million cap.

You all broke that session up. You took public comments, then went out and considered forwards later in the day. Later in the day, when you were doing forwards, you were kind enough to add Galveston Marina Landing to the forwards and approve forward commitments. Of course we've operated since that day on the basis that we got two allocations in '09, one involving hurricane credits and one involving the state ceiling for the forward commitment for the waiver of the cap from that year under the QAP.

In good faith we submitted two applications this year to staff, pre-app, full app, studies, threshold, scoring; I went before you last meeting on the scoring on one of the applications. We found out about the staff's position on the cap when they released the board book on Friday. We immediately responded.

We have filed an appeal by e-mail with the staff. I'm not sure if you're in a position to act on it today. Our request is to -- if you can act, then let's consider it. If you cannot, then let's be sure and put us on the agenda so we can appeal this staff determination.

We think the record is crystal clear. You gave us a forward because the neighbors needed and Galveston needed it, and to it under the QAP you granted us the waiver we requested. Staff's position is different, and I have included their pages from -- 144 and 145 where their position is something else happened. We've asked what else occurred that would have not been the waiver, and we really don't have that feedback at this point.

So if we can, we'd ask the Board to clarify the record today, that the Galveston Marina Landing was done in '09 and that the forward applied to the '09 cap as it called for in the QAP, and that the waiver that we specifically asked for in the record was what was voted on and granted. And that will put us in a position to be on the wait list for our two apps or to be eligible for forward commitments.

Staff's position today is, you're not eligible for anything. You're not eligible for an allocation under 2010, nor are you eligible for a forward commitment under 2011 is what we understand today. So we'd certainly like to be in a position to address the issue and have it voted on. If you can do it today, we'd like to do it today. If you prefer to put it on another agenda, we'll come back in September.

MR. CONINE: I suspect -- any questions of the witness before we get to staff comments, I guess, on this issue?

(No response.)

MR. CONINE: Mr. Irvine, would you like to --

MR. GERBER: Tim or Tom --

MR. CONINE: -- pontificate?

MR. IRVINE: For the record, Tim Irvine, Chief Staff General Counsel. Well, first of all, with respect to the record being clear or not, apparently it isn't as clear as we thought it was, or they thought it was. We believe that it is simply a statutory issue, and regardless of whether it would be a regular credit or a disaster credit, it is still a credit, therefore subject to the $2 million cap.

As regards advising applicants in the round about $2 million cap issues, we always proceed on the assumption that they're aware of the statutory application of the $2 million cap, and they better than we know how their other deals may fall out or shake out, and they know how to anticipate and address those cap issues.

MR. GOURIS: And Tom Gouris, Deputy Executive Director for Housing Programs. I might just add, if you look on page 146 of the transcript Mr. Fisher provided you, the question did come up at the time the Board was contemplating the final action on those awards.

And, in fact, I asked the question if it was --

Champions Marina Landing, if allocated in this allocation round, whether these applications would violate the $2 million cap. And, Mr. Conine, you responded, Well, again, I view this as a 2010 currently.

So you had indicated to us that this was going to be coming out of the 2010 cap. And then you went on to talk about if there's an ability for one of these deals to -- one of their other transactions to fall out, they might be able to float back into 2009. That hasn't occurred, so these are considered 2010. This one is considered a 2010 allocation and it affects the 2010 cap.

The comment with regard to the not being able to get a forward is relevant here because we don't -- we typically count any allocation made as a forward in the year that it's made, not in the forward year. This was an exception to that that you all adapted. So --

MR. CONINE: Both your memory and the testimony as printed out here would indicate that Mr. Shackleford asked for a waiver of the cap --

MR. GOURIS: Correct.

MR. CONINE: -- but the Board didn't get there.

MR. GOURIS: Correct.

MR. CONINE: All right. Let me ask a procedural question, because there is no agenda on --

there's no item in Item 3(a) --

MR. GOURIS: Correct.

MR. CONINE: -- I'm assuming that -- and I don't want to take the time to go through and deal with this now anyway, but assuming we can't do that because it's not the agenda.

MR. IRVINE: That is correct.

MR. GOURIS: And we can bring back more details at a future --

MR. CONINE: Yes. And then we can do a little more homework and come back at the next meeting and make an adjustment on the list if necessary. Is that correct?

MR. GOURIS: That's correct.

MR. CONINE: Okay. All right. Any other questions of staff at this point?

(No response.)

MR. CONINE: I hate it when someone hands me what I said.

(General laughter.)

MR. CONINE: Then I have to go back and restructure my memory, and then sometimes that's not that good.

But we will -- where did Mr. Fisher go -- he's right there.

MR. FISHER: I'm here.

MR. CONINE: We will dig into it and figure out what was said and what wasn't said, and how --

MR. FISHER: How the statute applies and how the waivers apply.

MR. CONINE: Correct.

MR. FISHER: Again, just so this record's clear. So whatever action happens today, the two apps will remain on the list until the issue is resolved? Is that the --

MR. CONINE: No, I think the current ruling is --

FEMALE VOICE: You're on a wait list.

MR. CONINE: Let me just let Tom indicate what the current issue is.

MR. GOURIS: An application that violates the $2 million test is not terminated, it stays on a waiting list.

MR. CONINE: Right.

MR. GOURIS: Should one of the -- should the one that didn't -- the one that got a forward fall out for some reason now, they wouldn't violate the $2 million test so they'd be back high up on the waiting list because, you know, they'd be eligible. So they stay on as an eligible application --

MR. CONINE: Okay.

MR. GOURIS: -- subject to the $2 million test.

MR. FISHER: Thank you.

MR. CONINE: All right. And, Mr. Fisher, one more question. How are those two deals in Galveston doing?

MR. FISHER: Actually, we're doing great. We have an environmental clearance, I had a closing kick off call with the equity investor. We'll close Baywalk in the first couple of weeks of August and I have a HUD mortgage assumption on Marina Landing, which will probably be later that month, or early in September. But I have loans, I have an equity investors for both projects.

I didn't get my -- because of the CDBG, I didn't get my allocations really until February or March. CDBGs cut the contract for March or April, we did an environmental clearance, that was granted in late June, early July, so we're running as fast as we can go.

I meet every month with the neighbors --

MR. CONINE: And I keep hearing from them down there as well. We need to get those projects under way and get that --

MR. FISHER: I understand.

MR. CONINE: Okay. Thank you.

Okay. Any other items under 3?

MR. GERBER: No, sir.

MR. CONINE: Well, let's go to 4(a) then.

MR. GERBER: Or do you want to go to Mr. Gaines right now? Want to do that?

MR. GERBER: Why don't we go ahead and --

MR. CONINE: Okay. Let's do that.

MR. GERBER: -- Dr. Gaines.

MR. CONINE: We have, as I said earlier, we have a special opportunity today to hear from someone who is obviously well respected in the state as to his knowledge of what's going on in the housing industry, and I think all of us here have a keen interest of that.

Would you like to introduce Dr. Gaines?

MR. GERBER: Sure. Dr. Gaines has certainly been well known to all of us at TDHCA. He leads the Texas A&M Real Estate Center. They do tremendous analysis for the real estate community, and provide lots of guidance and thoughtful analysis to members for the legislature as well as I know he's testified in other venues as well nationally. And most recently he spoke before -- and some of others in this audience at the most recent conference of the Texas Affiliation for Affordable Housing Providers.

I thought since he was already in town --

Although I think you've had to go back to College Station then back here to Austin. But that's okay. Anything that brings you to Austin from College Station is a good thing.

DR. GAINES: I know the road well.

MR. GERBER: Yes. I felt that given the current housing climate and that so many were counting on Dr. Gaines' good counsel and insights, that I thought the Board might appreciate hearing from him as well.

So welcome, Dr. Gaines, and I think you're going to get your PowerPoint slide --

DR. GAINES: It's all set --

MR. GERBER: -- presentation ready --

DR. GAINES: -- assuming --

MR. GERBER: -- and I think we might --

DR. GAINES: -- assuming everything works.

MR. GERBER: -- we've got a reserved seat right up here in the front. And I invite the Board to step down and --

And, Mr. Chairman, is it correct to say we're going to -- this presentation is going to from 11:15 to -- I'm sorry, from 11:30 to 12:15, and then we're going to into executive session just --

MR. CONINE: Right.

MR. GERBER: -- right after that.

MR. CONINE: Yes.

DR. GAINES: Well, while we're getting settled, I'll give out my howdy. How is everybody? I do appreciate being invited to come out and have a chance to share some information with you, and we'll try and keep this as informed, a little bit light because it gets heavy pretty quick.

And as many of you know, we're in about the 36, -7th month of the ongoing recession that officially was declared started December of '07. It's an ironic kind of thing as a research economist, the NBER, the National Bureau of Economic Research, which has a committee that looks at business cycles and declares -- they are the official medium declaring cycles to have started and stopped -- they polled them about six months ago and they said, Well, we think it stopped somewhere -- the recession officially ended probably somewhere between June and October of last year. But we're going to look at some more data and make up our mind.

It just goes to show you that economists are not only not very good at predicting the future, but, heck, we can't even predict the past.

(General laughter.)

DR. GAINES: Now in our office, we've been trying to look at the economy and the housing market and figure out what's going on. And we've spent a lot of time in our school sessions and staff meetings and so on around our water cooler, and it's been amazing, the more water we drink, the clearer some of the economy actually becomes and what we think is going on. And we, you know, we don't advocate this for all state groups to do, but it might be an interesting water cooler to put into the office and see how things go.

(General laughter.)

DR. GAINES: Anyway, the recent data have not been good, so I'm going to go through the economy and the economic issues fairly quickly and get us to the housing market, which I know is of more concern. This is the growth in GDP. You can see it spiked up in the first quarter, came down to 2.7 in the second quarter. A lot of that was inventory adjustment, it was some technical things.

The interesting thing -- the good news was it positive and you can see how negative we had gotten back in '08 and '09, and how the slow down in the economy -- the only reason we had that one little blip was that was when the IRS sent us all of our checks with the stimulus payments of anywhere from 600 to $1200. And we got that.

Unfortunately, as a population group, though, as the citizens, we blew it because they begged us to spend the money. And they discovered, yes, they can keep the economy going at about 1-1/2, 2 percent positive. They just gave us $180 billion about every 45 days. That does tend to work. But we didn't spend it. We only spent about 40 percent of it. We saved the rest, we paid off debts, and so on. So you'll notice we haven't gotten another one of those checks. They've been doing other things.

The other thing about it is, generally, coming out of a recession we especially want this that goes this deep, you would have expected these numbers to have been a little bigger. So the good news is they were positive, they were okay. But the bad news is they should have been even better if we were having a rigorous recovery. So it's a little bit of a tepid recovery, very mild.

Some of the later data, manufacturing index, home sales of course are not doing well, we'll talk about some of the others. After tax profits. It's amazing how people have rediscovered that profit is not a dirty word, and I know a lot of people in the room are not-for-profit organizers.

But nevertheless, when businesses and companies in the United States in a free market capitalistic system, if they don't make a profit, they don't do anything. They don't expand, they don't buy things, they don't hire people, they don't put people to work doing productive things. And the good news here is that that has turned back up and is doing a lot better. Personal consumption, that's 70 percent of the GDP that I just showed you, comes from all of us going down to the mall every Saturday afternoon and spending 110 percent of what we make.

And for years we've been doing a very job of that. In fact, we did such a good job we used our houses as ATM machines, and going and refinancing the growth and inflated values and equity, and then taking that money and spending it and bumping up the consumption curve to go up like -- at this pace.

And then we had an economic effect here. My technical term for that is a hump over. It just -- it's very descriptive. When the data humps over, when 70 percent of your economy humps over like that, you've got a problem, and that's how we go into recessions and down turns.

The difference between this recession that we're in now and trying to come out of, and the last five, six, or seven that we've had since World War II, this was a debt-induced recession, a credit-induced recession, and it's become a debt-deflation period. We got so highly levered, so much in debt, we used debt to buy things up and push prices up to unsupportable levels, and now as the debt has disappeared and we are still in the middle of a credit crunch, the values of all of those assets is now coming down. So it's a debt-deflation type of recession period.

The last one of those we had of any note was the 1930s depression. That's why all of the comparisons now back to the 1930s. Good news here, we are trying to pick up, the people are beginning to spend a little bit more, the consumption has picked back up, and it has been more frugal type consumption, not debt-induced because of the normal thing.

Now what you'll notice is there's been a substantial drop off of where that curve looked like it was going to go versus now where it's going and what reality is. So expectations have also changed. Consumer confidence has been down, we are markedly below what normally is even good confidence during a recession. We're below that. So we're waiting for the consumer, we're waiting for the citizen of the United States to come back and get back involved.

This has also been sort of a jobless recovery to the extent we've had a recovery. We're still losing jobs. The United States you can see -- that's the zero line right there in terms of rate of growth. Now granted we are not losing jobs at the remarkable level that we -- happened a few years ago when we were losing 6- and 700,000 jobs a month. We are losing maybe between 50- to 100- to 150,000.

The good news here is you can see what Texas has been doing. We lagged coming into this recession. Texas was actually still gaining jobs when the United States was losing jobs back in 2008. But then of course, being the good citizens that we are, we said, Well, if the rest of the world's going to have a recession, we'll have one too.

So beginning in about January of 2009, we went into a negative growth mode, we started losing some jobs, but it was a good bit later than what the rest of the country -- and what you can see now is, we tend to be rebounding a little stronger and a little faster, leading. So it's kind of that last in, first out model that's going on here with Texas, at least for the time being.

And that is something that we want to make sure continues to occur.

Unemployment, of course, has been a big issue. The headline rate, that's the rate in the press, that's the unemployment based on what BLS calls their U3, it's the number of people unemployed relative to the number of people looking for work or on unemployment compensation. From time to time they change the definition of -- and the numbers. Last January, this past January, they decided that about 650,000 people were no longer looking for work actively, so they didn't count as being unemployed. So that kept the statistic there at around 10 percent, 9.8, 9.7.

The broader measures of unemployment and underemployment is what's called U6. This is everybody that is unemployed, whether they're looking for work or not, that ought to be employed. In other words they're physically able, right age group, so on. It also includes people who are underemployed. Workers who are working 10-15 hour weeks, but are willing and want to work 40 hours full-time jobs, but can't get the work, and it's just simply not there. And you can see, that number is closer to about 17 percent in unemployment, which is a much more realistic type of number of where the unemployment stands.

The other thing that I thought was interesting, if we look at the unemployment by level of education, and I know that's something of concern, and many of you in the audience have programs where you're helping kids get the education, but you can see '08, '9, current, as of June, no high school diploma, you're running about 14 percent unemployed. If you've got a college degree, about 4.4. And you can see how getting education does help in terms of being employed.

It's a major, major issue. And that is important in our state. Why? Because we don't have a particularly good record of graduating a lot of our kids from high school. Our graduation rate and our matriculation rate up into college, into higher education, is not particularly good relative to national averages and other standards.

Another interesting statistic is the unemployment of 16 to 24 year olds, the young kids. They're having some real difficulty. You can see it's approaching 20 percent unemployment. And if we break it down by even -- by race and ethnic groups, it goes up as high as 35 percent for some groups. It's very pronounced, particularly for the very young people who are unemployed and having difficulty.

I know over at A&M we -- that's an issue that that the University faces every year, of what can we do to help our graduates get out into the work force. And it's -- we monitor that very, very closely.

It is also possible that there are some secular, major long term changes going on in our economy and in our society. And these are a couple of them. One is our -- is going to be how households view it going forward, their debt situation relative to saving. I mean most of us grew up, our parents, our grandparents said, Look, work hard, save some money, put it aside, don't spend everything you get, you know, there'll be rainy days, you're going to need this, and so on.

We went through that. Everybody forgot about that about the last six or seven years, and went out and borrowed as much as they possibly could. Bought more expensive cars, more expensive homes, more expensive goods and toys, ran up credit card debts, et cetera, et cetera. And it got to be that way.

So it may be that there'll be some secular change. We can see that in the rate of savings, the savings rate as reported by the government. It actually went negative at one point in time, back in about 2004 and 2005, although they revised the numbers so it came out to zero. They reported it originally as being a negative savings rate.

We actually spent literally, as a society, as a country, more than our income. We took it out of savings, we took out of the equity of our home, we took it out of other places, and has negative savings. That savings rate has now bounced back up to about 5, 5-1/2 percent, and that may look like what it'll be, at least for a short term going forward.

Discretionary spending, margin spending, savings, discretionary -- how we spend our money, what we spend it on. People have stopped buying the plasma TV for the third bathroom. The conspicuous consumption that was going on, and buying the extra stuff. If you remember the old George Carlin routine about stuff and having stuff, you know, anyway. We need to go back to having more stuff, because also then we have to build buildings to put the stuff in. So it all helps real estate.

Home ownership is interesting, because it has been the US policy since 1600 --

(Laughter.)

DR. GAINES: -- that it has fostered home ownership, land ownership. In fact, that was really why people came to the United States in the first place. It gave them the opportunity to be a land owner. Most everywhere else in the world in the 16th Century, 17th Century, into the 18th Century, owning land was almost prohibitive. You simply couldn't do it. But here you could.

But now we are -- and we heard at the conference here Monday, Mrs. Galante from HUD is talking about that even HUD now is re-evaluating all of their programs and their policies in the federal government outlook about home ownership, and whether or not renting is not really such a bad thing, and not everybody has to be a home owner, and looking at that kind of thing.

And then lastly, deflationary versus inflationary expectations. All of us in this room grew up in the period of time where prices always went up. You always assumed that next year, next month, next five years, it will be more expensive to buy whatever I'm looking at then than now. That prices would go up. The only exception to that's every been computers and some of the technology, but even when they first came out it was just production cost and supply cost, going through a cost thing.

Now though, there may be some longer term expectations that either inflation is not going to be as pronounced, or especially in the short term, right now for the next 18, 24 months is probably more a deflationary time period than an inflationary time period. In fact, if you've been listening to all the rhetoric by the government economists, what they've been trying to do is reflate the economy.

It was a bubble. It deflated, they're trying to reflate it. They are trying literally -- the quantitative easing policy at the Federal Reserve is to create inflation. Print more money, get more money out, have more money chasing goods and services, that's always a price riser, it's an inflationary kind of thing, and to get asset values back.

Why are the banks in trouble? The banks are in trouble because the value of the assets that they hold on their balance, loans outstanding, real estate that they own, and other assets went down in value. They don't have the reserves to offset those losses. And the fed -- the whole TARP Program and all of the Federal Reserve programs have been, let the banks try to earn profit so that -- because there is a day of reckoning still coming.

They haven't gotten there yet, they haven't written off all those losses. We think that they're still sitting on somewhere around about a trillion and a half dollars worth of losses that they still haven't recognized, and they're going to have to work through the system before it all comes about.

Core inflation has been going down. That's that deflationary thing. This is the core, this is minus food and energy, it's down less than 1 percent. And it is approaching going down, you know, into territory that we haven't seen in a very, very long time.

We are ending, somewhat, the biggest credit crunch that we've ever had. This is total loans and investments at all the commercial banks in the United States, and this is -- again, it fell off the cliff. It went below zero. Not only were they not making new loans, not making new investments, they were trying to collect them and bring them back in and pay off.

Now, that has turned up a little bit, but it is still just coming back up to zero. This was the credit crunch that's been going on for the last couple of years. Again, small businesses. If you're in a small business, or want to create a small business, what do you need? You need credit, you need to be able to borrow money. You may have -- you need capital credit for fixed assets, you may need line of credit, accounts receivable credit for payroll, there are all kinds of things. And if you can't get it, then you can't get yourself into business, and that has been a major, major issue.

But the biggest credit contraction that we've had since the depression is what we've been through. That's a reason for the parallels. We're still not out of the woods on it yet. I mean notice that line is even still just gotten back up to zero.

National debt, of course, has gone out of sight. I thought you'd find this interesting. This is the national debt over here on the left hand scale, and the columns. And you can see, even after World War II, when we had to finance World War II, the national debt was only a pittance compared to where it is today.

And this has been the growth in our national debt, and you can see the last three, four years, and that's going to keep on going. This is 2009; '10 will add at least another -- and this is the national debt as a percent of our annual GDP. We're fast approaching the 100 percent mark, in other words, where our total national debt, what we owe, is one years output of everything we do in this country.

Now, you can see that we got above 100 percent. I mean when you're in a war, in a world war, that happens. And then it took several years to pay it off and get back down into maybe a 30 percent, a one-third range, and then come back up in this fashion.

Japan, for example, is close to 200 percent. Yes, that's -- they're in big trouble. Yes. But as we're still growing -- and right now the only way this is going to stop is, of course, our annual deficits are going to have to be cut.

Do you like Maxine? I love Maxine. I mean the federal government, we followed this thing, we bailed out AIG, and we bailed out the banks, and General Motors, which is now Government Motors, and the like. And Maxine, I think though, did nail it. She said she remembered back in 1990 when the government took over the Mustang Ranch, which was a brothel in Nevada, for tax evasion. By law they had to run it. They had to actually run it. So the federal government was in the brothel business for a short period of time. It failed; it closed it down. And now she's concerned because we're going to trust the auto industry, the banking system, and healthcare to the same nitwits who couldn't make money running a whore house and selling whiskey.

(General laughter.)

DR. GAINES: So it is an interesting kind of a proposition. When you get into these kinds of activities where you have the government bailing out everything, becoming part owners, as they did with the banks, they bought preferred stock, they now own 60 percent of General Motors, along with the Canadian government. Governments are not set up to be business operators. They don't function that well. That's not the function of government, and they generally have a very poor record.

Okay. In summary, the American consumer is trying to recover, they're fixing their balance sheets, they're trying to lower their debt, they're trying to get their debt coverage ratio down, or their debt service to income, the percent that they have to pay down so that their expenditures are better.

American businesses have laid off something like 8.4 million people in jobs. They're having -- we saw the corporate after tax profit curve there just a little while ago. The reason that profit curve turned back up positive was not because they sold more goods and services, or raised their prices. It was because they created a margin by lower their costs, and maintaining or even having little bit lower sales, but lowering costs. The way businesses lower costs, they don't invest, they don't invest in new technology, they don't expand, they don't lease new space, and they hire -- they let go people, and they can reduce their costs.

Now once they get that profit going back up and keep the profit for a while, then they can start adding back. But American businesses have pretty much right sized. In fact, there is some argument that they may have gone too far and laid off too many people, and have to correct that.

Small business owners though were paralyzed. They can't do anything. They can't get credit for expansion, sales are a problem because nobody's buying enough to do anything but maintain sales, and they're concerned about taxes and their concerned about government and government regulations. All the healthcare changes, all the financial reform going on, all of the other things that are going on. They simply just don't know what the rules of the game are, you know, and it's really difficult to operate a business that way.

States, cities, counties, school districts are all going to have to right size their spending. They're all in trouble. You're talking about the budget discussion. We're looking at 10 percent. Texas A&M got hit with the same thing, we're all looking at budget restraints. But all of the cities, all of the counties, all the schools districts.

Virtually every school district in the state of Texas that I'm aware of is looking at the potential of furloughs and teacher layoffs, and of course that starts this month and next month and into September. That's when we'll start seeing those kind of things. They're having to do their next year budget. There's generally a longer term cycle in there, but we haven't seen all of that impact.

Federal policies, all of that national debt you saw a minute ago, long term, five, six, seven years, eight years from now. Inflation is inevitable, because we're going to have to pay off that debt somehow, and the fed is not going to be able to keep interest rates at zero.

How many of you in the room ever thought you'd see a 4-1/2 percent mortgage for a home? Or a 3 percent if you want to go to the 15-year and -- I mean just we never thought that would happen because we all grew up in inflationary times. And even discounting when it was 17 and 18, we thought, you know, 8, 9, 10 percent was kind of the norm.

But that's not happening right now. The extend and pretend in the banking, that's where they're kind of ignoring particularly the commercial real estate loans that have gone bad. It's been estimated by Barbara Watson of the Congressional Oversight Committee that half, 50 percent of every commercial property in the United States is upside down on its mortgage.

And a lot of those loans are actually held at the local bank level, not at the big national banks. They don't do that much. But at the local regional banks, they held a lot of that, the gas station, the small retail center, the apartment complex, and so on. And that's the gambit that's going to have to have happen.

The last six or seven recessions that we've had, housing has led in and then generally housing has led out in terms of activity, and helping get us out of a recession. That is not happening. We led in, we did a good job of leading in, but so far the housing market is not leading out, and it -- in fact, it doesn't look like it's going to be able to. It may have to be that the economy's going to have to get its own act together and get some jobs created to get the housing market reinvigorated.

Texas, like we said, Texas lagged coming in. But we may be leading coming out. So that's good news. Texas has become one of the states that now is being viewed by everybody in the country as being the state to go to. It's the state of opportunity for all kinds of things and everything else.

We expect job losses to stop and new jobs to start being created. You can see on the growth rate chart you saw a minute ago that that's already started. We think the second half of the year though is still a little problematic. We don't know what the oil spill is really going to do to us. We avoided the physical problem of it, but we don't know what the economic impacts of all that -- because a lot of that activity is centered in Houston, and that is a major impact.

Flat housing sales, natural gas prices now, of course, are just as important, or more so, than oil prices in our energy industry. The Barnett Shale, the Eagle Shale, the one up near -- in the northeast part of the state, I always lose the name of it -- thank you -- those activities, they've slowed down or stopped, not only because the price of natural gas has come down so much, but also the drilling operators and the others can't get the credit. It goes back to that credit crunch. You can't do anything if you can't borrow the money.

State and local school districts, financial problems are just really starting, but we do think in-migration's going to help the state. Our index of leading indicators has bounced back up. It's going in the right general direction, a little blip here down recently because of uncertainty. When the Federal Reserve chairman, when Ben Bernanke testified last week and he said there is unusual uncertainty in the economy, that's Federal Reserve speak for, I haven't got a clue --

(General laughter.)

DR. GAINES: -- of where this economy is going, when it's going to get there, or how it's going to get there. That's -- you have to learn how to interpret some of these things.

What I would point out though, our level of leading indicators is only back to about where it was on our last recession. So we've still got a little ways to go to be back up here to about that 120 level.

Percent change in Texas's GDP; we've done pretty well. Texas is the orange bars -- sorry, Aggies, maroon doesn't show up as well on my slides. Texas had done considerably better, particularly the last several years. I don't have '09 yet, but it won't be too hard to beat negative 2.4.

(General laughter.)

DR. GAINES: Here's the problem with the state government, or one of the problems, and the local governments, and that's that hump over. Do you remember?

I gave you that term for a reason. Here's the other hump over, it's on retail sales, on monthly retail sales. This is something -- it'll take a long time -- and also the expectations. When people thought sales were going this way, and doing budgeting accordingly, and now sales are going this way, budgets have to be redone and re-evaluated and looked at.

Yes, sir.

MR. CONINE: Would you describe that hump over as the lack of home equity lending and spending going on?

DR. GAINES: The question is, is that the lack of home equity lending and therefore cutting down the spending. In Texas we didn't have as much. The home equity, you know, because of the 80 percent limit, we didn't use our houses as ATM machines as much as, say, the Californians and the Floridians and the Arizonians -- I don't even know what you call somebody from Nevada -- flaky.

(General laughter.)

DR. GAINES: But I don't think it was as much on the home equity lending. We have no data that show that, Kent, because we've looked for it. And we've been asked that question before. This is generally -- what happened was, we started losing jobs and people go real nervous about their jobs and just simply stopped spending money. That was the major impact.

And also, you couldn't get credit for things for a while. Remember the automobile sales fell off the table. In fact, you could do a pretty good argument, automobile sales has been as much a leading indicator and leader in this recession as the housing, and that was the reason we had the cash for clunkers and all that kind of stuff, and zero percent financing. So there was probably some of that, but in Texas I don't think -- we can't -- we haven't seen any direct evidence that that was a major effect.

All right. Here's the cock-eyed housing market. And, no, those of you in the audience, that was not designed by an Aggie engineer --

(General laughter.)

DR. GAINES: -- but that is a real house. It's in Poland. I just thought it looked appropriate for the topic of the day in terms of its -- current issues. The tax credit impact. I get asked this question I can't tell you how many times. You know, was it a big impact, was it not a big impact. Well, it some areas it really was, but across the board generally, it wasn't as big an impact as they hoped it would be.

I'm guessing it might have been 10 to 20 percent, but later data, data I'm getting -- I just saw it yesterday when I did have to go back to College Station, maybe the impact wasn't even as big as they were -- we were thinking in the beginning, although our June sales were up.

Lower demand, lower demand because people aren't working, lower demand because they don't have credit --

(Phone ringing.)

DR. GAINES: I hate to admit it, but that may be me. I forgot I even had it.

Foreclosures and home builder concessions are depressing home prices. Those things are still not letting our home prices go -- and foreclosures are still going to be a problem. We'll talk about that. Appraisals are a major issue, but that's -- it's also -- it's both a how do you appraise it, what's it worth, as well as administrative.

Lenders are making mortgages difficult, ADC financing has dried up, that's the acquisition, development, construction for creating new lots and land development for the future. And we have the lowest mortgage rates in 50 years and we're not having a housing boom. You know, we got 4-1/2 percent to 3-1/2 percent mortgages and nobody's buying a house. I mean it's really nuts.

But affordability has become the operative word. Here's what happened with household equity in the United States. It went from $13 trillion to $6 trillion. We lost 53 percent in less than a year, in about -- well, actually in about four years of home equity.

Now, the big problem was, as this equity was inflating, and that was the price bubble effect, people were borrowing against it and now they owe more than what the property worth as the equity and the values have come down. That's the reason why as much as 25 to 30 percent of the homeowners in the United States right now are upside down on their mortgages for that effect.

Home ownership rate is coming down. This was the subprime mortgage and all the low interest rate and the funny money that was available that increased home ownership from 64 percent to 69 percent. It's down now to about 67 percent. Best guess, probably stabilize somewhere around 66, so we're going to have about two-thirds/one-third own/rent. And it looks like it's doing that.

There have been a lot of articles that were pointed out Monday and Tuesday about renting being up. First time home buyers, the tax credit did get first time buyers out. People who had not been owners for at least the prior two years increased to 47 percent. That will probably fall off considerably now without the tax credit and with tighter mortgages.

Delinquency rates on mortgages is still way up. The real ones to be concerned with is this prime mortgage. I mean when it normally is around 2 percent and now it's up over 7 or 7 to 7-1/2. That is a major concern when the prime mortgages, those are the good mortgages, you know, when those start being delinquent and going into default we've got a real problem.

Monthly foreclosure filings, they're ragged, but you can see the general upward trend, and that's still continuing. These downward things -- there's a little bit of seasonality and cyclicality to foreclosures. This is from that Realty Track.

There are no official foreclosure data, before everybody calls me -- I get calls every week -- there are no official foreclosure data anywhere in the United States by anybody. The Mortgage Bankers Association, which was that prior slide, and Realty Track and other companies like them who are basically foreclosure listing companies, offer some data, but that's it. There is no official data on foreclosures.

But anyway, that's what the numbers look like. These were some of the government programs, the HAMP, the HARP, the HUMP, the HOPE, the -- I don't know, the HAFA, they've got a whole bunch of them that came out. But what happened, it's real simple, you know, most of -- the economics is just taking common sense and making it unintelligible.

(General laughter.)

DR. GAINES: If the unemployment rate goes up, people lose their -- as people lose their jobs, they tend to lose their houses. And so foreclosures go up as that unemployment rate goes up. And if the unemployment rate stays up here in this vicinity, we're going to continue to see the mortgage foreclosures. The HAMP, the refinances, the home modification -- loan modifications, they're running a 60 percent re-default rate right now. So even those have not worked out very well.

Households are not being formed. Ten percent of the adults under 35 have moved in with their parents. That's the reason the murder rate is up.

(General laughter.)

DR. GAINES: Another 12 percent took on a roommate, 15 percent have postponed marriage, 14 percent -- what it means is lower household formation. People are moving and going more together than separating. I mean like kids coming out of college normally went out and rented an apartment. That was the first thing you really wanted to do if you were a kid. In fact, you probably did it while you were in college. Now, if you don't have a job and you don't have the money, you move in with mom and dad and let them pay the price.

Here's what a housing price bubble looks like. This is when home prices went way up off of trend. These were the actual monthly reported median prices by NAR, and I've superimposed on here a 12-month moving average which gets rid of some of the sawtooth look, which is the normal up in the summer, down in the winter, up in the summer, down in the winter.

And you can see if we are going to revert back to our long term trend line, if we're going to go back to this, we've got a ways to go to get median prices. And right now the worrisome part is this has taken another little bit of a dip down on the 12-month average.

Now I understand you can see the up here and the up here, but we're now heading into the down part of the season of the market. In fact, in Texas we think we may have already peaked. Normally we don't peak until July or August, or June, sometime June, July or August. But we think April, May or June probably was the peak for this year for the sales cycle.

New home prices have done the same thing. New home prices went way up, have come down, and now you can see how they are falling, and falling considerably. Home builders are having trouble selling the price homes that they did back a few years ago during the peak.

The affordability index has reached new highs. This is the National Association of Realtors Affordability Index. It actually went down below zero -- or below 100. In other words, the median family income would not buy the median priced home in the United States. When that's less than 100, that's what that means. If it's more than 100, it's the percent above median -- the required income to buy the median priced home.

So when it's up near 170, 180 percent, 160 percent, that is very high. That's actually where Texas generally is. The United States as a country has very seldom gotten to those kind of -- you know, these were highs before, back in the 140s.

First time buyer -- home -- index, these are people buying a home for the first time and have required income, this is also by the NAR, you can see it had a little bit of a drop off. But it is also now very high. But in years back it was down way below 100. That was the reason first time home buyers, the lower income or people who didn't have the equity, didn't have the credit capacity, had trouble buying a home.

This one's a little busy, but you all remember being told you could buy a home for two and a half, three times your income? Well, this is what happened. For new homes we got up to 5, over 5.8, nearly 5 for existing. You can see Texas stayed pretty much around 3 or less than 3, a little bit better, 3.2. But you can see the fall off as we're coming back down.

There were areas in California, there were communities in California where to buy a home you -- the pricing was such that you were paying 13 times your income. Try to imagine paying 13 times your income for a home. Well, the only way you could do it was to get the funny money, the exotic, the erotic financing, the option arms, the Alt-A, the liar loans with a piggyback second, with a piggyback third, they were getting home equity loans up to 125 percent, those kinds of things. And it was the only game in town, it was the only way you could do it.

New and existing homes, you can see there was the tax credit impact last fall, fell off during the winter, came back up this spring with the credit, but look, it's already turned back over. So the tax credit the second time around didn't have as much help. It helped the home builders a little bit, but the home builders have gone from selling about 1.1, 1.2 million houses a year, to down around 350,000. And that is a humongous drop off for the home building industry.

The months' inventory peaked at more than a year for new homes, almost a year for existing homes. It's been trending down, bouncing around, it's bounced back up a little bit here lately, but it's trying to come back down. Normal here is about six months for that orange line, and probably something closer to about four months for the yellow line. So that tells you how much it's still over what you might call a normal balanced market.

Annual new home sales, we've had these kinds of effects before where new home sales have declined anywhere from a quarter to a third to a half. This time though we're down 71 percent, and that is the market that the home building industry is facing right now with a decline in their demand or in their sales volume of nearly 70 percent.

The National Association of Home Builders Home Market Index -- I couldn't get all that out there so it's a lot of acronyms -- and housing -- the index, which is the white line, this is like a consumer -- this is -- they surveyed the home builders around the country and say, Are things good, or Do you think things are going to be better, and if more than half of them say, yes, then it's above 50, and it's the percent that respond, you know, favorably. Well, it's down here in the teens. You know, they got real excited when it got up to 20. And it needs to be up here in the areas of 70, 65-70 percent.

And here's home starts, the green line, and the point of this is this index typically leads which way these starts are going to. And if the index is now coming back down, we expect the starts to come back along with it. The home builders simply are losing confidence and are not optimistic about what's going on in their markets.

Here's an interesting one for affordable housing people, and that is the number of housing units reported by the government to be vacant, unoccupied, not being offered for sale, not being offered for rent, they're just there. And you can see how that has increased.

Now this is the so-called shadow inventory. It's been estimated that's really closer to nine million, if we start including a lot of REO being held by banks, or that could be held by banks, and other types of inventory that's out there. A lot of that though ignores the habitability of some of those structures. I mean some of them have been pretty well run down, or it may not be effective housing units anymore.

Has the housing market bottomed? I get that asked that all the time. And the definitive answer is maybe. We think it might, but quite frankly we thought it might have bottomed last year, and it didn't, or at least this year wasn't nearly -- it wasn't quite as good as last year, so it could be that that's where we are. Defaults and foreclosures are still high. The health, really, of the housing market nationally and in Texas, really now depends on the general economic recovery. And general economic recovery can't look to housing to help it. That was that chicken rigged that I was talking about a little while ago.

Texas, I did some arithmetic for you, and I made some assumptions. With a 15 percent down payment, if property taxes are 3 percent of the property value, if utilities cost -- electric, gas, water cost 2 percent a year, and home insurance -- you know, it used to PITI, well, now it's -- that was pity, now it's pitooy, PITUI, you've got to include utilities, because everybody's got to pay for electricity, gas, water, and probably telecom.

But anyway, I put those in there with a 30 percent qualifying ratio, in other words the mortgage payment being no more than 30 percent, just the mortgage payment -- I'm sorry, the total housing payment -- that's the reason I had those other things -- being 30 percent, and at 5 percent interest, 28 percent of the households in Texas, that's 2,400,000 households, cannot afford to buy a home greater than $75,000 in value. Nineteen percent cannot afford to pay more than 125, can pay between 75 to 125.

The orange bars represent the census's count of the number of owner-occupied housing units in these different price levels. So in other words, roughly about half of the households in Texas who can afford a home less than 75, about half of them own a home worth less than 75,000.

Now here's what's going to happen though, as the interest rate goes to 6 percent in the future, that ratio goes to 30 percent under 75, and 20 percent. So in other words, at a 6 percent interest rate, 50 percent of the households in Texas cannot afford to buy a home worth more than $125,000. And at 7 percent it becomes 53 percent, and of course it keeps going up.

Now you can argue about the down payments, assumptions, and all that, but that's just the way the arithmetic worked. And I thought that was kind of interesting to watch how that proportionality changed, of how much housing is affordable by income level of households in Texas.

Our price to median household income, there's the US, here's what -- Austin and San Antonio are now running right about the US. Dallas and Houston are actually quite substantially below that. They're running now at about 2.4, 2.5 percent of income, which is kind of the norm that one would expect. That's one reason Houston and Dallas, and Texas across the board is such an attractive state. We are a very -- we are the most housing affordable, high growth state in the union. There are a couple of other states, North Dakota, Idaho, but who the hell wants to go there.

(General laughter.)

DR. GAINES: So, but of the high growth states, where people want to be, it's the most housing affordable.

Annual Texas home sales, I'm predicting that

2010 is going to look pretty much like 2009, it's going to be down a little bit, but what it really means is, we're back to levels that are comparable to where we were in about 2001, 2002. In other words, it's sort of the lost decade. We had the bubble, we had sales bubble, we're back to where it was.

On home sales on a moving average, if you take a 12-month moving average -- and again, if we're going to move back toward norm, we've got a long way to go to overcome our sales bubble, our inventory of homes for sale. We're beginning to get a little concerned. It's up about 7.4 or 7.5 at this point. I generally don't get real concerned until it's over 8. The red line is 6-1/2, that's my benchmark. If you're above that, you're a little oversupplied, if you're below it -- and you can see we've had a good period here, a good run for the last 10 years or better where we got a little bit of excess inventory beginning to build up.

Median home prices, this has been the best news for Texas, our median homes prices have held up, very slight downward, less than half of a percent each year. 2010 is going to look about the same, it's going to average out in here.

But what it's coming back to is about -- we may be coming back to what prices were in 2006. So in other words, the expectations have changed. If you bought a home in 2006, you probably haven't made any profit on it. You haven't made any increase in value on the home at all.

Median home price, if we again look at 12-month moving average and look at a trend line, this gets rid of some of the seasonality on the prices. We're running a little bit -- we're running about 7 percent below trend. You can see we're never really right on trend, but this has been a fairly significant drop off from trend, more than what happened back in early '90s, and even since then we've been able to keep going on.

Single-family building permits have fallen off a cliff, in parallel, very similar to the 1980s. Now in the 1983 to '88 time period, Texas had a depression, and we had double digit unemployment, approaching 17, 18 percent unemployment. We had home prices, home values that collapsed. You could buy homes in Houston, I know, that had been 100-, 125-, $150,000 houses, you could buy them for $25,000 or less, at RTC, and even just before RTC. Apartments were being sold for, what, 2- or $3,000 a unit at one time.

That was severe, but that was what happened in the '80s. And the percentage drop here that we're experiencing right now is right along with it. We dropped about 35 percent off of peak, fell about two-thirds, we're down about the same amount.

Multifamily construction. If you want to see what a boom really looks like, that's what a boom looks like. That was just before the bust in the '80s. That was apartment -- that's based on building permits in the state. 2009 is the lowest building permits that we've had since 1993, and 2010 will be lower than that.

The multifamily market has pretty much fallen off a cliff. Part of the reason is, again, the credit crunch. Developers in the audience can tell you, it's very tough to go get money. Very tough to get debt financing for a multifamily project, despite the fact that actually the markets are not doing too badly in Texas in terms of rents and -- I'll show you in a second here, in fact, I'm going to show you right now.

Austin, Dallas, Houston, San Antonio, this is data we get at the Center from O'Connor, and they do consistent measurements. The occupancy rate are the bars, the rent rate is the yellow line in each case. And you can see that the rents all -- in all cases went through a grow period, then either fell off or went flat, except in

San Antonio. They have maintained reasonably well, although they've gone flat the last three or four quarters. Houston has gone flat about the last three.

All of the markets had a fall off in occupancy rate from about 2007, 2008 forward. Some of that was because the single-family market was so attractive, and the first time buyers were going out and buying homes and leaving the apartments. So there was a certain amount of fall off there.

The class B market is the same. The class B markets -- the reason I'm showing you that is, according to O'Connor, who collects this data, that's where they include their tax credit deals and their affordable housing projects. It's not -- that's not the only thing that's in here, but that, according to them, is a major component of their class B data.

And so this is what they are reporting. You can see again in Austin, sort of the roller coaster ride with rents, occupancy rates going down. Now you'll notice that in all cases the occupancy rates the last couple of quarters are beginning to show an up tick. They're beginning to come back up. Rents are flat to down slightly, and so it's kind of an interesting market in there of how that's all working out.

Construction, completions are the yellow lines, the absorption are the orange lines, and you can see how we went through a period, particularly in Dallas, particularly in San Antonio where construction was rapidly outpacing absorption, building more units than we're getting absorbed. Now this is total units. You can break it down by class and other types of things as well.

It's kind of an interesting -- even several years of negative absorption. Houston, of course that was the Katrina effect on absorption back in 2005. And you can see what happened when they all went back to Louisiana or wherever else they went.

Class B again, here's this -- that particular segment of the market, if you will. You can see what absorption has been, particularly in Austin it was very high, got a little of construction, went down, came back up. Year to date is going pretty strong, and there's not as much being built. Very much similar in Houston. San Antonio very little getting built and a lot of this other supply that got built the last couple of years is now getting absorbed, so we'll expect to see rents -- some upward pressure on some of those rents here, probably toward the end of the year.

We are poised -- I'm going to wrap it up, I know we're about out of time -- there's the demographics, we are poised for a boom. Texas is growing. We're growing real fast for a number of reasons, as you can see. In the period of time from 2000-2009, the first decade of the new millennium -- I love using that -- we've gained almost four million people. California -- these are the only states that gained a million incidentally, this is it.

You can see by form we've gained almost a million, almost 900,000 from domestic. California, most of its growth is natural, that's the births over deaths. You can see what's happening in California. People are getting out, they're going, and a lot of them are part of that number, they're coming to Texas very rapidly.

You'll notice all of these states are in the sunshine. Florida is still a high -- is the number one state for retirees. Texas has become the number two state incidentally, for retirement relocation. Arizona is third. So it's kind of -- now, Californians are still fairly fertile, so they're growing pretty fast.

(General laughter.)

DR. GAINES: We have the Texas urban triangle, that's the Dallas/Ft. Worth metroplex, 45 down to Houston, 10 over to San Antonio, 35 linking that corridor, creates the urban triangle. You can see God's country right there in the middle, that's College Station/Bryan.

(General laughter.)

DR. GAINES: In 2007 there were about 15 -- a little over 15 million people that lived in these red areas. The red areas are the metropolitan statistical areas. These are towns of 50,000 or more, generally with the county, so there are 15 million people. By 2040 that's expected to be nearly 34 million people.

Texas is projected to grow from a current population of a little less than 25 million, right at about 25 million -- these are old projections, this is from the state's demographers office, we are already way ahead for the blue one, so forget the yellow or green, we're going to be somewhere closer to 40 million. This is by 2030, so from 2005 to 2030 we're going to gain somewhere between nine and 18 million.

If you average that, it's about 14 million people in round numbers, 13.9, 14 million more people in the 25-year period from 2005 to 2030, and we're already five years into that. Now that 14 million people -- to give it some perspective, here's what we're looking at. We're looking at adding another 12 county Dallas/Ft. Worth metroplex, plus another 10 county metropolitan Houston, plus another eight county San Antonio with enough people left over to create another Corpus Christi. That's how many people are coming in that 25-year period.

Incidentally, 14 million people, that's 13.6 million cars and trucks. We run about .9 to 1 ratio.

Austin, about 1.4 -- it's projected to grow to somewhere between three and three and a half million people. Here's Lake Travis today, for example. By 2050 --

(General laughter.)

DR. GAINES: -- it'll look something like that. Houston is projected to add somewhere between -- to go from just shy of six million to somewhere between nine and a half to ten million. Dallas/Ft. Worth is projected to go from about six and a half million to nearly 12-1/2 million. The projections are that Dallas/Ft. Worth probably during that time period may surpass Chicago and become third largest.

San Antonio projected another -- at least another million, to go from two to almost three million people. Here's the big one though for Texas, here's our big one -- this is my last slide, Kent, so I will leave alone. Look at this. This is -- each one of these bars is one age group, it's zero, one, two, three, four, five, so on out to 85-plus. And the reason -- these are all to the same scale, and the reason the scale is so large is because of that 85-plus. We are living to be older people. The baby boomers, of course, are coming through, and by then we're the really old farts out here.

(General laughter.)

DR. GAINES: So, but the group to pay attention to is this group right here in 2010, which is the year we're in, that's the zero to 10 year olds. This is not theory. Those folks are already alive. Those kids are alive, they're here. Zero to 10, and look how big that group gets by 2020, now they're zero to 20 years old. And by 2030 they're zero to 30 years old. That is a bigger age cohort coming through our population, our demographics than the boomers. Much larger number of people, much greater number of people.

We've got to house them, we've got to recreate them, we've got school them, we've got to prison them, we've got to all of the things and provide all of the public services to a very large group -- number of people. And whatever we do with that group is going to determine the future of Texas.

With that, I appreciate very much you having me, and I thank you very much.

(General applause and talking.)

MR. GERBER: At the Chairman's direction, the meeting of the TDHCA Board will reconvene at 1:15. The Board will begin its executive session today, July 29, 2010, at roughly 12:25 p.m. The subject matter of this executive session deliberations is as follows:

1) The Board may go into Executive Session pursuant to Texas Government Code 551 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee;

2) Pursuant to Texas Government Code, Section 2306, to meet with the internal auditor to discussion issues related to fraud, waste, and abuse;

3) Pursuant to Texas Government Code, Section 551, to seek the advice of its attorney about pending or contemplated litigation or a settlement offer, including: a) *The Inclusive Communities Project v TDHCA* filed in federal district court;

4) Pursuant to Texas Government Code 551, for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar clearly conflicts

with Texas Government Code, Chapter 551; or

5) Pursuant to Texas Government Code 551, to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person.

(Whereupon, at 12:25 p.m., the meeting adjourned, to reconvene later this same day, Thursday, July 29, 2010.)

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

(Time Noted: 1:20 p.m.)

MR. CONINE: Back in session.

Mike, read that.

MR. GERBER: Mr. Chairman, the Board has completed its executive session of the Texas Department of Housing and Community Affairs governing board on July 29, 2010 at 1:20 p.m. I don't believe there's any follow up action --

MR. CONINE: Okay.

MR. GERBER: -- to be taken -- directions taken.

MR. CONINE: All right. We're going back to Item 4(a). Robbye, Tom, Mike?

MR. GERBER: Mr. Chairman, Item 4(a) is a presentation, discussion and possible approval of Housing Tax Credits amendments. The first is Number 07306, Zion Village. The owner is seeking approval for a significant decrease of 7200 square feet in the net rentable area. This is a 16 percent reduction in the net rentable area. The owner states that the mistake was made because the architect included the area of each unit's patio or balcony and that the enclosed area -- in the enclosed area in the unit's entry.

Department guidelines do not count these spaces as net rentable area, and even if the correct square footage had been calculated and provided at application by the applicant, the actual completed square footage for the property is now still 5.3 percent smaller. This constitutes a material difference by statute and must be presented to this Board.

The owner's description of the difference between the area stated in the application and the cost certification is attributable to entryways from interior corridors, interior walls and minor adjustments in the site plan. This conflicts with the architect's statements that the difference is due to compliance with site setbacks.

At no time prior to submission of the cost certification documentation did the owner inform the Department of the significant reduction in the net rentable area. The applicant has added significant and costly features to maintain, and even increase the costs associated with the development, and these changes include flat roofs rather than hip and gable pitched roofs, and the addition of granite counter tops throughout the development.

I believe there's some public comment to be heard on this appeal?

MR. CONINE: Yes.

MR. GERBER: And, Tom, is there anything you or Robbye would like to add before hearing that public comment?

(No audible response.)

MR. GERBER: Staff, I should mention before we get to public comment, is not recommending the approval of the amendment because the owner did not request prior approval to significantly reduce that net rentable area and has not made significant substitutions for the reduction -- sufficient substitutions for the reduction.

MR. CONINE: I have two witness affirmation forms on this particular agenda item.

John Shackleford.

MR. SHACKLEFORD: Mr. Chairman, members of the Board, and Mr. Gerber, appreciate you giving us an opportunity. The deviation is 5.3 percent, and that is a material deviation. You know, the QAP allows us to go to -- sets a 2.99 percent. Anything over 3 percent requires approval for the amendment.

In this instance we're talking about the difference to get to the -- 5.3 percent is 2,142 square feet. If we had deviated by the 2.99 percent, it would have been 1200 square feet, and we would have only been out by 942 square feet. So the way I sort of look at it is we're asking for you to approve the amendment despite the material deviation because the amount of square footage that's really at variance here is 942 square feet, and we felt like the additional amenities that were put into the project warrant approval. This is a first-time applicant, first-time architect, unfortunately. I think that was the greatest mistake that my client made, was using an architect, even though he's certified, he was capable of doing the job, did not understand.

Initially what he did was, the schematic drawings, he arbitrarily decided to use six-inch walls for his schematic drawings, then on the final construction drawings he used 11-1/2-inch walls, and that difference is what's caused there to be -- as you can see in his own letter, a 1500-square foot difference.

I got on the phone with him in preparation for the -- you know, responding to this agenda item, and he still doesn't understand why anybody would have an issue for the deviation. He doesn't understand why my client is even having to appeal this. He just thinks that's generally the way he does business. You just get close during schematic drawings and then when you have to really do the real thing, then he bears down and focuses and does what is required to actually be able to get a set of plans that you can construct from.

So unfortunately the architect did not help us out. And so I'm having to ask for your leniency and compassion in allowing these first time developers a little leeway in missing this thing like they did, over 942 square feet.

If we don't get the appeal granted, then obviously we won't get 8609s eventually, we don't get 8609s it puts us in default with our investor, and the owner could potentially lose the deal.

MR. CONINE: Any questions of the witness?

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: While you were standing, I was looking -- reading the write up on this, and I'm interested in the upgrades that were cited. And one of them -- well, several of time, one of them was the community garden with the irrigation, the enhanced landscaping, the washers and dryers in all units, that to me is very significant, and it's not often that we see all granite counter tops --

MR. SHACKLEFORD: Yes, ma'am.

MS. RAY: -- in an affordable housing development. The addition of the microwave ovens. It looks to me that the developer went to significant effort and expense to upgrade these apartments when we're talking about -- if we are, in fact, talking about the net difference of -- did you say --

MR. SHACKLEFORD: 942.

MS. RAY: -- 942 square feet.

MR. SHACKLEFORD: Mr. Jones is going to speak after me, and he was going to focus on the amenities and I'll let him do that, but that is our view. With the additional amounts that were put into the upgrades -- and I understand the basis for the rule, and I understand staff's position with it. You don't want somebody coming to the Board getting tax credits and saying the development's going to be one size then reducing it, and potentially having the developer put money in their pocket. And I understand. I think the rule's fair.

In this instance, the cost certification bears out that didn't happen. It's just an issue with the architect, it didn't work out, and they tried to do the best they could to work around it with the upgrades. And Mr. Jones can speak to that issue.

MR. CONINE: Tom Jones.

MS. RAY: Thank you.

MR. SHACKLEFORD: Thank you.

MR. CONINE: Thomas Jones.

MR. JONES: Yes, sir. Good afternoon, Mr. Chairman, and thank you for the opportunity to address the Board. My name is Thomas Jones, and I'm the development owner of Zion Village, a 50-unit senior housing developing in Houston's third ward, a community, by the way, in which I live.

I'm here to ask the Board to approve the request for an amendment to the application regarding the change in the net rentable area from what was incorrectly presented in the application. Our application did include balconies, as Mr. Shackleford just indicated in the net rentable area calculation, and was clearly depicted on the preliminary drawings that were submitted. In addition, we've submitted the architect's letter explaining the roughly 5 percent error from what was shown in the original application.

Zion Village is built -- as built represents the maximum, really, square footage that we could have built on the site, which is only roughly .89 acres. The decrease in area was not intentional, and, in fact, was not known by me personally until we got to the cost certification process.

As the developer, we did everything to ensure that Zion Village was a quality development that residents in the community would be proud of. The product is 100 percent leased, has a long waiting list. We restricted our rents to 30 to 50 percent AMI because we wanted to serve residents in that community, or seniors in that community which so desperately needed quality housing.

Our residents are pleased with the development, and we wanted to build the best product we could build. John mentioned some of the amenities. We added a number of them that were not in -- not originally planned. The washers and dryers that you mentioned, the granite counter tops, the microwave ovens, tile flooring, and we did some stained concrete on the second and third floors.

The thing that we're most proud of, quite frankly, is we worked very hard with one of our local representatives to work out an agreement with TxDOT to secure a land use agreement for a tract of land that's right adjacent to the property for a community garden. And I will tell you that that garden is full, bursting with vegetables with all the rain that we've had here lately. At our cost. We provided the landscaping, the irrigation system, and the paving for that area that the residents indeed use every day.

As John indicated, Mr. Shackleford indicated, this was our first tax credit development, and perhaps we could have more to monitor and certainly follow up with the architect, but we relied on his expertise to accurately reflect the square footage and not deviate from the preliminary plans, especially without bringing that to our attention.

We ask that you accept this as an unintentional error and approve the request for amendment. I can assure you, Mr. Chair, that there was certainly no malice, forethought, or attempt to mislead or deceive the Agency or the tax credit program. Thank you very much.

MR. CONINE: Thank you.

Any questions of the witness?

MR. GERBER: Mr. Chairman.

MR. GERBER: Mr. Gerber?

MR. GERBER: I would just interject that we certainly are aware of the property, and we agree with Mr. Jones that it's an attractive property and is and will serve seniors well.

Obviously this Board has indicated clearly to staff, is wanting to make sure that we enforce rules to make sure that what people represent to us is going to be built, gets built, and understandings the realities of real estate, there have to be sometimes substitutions or changes, you know, that occur, and we very much want to be a part of that.

But what I wanted to is go on the record that Mr. Jones has been -- this development team has been working well with us in recent months to try to address issues and to ensure that the property really does meet the intent of the program.

MR. CONINE: Okay. Any other questions, discussion?

(No response.)

MR. CONINE: I'll entertain --

MR. JONES: Thank you.

MR. CONINE: -- a motion.

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: I move to approve the amendment as requested.

MR. CONINE: Motion to approve by Ms. Ray. Do I hear a second?

DR. MUÑOZ: Second.

MR. CONINE: Second my Dr. Muñoz. 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: Motion carries.

MR. GERBER: Mr. Chairman and Board members, the second agenda item is Garden of Tomball. The owner is requesting a reduction in the number of tax credits units from 210 to 189. The owner also requests to revise the parking facilities and clarify the number of buildings.

The owner states that the 21 market rate units that would be created are necessary because there is insufficient current demand for tax credit units, and because the reduction in restriction would allow additional permanent to loan debt capacity. The owner indicated that without the units, the tax credits cannot be delivered to the limited partner in time to avoid a penalty that would make the development infeasible.

Staff is not recommending approval -- does recommend the approval to parking space request, and the clarifications regarding garages and carports. But, in accordance with Section 50 of the QAP and with our governing statute, staff is not recommending the reduction in the number of restricted units for this development.

MR. CONINE: Okay. A couple of witness affirmation forms on this one.

Kenneth Fambro.

MS. JACKSON: Mr. Chair, may I go first, please?

MR. CONINE: Sure. Toni Jackson.

MS. JACKSON: Thank you. Good afternoon, Board members. This application was a 4 percent transaction, and had a tier 3 allocation. And what this means for this transaction is that there was not a requirement for a certain number of tax credit units in this deal.

At the time the transaction was submitted, our market study showed that there was a need for all of the affordable units, and we had the intentions of doing 100 percent units. However, due to a number of delays, primarily those delays that were created by requirements by the city of Tomball, we were unable to find the market once the property was finalized and receive those -- and get those persons in the units.

The city of Tomball required us to build four box culverts and this site currently handles all for the drainage for the entire city. We have worked closely with the city and have been very cooperative with the city, as well as even working with the staff through this amendment. However, we've been unable to accomplish some of the items that we did submit as it relates to our 100 percent tax credits.

The concern that we currently have is because we were trying to get our property leased up for the purpose of conversion to permanent, we actually currently have 16 persons at market rate rents in this property. As you know, this is an amendment that was submitted to the staff back in November, and we have been working closely with the staff to try to mitigate this situation. We've also been working closely with our lender, as well as our investor and are unable to convert this property until this matter is resolved with the Agency.

We, you know -- again, the delays were caused primarily by the changes that the city of Tomball required, as well as some rain delays, but we are only requesting 21 units to be converted to market as opposed to having 100 percent of affordable units. Although we, again, had anticipated and our market study showed the need, we -- that market has not been there. And so therefore our request for the 21 units remains.

MR. CONINE: Okay. Any questions of the

witness?

(No response.)

MS. JACKSON: Thank you.

MR. CONINE: Mr. Fambro.

MR. FAMBRO: Mr. Chairman, members of the Board. I just wanted to just reiterate a couple of points that Toni wanted to -- that Toni brought to the standpoint. This deal was really kind of a perfect storm as far as sources and uses and coming out of the ground, and when we were actually building the deal.

We received our 4 percent allocation, our commitment notice, in August of 2006, and if anyone remembers, in 2006 in Houston is when we were -- we had -- I guess it had rained non-stop for 60 days straight. It would stop for a little bit and then it would rain again. So we had a very difficult time coming out of the ground at all. We were stuck in the excavation phase on this development.

Not to mention we had full building permits as required by our lenders to close the transactions, but unforeseen events by the city of Tomball made us go back and revise all of our drainage, all of city infrastructure from a civil engineering standpoint, where right now we have regional detention drainage pond adjacent to the site. We had to go and acquire separate land just to facilitate all of this, which obviously delayed the development.

Interesting to point out, we closed in August of 2007 -- I'm sorry, August of 2006. Our first draw didn't occur until March of 2007 for this development. Extremely delay for every deal. We had our first occupancy NCOs in July of 2008, and our final develop CO in December of 2008.

I know this, taking tax credit units out of the pool is not something that this Board wants to see. We understand that. We have other developments and we don't want that either. But in this particular instance -- Tomball is a very unique city. The depth of the tax credit units, this is a 210-unit development, just was not there. And what we are finding out right now is that there is a need or something, given the level of incomes in Tomball, to have a mixed income property.

We have tried various tacks to go back and facilitate the gap in the financing we initially we had, $1.2 million worth of HOME funds from Harris County. We went back and got an additional $500,000 worth of HOME funds, gave additional HOME units, so we're up to 44 HOME units, which is obviously more, and giving up more from an

AMI standpoint than what we originally have in our -- so our level of affordability from a unit standpoint is greater than what was in our previous application.

We, as the developers and general partners, we've put over $2.1 million into this deal to date, from cost over runs, from upgrades from what we initially had, to once we ran out of budget from sources and uses, we began to make GP contributions.

So we've tried, and now we had to put this amendment forth so that we can keep the development affordable. Thank you.

MR. CONINE: This project's trying to convert to permanent right now. Is that what the issues is?

MR. FAMBRO: Yes. We've extended out to try to get this resolved. We're on our third and final extension with Fannie Mae, and no more will be granted on this one.

MR. CONINE: Okay. Thank you.

Where's Tom? Tom, my assumption -- this is a 4 percent deal --

MR. GOURIS: It is a 4 percent deal.

MR. CONINE: -- so my assumption is credits would drop down commensurate with going from 210 to 189. Is that correct?

MR. GOURIS: There would be a proportionate adjustment to the eligible cost, whether credits are changed or not. It would depend on how much extra cost they had.

MR. CONINE: And do you know from an underwriting standpoint whether that creates any issues of financial feasibility?

MR. GOURIS: No.

MR. CONINE: I mean, I guess not, because he's got his -- his loan's ready to convert.

MR. GOURIS: Right. We actually -- there's an underwriting report addendum addressing this.

MR. CONINE: Okay.

MR. GOURIS: Because of the increase --

MR. CONINE: He's pointing out that I didn't read it. But go ahead.

MR. GOURIS: I'm sorry.

(General laughter.)

MR. GOURIS: Amongst all the things that you had, it was hidden away.

But what I was going to say about the report was that it reflects that, I believe -- and Brent can come up and talk to this too -- I believe that today, either way, with or without the change, that the transaction would meet our criteria for feasibility. I meets it closer with the change than without the change.

MR. CONINE: Right. Okay.

Ms. Ray, did you have a question?

MS. RAY: No.

MR. CONINE: Okay. Any other questions of either staff or anybody?

DR. MUÑOZ: You said it meets it closer with --

MR. GOURIS: Right.

DR. MUÑOZ: -- the change?

MR. GOURIS: "Meet" is the wrong word. It gets closer to that -- our feasibility box than -- with the change than without the change.

DR. MUÑOZ: Then why would staff's recommendation be -- was to approve the garages but not the change in the units?

MR. GOURIS: The changes in the reduced units are a material -- it's a material representation, and staff is woe to recommend material changes to the original application.

MR. CONINE: They don't get to do that. You get to do that.

MR. GOURIS: Yes. We try to give you all the information so that you can make that determination.

MR. GERBER: And we fundamentally don't want to lose low income units.

MR. CONINE: Right.

MR. GOURIS: That's correct.

MR. CONINE: Right.

MR. GERBER: And if we do, we're going to ask lots of questions as to why, and in this case though, our evaluation bears out that meeting our internal view of feasible project, these changes make sense for the developer. We wish we weren't losing these units -- if the changes are to be made, they have to be made by the Board.

MR. CONINE: In the 4 percent world is a little different than a 9 percent world too. I mean it's -- they always cost certify it and adjust the credits at the end on the 4 percent deal anyway, so. But it's a little less, you know --

MR. GOURIS: But like the last transaction, staff is always more willing, and I think the Board has expressed interest in knowing about these changes before they occur --

MR. CONINE: Right.

MR. GOURIS: -- you know, and that kind of is a tipping point for staff's, you know, recommendation on whether we recommend affirmatively or not to recommend something affirmative. If it's material change and they had no notice of it prior to, then making that change and there's nothing we can do about it, you know, there's not really a question for our recommendation, it's either we're going to accept it or not accept it, but we don't have the authority to accept it.

MR. KEIG: I'd like to go back to the recommendation. I mean we get these recommendations from staff and we try to look at everything and then make our own decision, but if it's going to get closer feasibility for instance, is what we're hearing now verbally, but we've got it in writing that you do not recommend reduction. Which is it? Are you changing your recommendation --

MR. GOURIS: No, sir.

MR. KEIG: -- or does the recommendation stay the same? I understand it's still our decision, but we're looking for what staff's recommendation is.

MR. GOURIS: This one is particularly difficult for us because it is a 4 percent transaction, a bond transaction that an issuer could come -- that in other states and other places they could come in for the credits after the thing's all done. And so there's a perception in the industry I think that there's a lot more fluidity to bond transactions and 4 percent transactions.

That being said, our recommendation stands. It's a material change, just like it was with the first one, and we aren't -- we don't have the -- we don't believe we have the authority to make a recommendation for you to accept that change.

MR. KEIG: Okay. Well, if you don't have authority to make a recommendation, then let's put a recommendation in there in the future then. Say we are not taking a position --

MR. GOURIS: Okay.

MR. KEIG: -- something like that.

MR. GOURIS: Okay.

MR. KEIG: Thanks.

MR. CONINE: Any other discussion?

MR. GERBER: But the deal does, in your opinion, in the underwriting sense of skill, work --

MR. GOURIS: In fact --

MR. GERBER: -- without --

MR. GOURIS: -- I'll let Brent come up --

MR. GERBER: -- without this change.

MR. GOURIS: To the extent that they continue to put funds into the transaction I think would be the answer there.

MR. CONINE: But you can't lose sight of the collateral damage if he's in default and he can't convert into a permanent loan. I mean that's the greater issue here in my mind. My goodness, I mean, we'd lose the whole place. If the bank would foreclose on it, we wouldn't have any affordable housing units there would be the alternative.

So you go -- that's why the Board gets to make those sorts of decisions is they -- the Board could see past the, you know, words written on a piece of paper and understand what the collateral damage really might be.

Any other questions?

(No response.)

MR. CONINE: I'd entertain a motion.

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: I move to approve the amendment.

MR. CONINE: Motion to approve the amendment by Ms. Ray. Do I hear a second?

MS. BINGHAM-ESCAREÑO: Second.

MR. CONINE: Second by Ms. Bingham. 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: Motion carries.

MR. GERBER: Mr. Chairman and Board members, Item 4(b) is a presentation and discussion of the status of applications that were awarded Housing Tax Credit exchange funds. Staff is very pleased to report that 70 of the 87 awards have closed. The remaining 17 owners have specific issues that have caused or may cause their developments to be further delayed and need additional to close on those transactions.

Although staff has worked diligently with ever applicant to close in July, there are a few applicants that were not able to make the July 28 deadline. Staff will continue to close these transactions, which the Board has already awarded, through the month of August and will ask the Board to ratify the extensions of the closing date at the September Board meeting.

There are nine USDA transactions that are remaining to the be closed. Staff has been advised that the USDA state office is anticipating approval from USDA's national office soon, but that these will likely not close until August at the soonest. There is also one application, Abilene Senior, that received an exchange award in early -- in March, and therefore should have additional time to close.

Staff will continue to report the status of the exchange program applications to the Board on a monthly basis, and advise you of any issues that need a resolution. And, once again, we will continue to close transactions that the Board has already awarded through the month of August, and, again, we'll come back to you in September asking you to ratify those extensions at that meeting.

There's a list in your board materials that lists the applicants that may potentially have some penalty points assessed, and we'll obviously work through some of those issues again in September.

Moving on to -- anything, Tim, that you'd want to add or --

MR. CONINE: Any questions of the -- of Mike on 4(b)?

(No response.)

MR. CONINE: Moving on to 4(c).

MR. GERBER: I really want to commend the staff, and the development community as well. It's been hard, a hard slog for each one of these deals, and I appreciate them working through those issues.

Item 4(c). Tom and Robbye, why don't you all present that one.

MS. MEYER: Good afternoon. Robbye Meyer, the Director of Multifamily Finance.

MR. CONINE: Hello, Robbye.

(General laughter.)

MS. MEYER: Hello, Mr. Chairman.

MR. CONINE: We've been waiting for you all day.

(General laughter.)

MS. MEYER: I'm sure. Chairman Conine, and Board, we have 69 million -- well, actually -- let me -- if I could for just a second, I would like to recognize the multifamily staff. And I don't even know how many of them are here.

(General applause.)

MR. GERBER: Well, since we're doing that, we should probably acknowledge the REA staff as well, and we'll get everyone from the staff, from multifamily and REA, and I think some HOME folks have also been involved in this as well, we'll take the staff bow at the beginning of this.

(General applause.)

MR. GERBER: Very hard, very long hours. We appreciate their efforts culminating in this one moment. The spotlight's on you, Robbye.

(General laughter.)

MS. MEYER: They have been working through exchange and TCAP and this, so they --

MR. GERBER: But keep in mind there's a stack of public comment here, so you'll get the reviews --

MS. MEYER: Yes.

MR. GERBER: -- on how we did.

MS. MEYER: Yes.

(General laughter.)

MS. MEYER: I'm going to try to get through this real quick then. We have $69 million available in 2010 for you to allocate today; 4.5 million of that you've already allocated in forward commitments, and we have 113 active applications still pending for today, and they're requesting $143 million. Big decisions.

There are seven reports in your board materials. I apologize for that. There are two reports that you'll really pay attention to today, and that will be report 2A, which is your at-risk and USDA awarded and active applications, and that's going to be in your corrected materials, and I'm going to go through that in just a second.

And report 2B, and that's your regional awarded and active applications. These two reports were corrected from originally posted on -- from the original posting last Thursday on the 22nd. We posted those on Monday. And these reports include all of the active applications, the ones that we are recommending for award, and the waiting list to give you everything we'll have talked about today and what staff is recommending to you.

Before I go into detail, I want to explain the errors that were created, the cause for our reposting it. If you'll turn to page 15 of -- actually, page 3 of your report 2B, your regional log, and this is Region 3, we had three applications that were affected in this -- in Region 3.

Due to the appeals of July 8, one application, Evergreen at Richardson, there was a QCP, or quantifiable community participation, appeal that was granted and we awarded 12 additional points to that. However, staff made an error in calculating that. We added the 12 points, however, we forgot to remove the 6 points for points other than QCP. So therefore we had posted originally with 222 points, and when we subtracted the 6 points for points other than QCP, it brought the score down to 216.

The other one that was affected by score and a staff error was Terrell Homes. It had a similar effect. We had a QCP appeal on that that Mr. Gerber had granted earlier. We gave it the 12 points and we also failed to subtract 2 points for points other than QCP, and so it changed from 217 to 215.

The applications that were affected though were Terrell Homes, it dropped -- it was in the recommended list when we posted it, it's now not being recommended, it's on the waiting list. And Home Town at Garland was on the waiting list when we posted the original list and it's now on the recommended list.

On Region 6 there was -- I'm sorry.

DR. MUÑOZ: Where is Terrell Homes located?

MS. MEYER: Terrell Homes is -- this is -- all of these are on Region 3, on urban Region 3, on page 3.

MR. CONINE: 3 of 17.

DR. MUÑOZ: 3 and 14?

MS. RAY: 3 of 17.

MS. MEYER: It's Region 3, 2B, report 2B, and it's page 3 of 17.

MR. GERBER: Do you have the corrected version? Yes.

MS. MEYER: Okay. The other score that was posted incorrectly is in Region 6, and it's actually on page 9, and it was for Tarrington Court Apartments.

MS. RAY: What's the name of --

MS. MEYER: Tarrington Court. That was also a QCP appeal. We added the 12 points and we failed to take off the points other than QCP and it was 2 points. It should have been -- we posted at 207, it should have been 205. There was no correction to the list, but we did post the scores incorrectly.

MR. CONINE: Hang on, Robbye, I can't find this --

MS. MEYER: Sorry.

MR. CONINE: -- one either.

MS. MEYER: There's no impact to Region 6. Region 3 was the only --

MS. RAY: Mistakes.

MR. CONINE: I'm looking for it on my old list though. That's what -- that's where I'm having the problem, it's not on my old list.

MS. MEYER: On the one that was posted?

MR. CONINE: The one that was posted.

MS. MEYER: On your --

MR. CONINE: There it is on the previous page.

Okay. All right. Now it went from 207 to what?

MS. MEYER: 205.

MR. GOURIS: That's what's reflected in the corrected log.

MS. MEYER: In the corrected log. On 2B in your corrected log, 2A and 2B in your corrected log are --

MR. CONINE: Okay.

MS. MEYER: -- the two reports that you need --

MR. CONINE: Got it.

MS. MEYER: -- to pay attention today. Those are the corrections; those are the ones we're standing by.

MR. CONINE: Okay.

MS. MEYER: Now, let me get into our actual recommendations.

MR. CONINE: Rock and roll.

MS. MEYER: Okay. This year we did have an anomaly in our 26 subregions. Twelve of those subregions, when we went through the regional allocation formula to begin with, 12 of those subregions did not -- the first highest scoring application was requesting more than what was actually available in that subregion. So the first time we went through the regional allocation, 12 of those 26 subregions did not receive a recommendation.

Due to regional collapse, through rural and through statewide, we were able to recommend one for each one of those as it stands right now. So all of those did get reached.

MR. CONINE: All 12?

MS. MEYER: All 12, as the recommendations stand right now.

MR. CONINE: Okay.

MS. MEYER: So everybody is funded as the recommendations are.

MR. CONINE: I harken back to Mr Bowling's testimony earlier today that he had nine that were underfunded, and you're saying that all 12 got an extra.

MS. MEYER: Well, no, he's going --

MR. CONINE: I'm trying to reconcile the two.

MS. MEYER: -- he's going a little further than we did. Actually, Mr. Bowling and I talked about this at the TAAHP conference.

MR. CONINE: I'm sure you did.

(General laughter.)

MS. MEYER: We actually jibe with our numbers very similarly. But he goes further into the regional allocation formula than --

MR. GOURIS: What he's saying is that -- while our report says every region has gotten at least one transaction funded, that these regions are the most underfunded after they've gotten one funded, they still more funds than we can do the next -- or less funds than we can do the next deal. So that money's going to go to the statewide collapse.

MR. CONINE: Okay.

MR. GOURIS: So these are all statewide -- those are all statewide collapses. What he was trying to say was we need to follow the regional allocation formula to prioritize --

MR. CONINE: Before the collapse.

MR. GOURIS: -- those in that order.

MR. CONINE: Okay. All right. Continue.

MS. MEYER: As the recommendations stand right now, there's 353, approximately 353,000 available in the regional collapse and statewide, and there's a little over a million dollars left in Ike funding. Staff is not recommending doing anything with those right now because we still have underwriting that's left, still some underwriting reports, there's still a national pool available and we still have some TCAP deals that have not closed and we may have some available funds there. There's still uncertainty with exchange funds, and that may shift some allocation available. So staff is not making any additional recommendations for those available funds at this time.

Staff is recommending the list as it stands, our recommended list, and the waiting list as we presented it to you today.

MR. CONINE: Okay. Any questions of Robbye or Tom at this point in time?

(No response.)

MR. CONINE: I do have considerable public testimony. Let's start off with Noor Jooma.

MR. JOOMA: Good afternoon, Chairman Conine, Mr. Gerber.

MR. CONINE: How are you doing?

MR. JOOMA: Fantastic. And members of Board. My name is Noor Jooma, and I'm here to speak about 10033, Sulphur Springs.

As you heard from Bobby Bowling, Robbye Meyer, that Region 4 is the most underfunded region by almost 46 percent. Sulphur Springs in Region 4 was number one on his list, and also on mine.

(General laughter.)

MR. JOOMA: You also heard the positive comments and the words of support from Senator Deuell, Representative Homer, and the mayor of Sulphur Springs.

The city's 100 percent behind the development.

There is a waiting list of over 130 people in their Section 8 program, which comprises mostly of seniors. You heard their pleas of the need for affordable housing in a city that never had an award of tax credit, and the location is next to a city park for the seniors.

My application, with 210 points, is the second highest scoring application in the region. And after the awards going to the highest scoring application, there is significant amount of funds available towards funding the second application. And therefore I humbly request the Board to please award application 10033. Should the Board be not able to award today, I once again humbly request to make it number one on the waiting list. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you.

MR. JOOMA: Thank you.

MR. GERBER: Mr. Chairman.

MR. CONINE: Mr. Gerber.

MR. GERBER: If I could just interject, and I -- certainly with respect to all the public comment -- we certainly welcome it. Obviously we're trying to pull together the final allocation list and forwards. I believe by your direction it will be an item on the September Board agenda.

And so perhaps we'd ask that -- so that we can move this along somewhat and get the list completed, because there's going to be some staff work needed, that we really target those deals, and at this point really our sort of above the line and we're trying -- or on the line where we're trying to address issues that need remedies. But for those deals that are clearly going to need a forward commitment or be asking for a forward commitment, perhaps try to limit that in the interest of time today.

MR. CONINE: Duly noted. Thank you.

Brian Roop.

MR. ROOP: Thank you, Mr. Chairman, Board members, and Mr. Gerber as well for allowing me to testify today. I am here to specifically speak on behalf of the Wynnewood Seniors Housing project and, again, I'm Brian Roop with Bank of America Community Development Corporation.

I think probably the appropriate thing to do first is talk a little bit about the history of this particular project and actually what we're trying to achieve with this first phase of redevelopment. The Parks at Wynnewood project was completely redeveloped, rebuilt if you will, back about 16, 17 years ago.

And while we did a significant redevelopment of the project, the fact of the matter is that project was originally built 60 years ago in the late '40s, and despite the work we did 15, 16, 17 years ago, there's still a significant amount of physical and functional obsolescence that exists with a project of that age.

The property -- architecturally speaking, the project has a very look, and while it's still in very good condition, again, there's a significant amount of obsolescence that exists with respect to the project. And so our vision is to redevelop this project in a series of phases, and, in fact, our first phase was a to-be-built 140-unit seniors project.

It was going to be most proximate to the community that historically has been the most vocal about our development and what it is and what it can be. And we have that community and that neighborhood's significant support behind the project now, and we're very proud for that fact.

But the fact remains, again, we have a project that has a great deal of age to it, and, again, we believe the best thing that can happen with respect to this project, though its had a very, very good history, is to redevelop it in a series of phases.

This to-be-built 140-unit seniors project is something our existing seniors at the Parks at Wynnewood are very excited about; they are champing at the bit to be able to get into housing that's specifically and exclusively designed for them with a service component that's, again, exclusively designed for them and their enjoyment, and an enhancement of their lives. And, again, we believe it's a great way to start the complete redevelopment of this 48-acre site.

The location of the development is in Oak Cliff, and I know the Board feels strongly about economic revitalization and neighborhood revitalization, and in this particular part of Oak Cliff, which is now near the intersection of Zang and Illinois. It's an older neighborhood.

It's had a grand past, but the fact of the matter is a goodly part of the neighborhood is now beginning to look tired and certainly has, again, old bones. And our project is certainly one of those that falls into that category. And so there's a great deal of support for the concept and the idea of, again, revitalizing this particular project and having it be a catalyst for a complete revitalization and redevelopment of that entire neighborhood.

As I said earlier, this first phase is a seniors only project, and I can't say enough about the fact that our existing seniors population is extremely excited about the prospect of this development. In addition to that, there's a significant and demonstrated need throughout the greater neighborhood for additional seniors development, quality seniors development.

We're ready to move forward. As I said earlier, I'm part of Bank of America. As difficult as debt capital is to find these days, I have access to debt capital. We also have equity capital available as well. So in the event I can convince this Board to provide us with a forward commitment, we are ready to proceed. We can move forward with this development, and we fully intend to do exactly that.

Lastly, and I think a very critical part of what we're trying to do and what we're about is partnership with the nonprofit community. Our partner on this particular project is Central Dallas Community Development Corporation. Their Executive Director is John Greenan. I'm sure you know John. If you don't, you'll probably hear from him later today.

We're excited about the prospect of partnering with Central Dallas CDC, not because they're a capable housing developer, and they are, but as importantly, they're a part of Central Dallas Ministries, which has a long-standing record of service to the community providing many, many services to a significant number of people, and they have been doing that for decades in the city of Dallas.

And so with their help on the development side, as well as the help that we know that they'll provide us with respect to the provision of services to our elderly residents, again, we feel like we will be able to put together a very compelling development that will serve, for many years to come, our seniors population.

Again, I'm asking for a forward commitment so that we can proceed with this particular development, and cannot thank you enough for the service all of you provide to the state of Texas. I understand what you do is not easy, and I understand and very much appreciate the fact that you are committed to the affordable housing industry, which is obviously something all of us in this room share. So thank you very much for your time. I'm certainly welcome to any questions you may have.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MR. ROOP: Thank you.

MR. CONINE: Barry Palmer.

MR. PALMER: Good afternoon, Board members. My name is Barry Palmer. I'm with the Coats Rose law firm and I'm here to speak on behalf of the Parks at Wynnewood project, which is in the at-risk set aside. It's Project Number 10044 in the at-risk set aside in Dallas. And as you will note, it's the highest scoring project in the at-risk set aside that is not being recommended for funding at this time due to an unavailability of funds.

And you're hearing today a number of very worthwhile projects that have asked for a forward commitment or a position on the waiting list. And you've got a tough decision to make in that regard. But I wanted to point out a couple of compelling reasons why you should consider the Wynnewood Seniors project for a forward commitment.

Number one, the fact that it is an at-risk project that is the highest scoring at-risk deal not being funded. And the reason that it is an at-risk project is because it has a project-based Section 8 contract that is expiring. The original term actually has expired and it's operating on a one-year renewal.

But HUD has committed to us that if we can get redevelopment financing for the project to rebuild, that they will give us a long term Section 8 contract for the property and provide long term rental subsidy to the property. In the absence of a redevelopment, we are on a one-year renewal, and there's no certainty that that will continue.

The other compelling reason for this project is the strength of the sponsorship with Bank of America, CDC, and a local well-regarded nonprofit, Central Dallas Ministries. And the unique ability that Bank of America brings in being able to bring debt and equity commitments to the project to assure that it goes forward on a timely basis.

And so because of the strong sponsorship, because of the ability to maintain a long term Section 8 contract to serve people at the lowest end of the economic spectrum, we believe that there is a compelling reason to grant a forward commitment to this project to redevelop a crucial development in the inner city of Dallas. Thank you.

MR. CONINE: Mr. Palmer, do I understand it's your testimony that Bank of America will loan themselves some money. Is that what you're saying?

(General laughter.)

MR. PALMER: There will, of course, be a tax credit partnership, but we are confident, we are confident that we will not be here at this time next year asking for any extensions or anything. We will already have closed. We will have closed on our financing and our equity on a timely basis and we'll be moving forward on a timely basis. I can assure you of that.

MR. CONINE: Any other questions of the witness?

(No response.)

MR. CONINE: Thank you.

I have -- hang on, let me look -- I have four witness affirmation forms in favor of the next project, so only three of you can speak, and I don't know what batting order you want to go in, but Ann Lott, Dru Childre, Cherno Rjie, and Boamah Boachie. Three of the four are welcome to come up in whatever you'd like. North Court Villas, Frisco.

MR. CHILDRE: Good afternoon.

MR. CONINE: Hi.

MR. CHILDRE: I'll be the number one of the three.

MR. CONINE: Okay.

MR. CHILDRE: Chairman of the Board, Board members, Mr. Gerber, my name is Dru Childre, and I represent the developer of North Court Villas located in Frisco, Texas, TDHCA Number 10045. I would like of you to grant a forward commitment for this development for numerous reasons, and would like to address just a few of those reasons now.

Number one, North Court Villas is one of the only applications in all of Region 3 that is within a high income and a high opportunity area. The opportunity to provide affordable housing in an area like this does not come around very often.

Secondly, this product will provide an opportunity to place kids of low income families into exemplary schools within an exemplary school district.

Thirdly, to show the support of the city of Frisco, they are providing their own private funds into the development to assist in bringing affordable housing into their city.

I believe that this development will be the only chance Frisco will have to provide additional affordable housing for its citizens due to the high demand to live in Frisco, and with the promotion and success the city of Frisco is having in making this city a place where corporations want to build their businesses, all the existing multifamily sites will more than likely require a high land cost that is not conducive to affordable housing.

I request of you, please grant a forward commitment to the North Court Villas application in order for many people that work in the city of Frisco, give them the opportunity to live in the city of Frisco. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Cherno.

MR. RJIE: Good afternoon, Mr. Chair, Board members. My name is Cherno Rjie. I'm the developer and general partner for this project. As Dru has indicated, this is very, very meritorious project. I cannot overemphasize the importance of education and the upward mobility it provides in this society. This project, I believe, provides a unique opportunity for the Department to make top quality education affordable and accessible to low income kids.

It is like building a tax credit project in Highland Park or in River Oaks in Houston, given the level and the quality of education that is provided in the city of Frisco. I've had an opportunity to visit some of the schools. Frankly, you just want to go back to high school. They're that good.

And just to share with you some statistics, the school district is one of the fastest growing in the state, and in the nation, for that matter, growing at about 10 to 30 percent annually over the last 12 years. Right now enrollment is 34,000 students, and they're building two to six campuses every year.

They have the capacity up to 52,000 students. So there is no issue of school overcrowding. Student/teacher ratio is 14 to 1, class size is at 22 to 1. I mean average home values within the district is well over 258,000.

In summary, the city was very courageous is supporting this project, and when you say elected officials are courageous, it's a euphemism for saying that they did the right thing and it wasn't the popular thing to do. I think the Board can validate that support with a forward commitment for this project. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you.

MR. BOACHIE: Good afternoon, Mr, Chairman, members of the Board. My name is Boamah Boachie. I'm not a developer, and I'm not any city council. I'm not here in any official capacity. I am here as a concerned resident for the city of Frisco where I have lived since August of 1991.

I've seen the city grow from under 6,000 to a population of over 100,000 that it is today. Personally, I believe the city council, both past and present, have all done a great job managing the city's growth over the past year -- the past period that I have been a resident. They showed a lot of courage when they put their political careers at risk and supported the North Court Villas project.

I am here today to encourage the Board to support the city in the development and award the commitment to the developers of North Court so they can make affordable housing -- provide more affordable housing in the city of Frisco.

I'm also here to tell you my personal experience. Five years ago my sister and her husband were fortunate -- and four kids -- were fortunate enough to migrate to the US and they joined me in Frisco. That's where I got my rude awaking as to the pricing of market apartments in the city. Couldn't find anything that was within financial means both for them or for me personally, in the way of my support.

Fortunately, they were able to secure a three-bedroom unit at Stonebrook Village which is one of the only two affordable housing complexes that is supported by tax credits in the city. This was very critical for me and for my family because it afforded them the means to really get adjusted and assimilated into the community, become a part of a viable community. It afforded my nephew, their oldest son, the education to graduate from Frisco High and enter one of the top universities in the country as a pharmacy student.

Additionally, my uncle and two sons also relocated from New York and stayed in the same affordable housing community for two years.

I'll try and hurry up. I understand what that means.

My relatives were among the fortunate few who were able to get affordable housing in the city. The fact is, today there are only units that -- two affordable housing projects in the city that provide less than 300 units in a city that's over -- that has over 100,000 residents and growing. Obviously the city council realizes the problem it has at hand, that's why they went to the -- they took the courage to support the project and made the effort to provide partial funding for this project.

I am here today to respectfully appeal to you, to encourage you to back the city and also look to providing the commitment to ensure that more affordable housing is available in a city that is currently voted to be the fastest growing community in the US. Thank you.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: Thank you very much.

MR. BOACHIE: Thank you.

MR. CONINE: Please respect the time limit as we move forward, please.

Maria Mahado? Machado, I bet.

MS. MACHADO: Good afternoon, Mr. Chair, members of the Board, and Mr. Gerber. I'm here to represent Project Number 10093, Greenhaus at East Side in Dallas, Texas. I want to thank you for placing our project on the 2010 waiting list.

With the generous assistance from CDBG funds and the city of Dallas we purchased this land in early January. This land is vacant, making it very easy to mow right now. But that's the best use of this land. Our vision is to build a 24-unit apartment community for homeless single parent families with children with support services.

We have pending commitments from private foundations throughout the city of Dallas, and we urge you to consider our project favorably for a forward commitment. Thank you.

MR. CONINE: Thank you.

Any questions of the witness?

(No response.)

MR. CONINE: Justin McDonald.

MR. McDONALD: Thank you, Mr. Chairman. I believe you have two affirmation forms for me on two different projects. Assuming there's no opposition on Meadow Vista, I don't need to speak on that one.

MR. CONINE: Okay.

MR. McDONALD: I would like to speak to you today regarding Number 10132, Seaside Manor in Ingleside.

MR. CONINE: All right.

MR. McDONALD: Ingleside is located in Region 10, as you can see on your sheet, and is classified as an urban community, even though it only has a population of around 9800 people, according to this year's demographic report. It's considered urban because of basically a technicality.

The city of Corpus Christi has annexed the waters in the bay going all the way across to touch the Ingleside city limits, and by definition, if it touches a city of Corpus's population, it is therefore urban. However, it does take about 35 to 44 minutes to drive to Corpus from Ingleside so it's hardly a suburb. If this sort of technical annexation across water were not there, it would otherwise be rural. And, in fact, San Patricio County is even a DDA, exclusive of the fact that TDHCA has allowed to give additional 30 percent in our rural.

MR. CONINE: Do they have a ferry that goes across or anything?

MR. McDONALD: They do not. They do not. The only ferry is up the road in Port Aransas.

You've heard from several other projects today, and will probably hear from a few others, all of whom have broad based support from their community. We also have support form Senator Zaffirini, Representative Hunter, we have a unanimous resolution of support from the city council of Ingleside, we have letters from the Rural Economic Assistance League, Chamber of Commerce, and Community Action Corporation of South Texas.

Again, that -- all these projects for the most part are deserving, and it's a tough decision on you guys to have to figure out how to allocate when you've got $100 million in requests more than you have credits to give out. But because of this demographic sort of misclassification, we would ask that you would consider Ingleside, and due to Mr. Gerber's request of not asking for a forward commitment today, maybe put us ahead on the wait list, or consider us for an award today.

(General laughter.)

MR. McDONALD: It's worth noting -- or we can talk about it again in September. It is worth noting that there is only one other tax credit property in Ingleside. We did actually develop that, but it was back in 2002, and very much like this, we competed and competed but could never beat Corpus due to lack of neighborhood organizations and the other inherent differences between rural and urban communities. And that was also awarded a forward commitment.

Actually, via that project is how we got interested in going back down there. We've had a lot of demand for seniors. This is a seniors only proposal that we have today. And so we just ask that you give us some consideration and look back at that precedent. Thank you.

MR. CONINE: Any questions of the witness?

DR. MUÑOZ: I have a question.

MR. CONINE: Yes, sir.

DR. MUÑOZ: In 2001 you said?

MR. McDONALD: '02.

DR. MUÑOZ: '02. Was it also designated as urban?

MR. McDONALD: Yes, sir, it was. It's been urban for quite some time because of that annexation across the bay.

MR. CONINE: Any other questions?

(No response.)

MR. CONINE: Thank you.

MR. McDONALD: Thank you.

MR. CONINE: Granger MacDonald.

MR. MacDONALD: If it's okay with the Chair, I'll pass.

MR. CONINE: You bet.

(General laughter.)

MR. CONINE: We'll see if the next one does.

Walter Moreau. He's got some time dedicated to him, so there's no way he's going to pass.

MR. MOREAU: Thank you for the opportunity to speak. Thank you for funding M Station last year. Just a quick update. We ended up using 2009 credits, we closed the sale, construction is well under way. We didn't plan to apply for credits this year, but we -- after years of chasing the owner of the Shady Oaks Apartments, we had the chance to finally grab that property.

And for us it's hugely important to the St. Elmo neighborhood. For 20 years we've owned Sierra Ridge Apartments and built an incredible learning center and community there. Very deep connections to St. Elmo Elementary School and the success of that school.

Shady Oaks is hugely important too because it includes 24 units of supportive housing for homeless families and parents and kids in our Children's Home Initiative Program, which is a wrap around of case management and other services. We get three or four phone calls a day from families in crisis, 15 units right now are at Sierra Ridge.

We have a 90 percent graduation success rate in that program. So this lets us expand and add 24 units across the street. There's only a few supportive housing projects in the application pool this year.

Doing that learning center and the supportive housing takes a lot of money in addition to tax credits. We've already got $3 million from the city of Austin, which is a huge local commitment, and we've raised a half a million dollars from Neighbor Works America, we have a $150,000 grant from the Topfer Family Foundation to build the learning center, and we just got a $50,000 grant from Silicon Labs, a great corporate partner, for that learning center. And they want to track the education metrics of our kids. And we have a $10,000 a month pledge from an individual to help underwrite the services and help us get rolling with the neighborhood services. All we're missing are the tax credits.

Our underwriting report's done, everything's clear. We have tremendous investor interest, Wells, Bank of America, Capital One, Enterprise have been doing site visits all week. They're all donors and supporters, so that'll be a tough decision to make.

We don't need exchange funds, we're not waiting on an allocation of state HOME funds. Shady Oaks scored 225 points, the second highest in the 113 applications. We're just in a region that got -- that's shorted on credits. We have 2-1/2 million, two million went to a great project, Wildflower Terrace, last year. The half a million wasn't enough to fund Shady Oaks, so we're on Bobby's bubble list of projects.

Our ask today is, if you're setting a priority wait list, that you would consider ranking us near the top, or at the top, based on the highest score left, based on that Austin's the only region that didn't get a new project, just has the forward from last year. It is a critical supportive housing programs for families, which is really an unusual thing. And that we're ready. We don't need exchange funds, or HOME funds, we're already underwritten.

So if credits become available after commitment notices, the staff would be able to allocate to our project, and it would go now. It wouldn't need to be contingent on something else. Thank you for your time, thank you for your attention, and help on this very important project for our mission.

MR. CONINE: Any questions of the witness?

(No response.)

MR. MacDONALD: Thanks. Oh, and I brought you our fundraising brochure. Thought I'd pass that out to you.

(General laughter.)

MR. CONINE: Manish Verma.

MR. VERMA: Good afternoon. My name is Manish Verma. I represent the owner and developer for Sedona Ranch, TDHCA Number 10158, a proposed senior housing development located in Region 3.

As you know, the tax credit application process is a very competitive process. Every point matters. And in this case, this year, our application is now in a four-way tie for the last two remaining slots to be awarded from Region 3. And based on the tie breaker, Sedona Ranch would be ranked third out of the four tied applications, and therefore just below the line in receiving an award.

But one of the applications that is currently tied with us and is on the recommended list, is Evergreen at Richardson, TDHCA Number 10136. It has come to our attention that Evergreen at Richardson has received at least one more point than should have been received, and should this application be re-evaluated and lose at least one point, our Sedona Ranch application would be eligible for an award.

Now you see in the process there's a pre-application and then an application. And so they have what's called these pre-application participation incentive points. And as long as your application score that is submitted is within 5 percent of your pre-application score, then you receive those six points.

In this case, the application for Evergreen at Richardson was submitted at 178. The pre-application score was submitted at 169, a 5.3 percent difference, so which is obviously greater than the 5 percent cap that is dictated in the QAP. So best case scenario, Evergreen at Richardson should have scored a 177 instead of a 178.

Additionally, the applicant in its application in Volume 4, Tab 13, elected to cap the application score at no greater than 5 percent, the 5 percent increase over the pre-app score. Therefore, the application should have scored a 177, which is 4.73 percent greater than the pre-app score of 169 versus 178, which is 5.3 percent greater.

You know, this is clearly a QAP issue, and an issue that the applicant also elected to make, and in this case it's affecting us because now we are tied, in which case if Evergreen does lose at least one point, we would be in line for an award as we have the tie breaker over Hillcrest -- Hillside West Seniors, as Ft. Worth has a lower state average of tax credit units per capita than Dallas, 175 -- 1.75 versus 1.89.

So even after all the other points are awarded by the Department to Evergreen and if they lose their one point, they would score 215 versus our application of 216. So we therefore respectfully request that Board and staff reconsider Sedona Ranch for an award today. Thank you for your time and consideration.

MR. CONINE: Okay. Any questions for the

witness? We might want to ask staff to come up and let's investigate whether his mathematics are somewhat true or not true or --

MR. GOURIS: Tom Gouris, Deputy Executive Director for Housing Programs.

We were made aware of this concern yesterday, and did some evaluation of it to determine if, in fact, what he's indicated is correct. And it appears that we have allowed at least two transactions to exceed 5 percent, but not more than 5.5 percent so they were rounded down to 5 percent. This is the only transaction that impacts potentially another transaction, or I guess, you know, in the money.

So we have confirmed also actually during the break that on the tie breaker situation among the four, he is the third. Without that other transaction he would be in second -- this transaction would be in second place if the transaction lost a point.

Staff believes we've consistently, at least in this cycle, applied this requirement. The issue is the other applicant, Evergreen, increased their score from pre-app to app, they increased their score by 5.3 percent. We rounded that to 5 percent and said they didn't go up by more than 5 percent. The difficulty is getting that points issue exactly right because it's more than one whole point that makes for fractions of percentages.

There is some language in the QAP with regard to rounding points. There isn't specific language with regard to rounding percentages based on differences in this QAP -- in this pre-app to app. As I said, we think we've applied this consistently, but there are -- there's clearly more than one way of looking at it.

MR. CONINE: So his mathematics at 5.3, I guess you're saying they do merit out when you actually do the HP calculator math.

MR. GOURIS: That's correct.

MR. CONINE: Okay. Guess we'll deal with that a little later on. Is there any other questions from the Board with Tom on that particular one?

(No response.)

MR. CONINE: Okay. Brandon Bolin.

MR. BOLIN: Good afternoon --

MR. CONINE: Good afternoon.

MR. BOLIN: -- Mr. Chair, members of the Board, Mr. Gerber. I'm the developer of the Hillside West project, Number 10200. We are in a four-way tie currently for an allocation, 216 -- we scored a final score of 216 points.

I guess what I'm here to speak about today is of the deals that are currently in the money, only three deals have been underwritten, and of the four that have scored a 216, and regardless of whether or not one of the points is taken away from the Evergreen transaction, of the four that scored a 216, only two have been underwritten, one above the line and one below the line.

So currently, if you were to look at your chart, you would see that Richardson has not been underwritten, Garland has been underwritten, Dallas has not been underwritten, and Ft. Worth has been underwritten. I would submit that it's very difficult to make a recommendation as to which deals are in the money whenever all four of the deals have not been underwritten.

Moreover, I think that it's -- I think that before the funds from the region are swept and allocated to the statewide collapse or to another region, these four deals that have scored essentially the same score should be underwritten before that collapse takes.

So my comments are short and brief. I'll take any questions at this time, but thank you for your consideration.

MR. CONINE: Okay. Any questions of the witness?

(No response.)

MR. CONINE: Thank you.

MR. BOLIN: Thank you.

MR. CONINE: Bert McGill.

MR. McGILL: I have some handouts. Thank you, Mr. Chairman, Board. I'm Bert McGill, I'm the sponsor of Application 10290, Magnolia Place Senior Apartments in Houston, Texas.

In June when the preliminary log came out, I was pretty excited to see that -- I thought we were in the money, or very close to it. Looking at the applications and knowing that Region 6 had $23,480,000 in it, which is the Ike money at 14 million nine, plus the urban allocation of eight million 573. So I was -- which kind of puts us at -- what I thought would put us in the money.

That coupled with our support from the city of Houston, the elected officials, political leveraging, Houston city resolutions, being underwritten to the full amount of our request, I felt pretty good about it, until late last week when it determined that I was two below the line so to speak of in the money, right behind Mr. Fairfield at The Orchard.

Knowing that both -- the city of Houston was very encouraging to both Mr. Fairfield and myself in our applications, I thought I would take a look at, you know, kind of what happened with regards to the allocation. And if you take the 23 million 480 and you allocate the -- if you allocate -- if Region 6 got 18 million 016 of that, that would allow both 10096, which is The Orchard, Mr. Fairfield's deal, as well as Magnolia Place, 10290, and still leave a million and a half dollars to go to Region 5.

So I looked at Region 6 and 5, and looked at the -- on page 4, I think of your list it has -- it shows the different regional allocations, which is with -- I guess in accordance with the regional allocation formula. However, the Ike distribution is not consistent with that allocation percentages.

If you look at the Ike percentages -- or you look at the regional allocation, 11 percent -- if you take both Region 5 and 6 and add them together, that's 11 million 271. Eleven percent of that, a million 259 is allocated in the normal allocation to Region 5, and 89 percent to Region 6. But in the Ike allocation 24 percent of it goes to Region 5, and 76 percent of it goes to Region 6.

And that allocation, a total of 12 million 412 as opposed to the 14 million 906 that was kind of published in the September -- excuse me, in the June log. Now Robbye Meyer mentioned that there was a million dollars that has not been allocated, so that accounts for some of it.

So what I would like to, you know, take -- have the Board look at is why Ike was not done with regards to the regional allocation formula, and, in fact, actually I think on Region 5 went into rural section where everything on Region 6 went into the urban section. So I just -- you know, calling that to your -- the Board's attention and we're ready to go on 10290 if we're on the waiting list or get funded today, or whatever occurs. Thank you.

MR. CONINE: You want to respond to -- have you all got a copy of his little chart here?

MR. McGILL: I didn't know if -- they did not.

MR. CONINE: We'll be glad to furnish one just so you --

MS. MEYER: I don't think I need it. The Ike allocation was not distributed regionally. It was distributed by score because the Ike allocation can only go in Ike counties. So we did the regional allocation as we're supposed to by statute, and then we dropped everything by everything that was left over in Region 5 and Region 6 by highest score, and there's also one -- if you'll look on your board book, there's also one in Region 4 that's in there that is an Ike country. It was also allocated -- well, it's actually being recommended.

So there's a million dollars that's coming out of Region 4 that is in an Ike county. So the Ike dollars were not distributed regionally by the allocation because that's how it was supposed to be done. They can only be allocated in Ike counties, so they were done by score.

MR. CONINE: Okay. Thank you.

Does that answer your question, Mr. McGill?

MR. McGILL: I believe so, yes, sir.

MR. CONINE: Okay. Thank you very much.

Terri Anderson. Last, but certainly not least.

MS. ANDERSON: Good afternoon, Chairman Conine, members of the Board, and Mr. Gerber. I appreciate you taking the opportunity to hear just a general comment.

I'm Terri Anderson with Anderson Capital, and I would like to build upon Mr. Bolin's original spreadsheet that he submitted to you, and just add to the issue with regard to transactions that haven't been underwritten, and then to the extent that they are underwritten, additional credits are available and the next developments that are in line actually are -- as opposed to originally being funded on any given standard application cycle where the underwriting may have already taken place, they would actually now fall into a statewide pool and a wait list.

If there could be some consideration that instead of sweeping the credits to put them in the statewide pool, that they actually do somehow remain within that particular region, then that would be the consideration that I would request.

MR. CONINE: Now let me make sure I understand what you're asking us to do. It's to -- instead of sweeping them and then redistributing them per what the QAP says --

MS. ANDERSON: No, sir.

(General laughter.)

MS. ANDERSON: No, not specifically that. Just on a standard allocation in a standard allocation period you actually have gone through the underwriting process, and where there may not be enough credits to actually fund the next transaction in line fully, if that next transaction in line had been underwritten as well as other transactions above the line, then you would really --

MR. CONINE: Okay.

MS. ANDERSON: -- be able to calculate the number of tax credits that are available within that region in order to make that determination.

MR. CONINE: Okay. Now let me ask Tom a question, if he hasn't disappeared.

MR. GOURIS: I'm right here.

MR. CONINE: Or Robbye, either one.

(General laughter.)

MR. CONINE: He wants to speak again?

Don't we normally consider that, even though we sweep and -- let's say you go through underwriting and you think whoever got one is a bad guy and it's bad underwriting and you kick it out for whatever reason, don't we consider that when we go back and relook at that again?

MR. GOURIS: That's correct. Whenever an application is withdrawn or for issues of underwriting, what have you, that falls out, the typical response is to take the next transaction in that region and fund that region back to make that region whole. It's only when there's not another transaction to do in that region -- sorry, I'm out of breath -- that the money would be swept into a statewide collapse situation.

MR. CONINE: Okay. And what is the total dollar amount of the sweeping after the initial allocation this type, just a --

MS. MEYER: In Region 3?

MR. CONINE: No, I'm talking about the whole --

MR. GOURIS: Statewide it's about --

MR. CONINE: Statewide.

MS. MEYER: 353-.

MR. CONINE: How many?

MS. MEYER: 353-.

MR. GOURIS: 353 statewide.

MR. CONINE: 353,000?

MR. GOURIS: And then the Ike region has a separate collection of funds because they --

MR. CONINE: Right.

MR. GOURIS: -- and that's about a million.

MR. CONINE: And that's a million.

MR. GOURIS: Just at a million, yes.

MR. CONINE: Okay.

MR. GOURIS: And we've looked at combining those to do another Ike deal, and that doesn't work either, so we're just saying let's hold off and see what else falls out to go to the next place.

MR. CONINE: But we -- how do I phrase this question. You've got 353- after you swept and reallocated. Right?

MR. GOURIS: That's correct. After we've swept, the reallocation --

MR. CONINE: Right. Before you reallocated --

MR. GOURIS: -- statewide --

MR. CONINE: -- how much did you sweep? How much was in the pot before you reallocated?

It would be Bobby's list. Right? I don't have that right here in front of me.

MR. GOURIS: Right. Yes, it would be -- we've already funded --

MR. CONINE: I'll get it. I'll get it.

MR. GOURIS: -- three deals in rural and several deals statewide, so it would be a considerable amount.

MR. CONINE: Okay.

MR. GOURIS: Because what Bobby's doesn't reflect is that there are some regions that were 100 percent underfunded, they had no -- they had requests in their region, but the requests were greater than the amount of the awards that were available --

MR. CONINE: Yes.

MR. GOURIS: -- and the funds, so are considered 100 percent underfunded --

MR. CONINE: Right.

MR. GOURIS: -- and we -- under the plan that we've proposed here, we have been able to fund every region that was 100 percent underfunded.

MR. CONINE: And that's what we've been doing for --

MR. GOURIS: Yes.

MR. CONINE: -- years and years.

MR. GOURIS: Except for Austin, sort of, because Austin got a forward, so --

MR. CONINE: Right.

MR. GOURIS: -- really we didn't get a new funding for it, but it's not --

MR. CONINE: Mr. Moreau messed it up last year for himself.

(General laughter.)

MR. GOURIS: So before we do any of the reallocations of the sweeps for rural or statewide --

MR. CONINE: There's 14 one?

MR. GOURIS: Fourteen one in bits and pieces from all the subregions.

MR. CONINE: And don't you think because of the potential of either exchange deals or TCAP deals that hasn't closed this year, that we will have -- or that may not close for whatever reason -- that we may have an inordinate amount of credit given back over the next 30 days or so, 45 days? Or am I just thinking that that --

it's hard to say.

MR. GOURIS: It's hard to say. It's very possible someone projected where we'll be a year and a half ago and where we are today. I wouldn't have been able to --

MR. CONINE: Right.

MR. GOURIS: I would have said, What? But there is a potential for exchange. That's not going to give us -- because those credits that are exchanged are going to have to go back to the Treasury, so we're not going to be able to give them out to other folks, though there may be some differential that we're able to manage, like we did in the last time where we gave it to -- we got it for 85 cents and we gave it back at 80 cents.

I don't know that differential might be this time, especially -- it may be better because a lot of transactions this year applied with, you know, syndication REITs at 70 cents. So if it worked at 70 cents, we might create and exchange program that gives back at 70 cents since it works at 70 cents.

Which would give us a bigger amount of credits returned, not all of which that can be exchanged, if, again, that Congress says that only 40 percent of this year gets exchanged, then we'll be able to exchange that

40 percent, but actually have some credits left over out of that, is what you were trying to say.

Reality is, I don't know if that's going to happen next week, in November, you know, next spring.

MR. CONINE: I'm just saying the possibility exists --

MR. GOURIS: The possibility exists.

MR. CONINE: -- because that thing's floating around out there.

MR. GOURIS: That's right. And the possibility exists that some of the -- so there'll be some adjustment to the handful of transactions to be underwritten, that that might free up in some cases some funds. I think Region 12 is one that had -- was close, that we talked about earlier, or heard about earlier.

MR. CONINE: I am changing subjects, but still want to ask you the question, it seems to me we've got a heck of a horse race going on in Region 3 now with four or five projects either tied or within a point of each other, whatever the case may be. And the comment on underwriting, the fact that a lot of those haven't been underwritten, what's your comment related to that?

MR. GOURIS: I don't think that's a big play for that -- in that particular region despite what I just said about Region 12, because in that particular region it's either going to be that they're feasible or not feasible and they'll have to appeal, will have to go through that process.

So if the number one deal in that region hasn't been -- number one of the tie hasn't been underwritten, and we determine it's not feasible, they still have their due process to appeal and what have you before the number two or three pops up ahead of it. So there's -- and that works through the process, every year we go through the same scenario.

While we would have -- we would always love to have all of the underwriting done and we strive to get it done even earlier than this meeting, it's been a horrendous year. I think the underwriting team has --

MR. CONINE: No, I --

MR. GOURIS: -- 177 reports or something like that.

MR. CONINE: -- wasn't complaining about the fact they weren't underwritten. I was just asking how you felt --

MR. GOURIS: Yes, I just think --

MR. CONINE: -- you know, how it would generally shake out, or can you get to them over the next

30 days, or, you know.

MR. GOURIS: Yes, I think we're pretty -- you know, I think we're pretty -- feel pretty good that the group that we know of today, you know, we are well into them and there'll be a determination, or a conclusion on them. Of course all of them have deficiency notices or clarifying questions out to the owners, and as soon as we get those back, you know, we'll finish the underwriting on them. So I feel pretty good that they will -- they should all be done by the next Board meeting and be able, if there's any appeal necessary for that.

The forwards, depending on if you have a list of -- you want us to look at these additional transactions, those I'm a little more concerned about being ready to September, but that's another issue.

MR. CONINE: Any other questions of Tom?

(No response.)

MR. CONINE: We have one more witness affirmation, and, Terri, obviously, you want to say anything else?

MS. ANDERSON: Yes, please, sir. The only point that I was going to bring up is, for example, within Region 3, if you look at the rural allocation plus the actual urban allocation, the amount based on what's posted on the list, some of these transactions that have been underwritten actually show the underwritten tax credit award, and then the others that have not been underwritten show the requested amount, and typically during the underwriting process, whether transactions are feasible or not, in most instances there are changes and adjustments to the tax credit amount.

So what my point is, not only the underwriting of the transactions that have the exact same score to determine after underwriting what the actual credit amount is and then figure out after, you know, five deals within a region have been underwritten, you know what the underwritten tax credit amount is, you have a million dollars currently being swept out of that region.

If after underwriting those other transactions above the line produce half a million in tax credits or 600,000 in tax credits and the next transaction in line that's may be requesting, you know, 1.6 million actually only is underwritten at 1.5, there are fund available, or would -- that would ordinarily be available to that transaction that are actually moving to the statewide pool. Thank you very much. I appreciate it.

MR. CONINE: You want to comment on her comment?

MR. GOURIS: I don't think that's the issue in Region 3. I do think that that could be the issue in another region where the dollar amount difference is small. In most cases, I think we have a pretty good handle on what the -- if there's going to be an adjustment to the underwriting already. And I think there's only one region where we think that there's a potential issue there.

MR. CONINE: Did you say 12 a minute ago? What's the other region?

MR. GOURIS: I'm sorry.

MR. CONINE: Did you say 12?

MR. GOURIS: I said 12, but it's 11.

MR. CONINE: It's 11. Okay.

MR. GOURIS: Region 11.

MR. CONINE: Okay. One more witness affirmation form.

Barry Palmer. And he is last, and he may be least, I don't know.

(General laughter.)

MR. PALMER: Thank you, Mr. Chairman. My name is Barry Palmer with Coats Rose, and I'm here to speak on behalf of the Evergreen at Richardson transaction.

You heard earlier from the principal in the

Sedona Ranch transaction raise essentially a challenge to the scoring of the Richardson transaction. I think that Tom Gouris did a good job addressing the substance of that, and pointing out that it's been the Department's policy uniformly applied across the application cycle to round to the nearest number.

But I wanted to point out that procedurally, we have a procedure in place in the QAP to challenge an applicant's score. And that's been worked through over a number of years and refined by the Department, and one of the things in the challenge procedure is there's a deadline of June 15 on when you can file a challenge by. And so this challenge is outside the challenge period provided in the QAP, so it's really not appropriate, in my view, for the Department to be hearing challenges at the Board meeting when you're making the allocation.

There's nothing that's changed in the scoring over this time. This has been the same since the application was filed in March. And so to timely raise this challenge it would need to have been filed in writing with the Department by June 15.

MR. CONINE: Any questions of the witness?

(No response.)

MR. CONINE: We are going to pause for a 10 minute break.

(Whereupon, a short recess was taken.)

MR. CONINE: Okay. We all back? No, Lowell Keig's not back. Wonder what happened to Lowell. I'm sorry. I thought we had everybody here.

(Pause.)

MR. CONINE: Maybe I can get Brooke to do her report, if she's around. She's not around. You want to do yours?

MR. GERBER: Sure. We can do -- we can go to Item 6, if you'd like --

MR. CONINE: Okay.

MR. GERBER: -- and do the ARRA update. So do we need to table Item 4(c) for just a moment? A motion to table Item 4(c)?

MR. CONINE: Is there a motion to table?

MS. BINGHAM-ESCAREÑO: So move.

MR. CONINE: Motion --

MS. RAY: Second.

MR. CONINE: There's no discussion. All those in favor signify by saying aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries.

MR. GERBER: Mr. Chairman, we'll move to Item 6, which is just a quick update on ARRA. There's a chart that's presented in your book. In short, we have made tremendous on the Weatherization Assistance Program, we have exceeded 1100 units, even though there's been fewer than that -- I'm sorry, 10 -- 11,000 units. We have a little less than that in the board book, and it's from our report last week. But as of this week, in talking to our sub-recipients, we have exceeded 11,000 units.

We're in the process of wrapping up all the paperwork associated with those units, but we're delighted by the tremendous progress that our sub-recipient network is making, and we believe that we've passed a pretty important threshold of meeting 30 -- of weatherizing 30 percent of the units that were required under our plan with the Department of Energy that allows us to ask the Department of Energy to permit us to draw down the second half of the $327 million.

And so it's a significant milestone, and it's accompanied by what has generally been clean monitoring visits and audits. And so we are very pleased by the progress that's being made there.

On the Homeless Prevention Rapid Rehousing

Program, roughly a third of the funds, actually 38 percent, it says 35 percent in your book, but 38 percent of those funds have been expended. There's a three year time frame in which to expend those dollars, and so we have a fair amount of time remaining. It's not until September of 2012 that those funds will be swept, and we feel like the pace of those funds is moving along well, and we're actually seeing quite a bit of progress by many of the sub-recipients to use those funds over the next -- in their planning over the next four, six, eight months.

And so we're feeling quite confident that we'll meet a two-year time table that we've actually set in our contracts. But there's still an additional year beyond that that we have to expend those dollars at the state level before they get swept by Washington.

The Community Development Block Grant Program continues to go well. We've expended 70 percent of the funds. We have draws for more than 80 percent of the funds, and so if we continue on our current pace, we should fully expend 100 percent of the CSBG dollars by our end of September deadline.

We remain concerned, however, that if there's any slip ups, that we, you know, that we could possibly have to return dollars, so we are working as fast as we can to finish all CSBG eligible work and ask our sub-recipients to move as quickly as they can to finish that work in August, because we don't want to get caught in a paperwork shuffle or have any problems on the back end of the month of September.

You've heard a lot about the Tax credit Assistance Program and Exchange Program, so I won't discuss that.

The last program is the NSP program, which I think we've also talked about. For the $75 million that we have in NSP funds with NSP Round I that TDHCA is administering, we have currently obligated 65 percent for those funds, and we have, we believe, upwards of 95 percent of those funds ready to be obligated, and we're going through that process between now and the beginning of September. September 1 is our deadline, and September 3 is HUD's deadline to have everything entered into the system.

It's that gap of 5 percent which translate we think into a couple few million dollars we are actively seeking additional projects that are NSP eligible, we're talking to a number of large cities that have received direct NSP allocations to see if there were projects that they had not yet -- that they have not been able to fund to see if we can use those projects and perhaps it'll enable the city to, you know, go deeper into a particular area they're focusing on with their NSP dollars.

And so work continues on that, and we hope to be able to report to you at the September Board meeting that 100 percent of TDHCA's $75 million has been obligated.

We're also working with TDRA, which has substantially -- which has a substantially greater percentage of funds in NSP Round I. They received $19 million. We are working with them to expend as much of their funds as we can. Currently they've only obligated about 16 percent of their funds, but we are working with them. As you know, their chairman and their ED are well aware of it, and we're working to provide them with whatever TA we can to get us all across the finish line.

So, with that, that's the report on ARRA, and we'll provide a more in depth report when we get to September.

MR. CONINE: Okay. Any questions of Mike on the stimulus funds?

(No response.)

MR. CONINE: Okay.

MR. GERBER: Back to Item 4(c).

MR. CONINE: I need a motion to pull that thing off the table.

MS. BINGHAM-ESCAREÑO: Motion to bring Item 4(c) back.

MR. CONINE: Motion --

MS. RAY: Second.

MR. CONINE: -- to pull 4(c) back off the table. There's a second by Ms. Ray. Any further discussion?

(No response.)

MR. CONINE: Which there is none. All those in favor say aye.

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. All right. 4(c) is back on the table. I think we've completed all the witness affirmation forms I've got, and public testimony and staff. Any comments from the Board or discussion amongst the Board, or are we willing to make a motion or what?

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: I move to accept staff's

recommendation for the allocation of the 2010 tax credits as presented.

MR. CONINE: Okay. There's a motion to accept the list as presented. Do I hear a second?

MR. KEIG: Second.

MR. CONINE: Second by Mr. Keig.

(General laughter.)

MR. CONINE: Discussion? One of the things that, you know, appears to me, we've got some fun and games going on in Region 3 that need to kind of flush themselves out, I think. There's some underwriting that needs to happen, there's several other things that are going to occur between now and the -- our next Board meeting. And customarily I think staff, when we developed the waiting list based on who's below the line currently, staff automatically just issues the next one in line as protocol between our Board meetings.

And because of all these other moving parts and some underwriting needs to take place, I would like to amend your motion, Ms. Ray, to include that staff not move anybody off the waiting list until we get back to our next Board meeting so that we can see kind of what's happened between this meeting and next meeting, see how the underwriting has taken place, see what regions have been underfunded as we had testimony today about, and then at that time the Board can use its discretion on the batting order on the waiting list, so to speak, so that we can hopefully take care of any inequities that have taken place for whatever reason.

MS. RAY: Mr. Chairman.

MR. CONINE: Ms. Ray.

MS. RAY: I accept that friendly amendment to my motion.

MR. CONINE: Okay. Thank you.

Is there any other discussion?

(No response.)

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

(A chorus of ayes.)

MR. CONINE: All opposed?

(No response.)

MR. CONINE: Motion carries. Item 5.

MR. GERBER: Mr. Chairman, before the folks leave involving -- who have had an interest in forwards and waiting lists, it might be prudent to advise the development community that the next Board meeting for the Department will be at the Board's direction on Thursday, September 9, to be held in the Lower Rio Grande Valley, most likely in Brownsville. And so we'll be --

(Applause.)

MR. GERBER: -- we're excited to be down there, and --

MS. RAY: We've got somebody from Brownsville --

MR. GERBER: -- so people can plan ahead.

MR. CONINE: Yes.

MR. GERBER: Item 5. Tom, do you want to present that with Jeannie?

Jeannie, why don't you go ahead.

MS. ARELLANO: Jeannie Arellano, Director of the HOME Division.

MR. CONINE: Please be quiet as you leave. Thank you.

MS. ARELLANO: Item 5(a) is what you all have been waiting for.

(General laughter.)

MS. ARELLANO: It's presenting the awards of the HOME Rental Housing Development application. Staff is recommending approval of HOME awards to 18 applications totaling over $20 million for the general, CHDO, and persons with disabilities set asides, and then $50,000 in total operating funds. All the applications being recommended today have been awarded Housing -- 9 percent Housing Tax Credits.

Due to the significant amount of HOME and tax credit layered applications that were received, the NOFA does not include sufficient funds to award all of the HOME applications received under the general set aside, therefore staff's recommendation does include the use of approximately $2 million in CHDO set aside funds that we have available that were unused, and $3 million in funding from the HOME funds available off of our most recent fund balance report to fully fund four of the general set aside applications included in today's recommended awards.

Only two of the layered applications being recommended for tax credit awards are not being recommended for an award of HOME funds. These applications are located in participating jurisdictions, and are eligible only under the statutory 5 percent set aside for persons with disabilities.

However, in September we do plan to bring a NOFA forward, and those applicants may be recommended for award at that time, but we do not currently have funds available for that set aside.

Staff recommends approval of the 18 HOME Rental Housing Development awards reflected in your Board materials, subject to each receiving an award of tax credits, the conditions of the final underwriting report, and any other conditions as necessary to ensure program compliance.

MR. CONINE: Any questions of Jeannie?

(No response.)

MR. CONINE: If not, I'll entertain a motion.

DR. MUÑOZ: Move staff's recommendation.

MR. GANN: I'll second it.

MR. CONINE: Moved by Dr. Muñoz, second by Mr. Gann. 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: Motion carries.

MR. GERBER: I want to again extend our thanks to everyone in the multifamily staff and the HOME staff. You've just done a great job. Really appreciate all the hard work and effort than went into this year's round. I know there's a lot of additional work to be done over the next several months, but our thanks -- my thanks to all.

Board members, there remain a couple of report items in the back of your Board book that I'll refer you to, one dealing with outreach activities, one dealing with the release of a land use restriction agreement for Savannah House Apartments where staff is recommending compliance with the property meets with a variety of criteria and that the LURA should be released on that property. That's there for you to review.

And then the third report item is just a written report on the status on our disaster recovery funds. By way of update, I'm pleased to say that we have expended in our Home Owner Assistance Programs and Sabine Pass Restoration Programs more than 71 percent of the funds, which is very, very positive, we've seen a big up tick in the amount of dollars expended and the number of houses being built in the last month to two months. So that's heartening that we're coming -- we see the light at the end of that tunnel.

Likewise, a total of the grant of $428 million, we've expended 72 percent of the funds, which is encouraging as we strive to be done with all of our -- all of the Department's Ike -- I'm sorry, all the Department's Rita and Katrina recovery efforts by Christmas.

And so I wanted to just refer you to that, and we will provide you with a more thorough update from our DRS staff and from ACS at the next Board meeting.

With that, we look forward to seeing everybody in the Lower Rio Grande Valley of Texas on September 9, and we are planning to have Board members in the Valley on the 8th, and we're arranging some tours of the Colonias and other TDHCA developments that we've been long involved in and we're coordinating.

And grateful to Ms. Bingham for your help in advance in hosting that. And making sure we --

MS. BINGHAM-ESCAREÑO: Not a problem.

MR. GERBER: -- see all the right stuff.

MR. CONINE: And I want to, again, express the Board's gratitude for Mike, you and the staff, and all the hard work you guys have done over the last several months. It's been challenging, continues to be challenging this year.

Robbye, you guys have all -- Teresa here -- Michel -- you were up last time. Didn't get the chance to speak today, did you.

But we appreciate everything you guys have done. Again, thank the Board for your indulgence today, and if nothing else, we stand adjourned.

(Whereupon, at 3:20 p.m., the meeting was concluded.)

C E R T I F I C A T E

MEETING OF: TDHCA Board

LOCATION: Austin, Texas

DATE: July 29, 2010

I do hereby certify that the foregoing pages, numbers 1 through 220, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing & Community Affairs.

08/06/2010
(Transcriber) (Date)

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