

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
FINANCE COMMITTEE MEETING

10:10 a.m.
Thursday,
April 26, 2001

Waller Creek Office Building
Room 437
507 Sabine
Austin, Texas

BOARD MEMBERS:

MICHAEL JONES, Chair
C. KENT CONINE
MARGIE BINGHAM

STAFF PRESENT:

DAISY STINER, Executive Director
ROBERT ONION
BILL DALLY

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P R O C E E D I N G S

1
2 MR. JONES: The first thing I'd like to do is
3 call to order the Finance Committee meeting of the Texas
4 Department of Housing and Community Affairs for April 26,
5 2001, the first order of business being roll call.

6 Margie Bingham.

7 MS. BINGHAM: Here.

8 MR. JONES: Kent Conine.

9 MR. CONINE: Here.

10 MR. JONES: Michael Jones, here. We have three
11 members present and no members absent. The quorum is
12 therefore certified.

13 The next thing we'd like to do is take public
14 comment. Is there anyone that would like to speak to the
15 committee?

16 (No response.)

17 MR. JONES: I have no witness affirmation
18 forms. Is there anyone that would like to speak to the
19 committee?

20 (No response.)

21 MR. JONES: Is there anyone that would like to
22 speak to the committee?

23 (No response.)

24 MR. JONES: Hearing none, then with the consent
25 of the other committee members I will close public

1 comment.

2 MR. CONINE: Go right ahead.

3 MR. JONES: Public comment is closed.

4 The first item we have on our agenda is the
5 presentation, discussion, and possible approval of the
6 minutes of the Finance Committee meetings of November 9,
7 2000. You have those in your packet. Is there a motion
8 regarding those minutes?

9 MS. BINGHAM: I move for approval.

10 MR. JONES: Ms. Bingham moves for approval.

11 MR. CONINE: I can't do anything.

12 MR. JONES: Mr. Jones seconds. All in favor of
13 Ms. Bingham's motion, please say aye.

14 (A chorus of ayes.)

15 MR. JONES: All opposed, nay.

16 (No response.)

17 MR. JONES: All abstentions.

18 MR. CONINE: I'll have to abstain.

19 MR. JONES: Motion carries.

20 Next we have two different projects we need to
21 discuss.

22 Ms. Stiner.

23 MS. STINER: Thank you, Mr. Chair.

24 We have two tax exempt multifamily revenue bond
25 projects that we want to present to the committee this

1 morning for consideration.

2 I'll ask Robert Onion to come forward, who's
3 the director of multifamily bonds. May I just say for the
4 record that we really do need to extend our appreciation
5 to the Bond Review Board, who considered these projects at
6 the last board meeting. Due to the fact that our board
7 meeting was postponed for a week they were gracious enough
8 to look at them without the committee having approved
9 them, so I'd like to extend our thanks to them for that
10 courtesy.

11 Robert, will you present the first one,
12 Bluffview Senior Apartments?

13 MR. JONES: Before he does, I would also like
14 to join the director in thanking the Bond Review Board for
15 their courtesies in that regard, and in fact as I
16 explained to them had they not done that it was just
17 impossible for us to have a quorum when our board meeting
18 was regularly scheduled.

19 Also I think both the executive director and
20 myself as chairman of the board in our conferences with
21 the Bond Review personnel in this matter had promised them
22 that we'll avoid similar practices in the future.

23 MS. STINER: Yes, sir.

24 MR. JONES: So I'll just say that to committee
25 members and board members that will be something that will

1 drive when we have to have our meetings to some extent,
2 and staff's planning to some extent.

3 Thank you. Excuse me for interrupting.

4 MR. ONION: The first transaction is Bluffview
5 Senior Apartments in Denton, Texas. It represents 250
6 units. The bond amount is 10,700,000. The interest rate
7 on the bonds is 8.6 percent through and including May 31,
8 2002, and thereafter at 7.6 percent until maturity, which
9 is May 1, 2041.

10 I wanted to draw your attention to -- in the
11 writeup we had indicated a unit mix which has changed.
12 That unit mix which is reflected in the resolution is 100
13 units one bedroom, one bath. That remains the same. Then
14 there's 130 two bedroom, one baths, and 20 two bedroom,
15 two baths.

16 Also on the sources and uses of funds I wanted
17 to draw your attention to the total sources. That amount
18 has increased by the amount of \$19,310. It represents
19 some additional last-minute costs, does not affect the
20 amount of the bonds. The adjustment will be made in the
21 deferred developer's fee.

22 The borrower's compliance history is provided
23 within the writeup. They are substantially under the 30
24 points which is considered material noncompliance, and I
25 also provided in the compliance section the point score

1 for additional reference.

2 We did have the TEFRA hearing. There were some
3 speakers in favor. There were none opposed.

4 With that, if you have any questions I'd be
5 happy to answer those.

6 MR. JONES: Ms. Bingham, Mr. Conine?

7 (No response.)

8 MR. JONES: I have just a couple of questions.

9 When we -- if we were to choose to make a motion I know
10 the approval from the attorney general's office is
11 pending, which they must approve. Do we need to make our
12 motion subject to that, Ms. Stiner or Mr. Onion?

13 MS. STINER: General counsel -- it's always
14 subject to the --

15 MR. JONES: It's always subject to that?

16 I would also note too that this particular --
17 in fact, both of them are in Denton, Texas.

18 MR. ONION: Yes, sir.

19 MR. JONES: And I know we have been criticized
20 on occasion. This particular one I notice is for seniors.

21 MR. ONION: Correct.

22 MR. JONES: So I presume it won't be primarily
23 utilized by college students?

24 MR. ONION: No, sir. In fact, it will be deed
25 restricted for 55 years and older.

1 MR. JONES: Good. Anyway, but we have had
2 criticism in the past about that with regard to other
3 communities that have such a strong college presence.

4 MS. BINGHAM: The general counsel did say that
5 all these are subject to the attorney general's approval,
6 the ones that come through TDHCA. Right?

7 MS. MARKS: Right.

8 MS. BINGHAM: Mr. Chair, I move for approval
9 with the stated amendment.

10 MR. CONINE: Second.

11 MR. JONES: We have a motion made and seconded.
12 Is there further discussion of the motion?

13 (No response.)

14 MR. JONES: Hearing none, are we ready to vote?

15 (No response.)

16 MR. JONES: The resolution number is 01-12.
17 That is correct, isn't it, Ms. Bingham?

18 MS. BINGHAM: That's correct.

19 MR. JONES: I believe so.

20 Hearing no further discussion, I assume we're
21 ready to vote. All in favor of the motion, please say
22 aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed to the motion, nay.

25 (No response.)

1 MR. JONES: All abstentions.

2 (No response.)

3 MR. JONES: The motion carries.

4 Item 3 --

5 MS. BINGHAM: I have 00-12 for Bluffview.

6 MR. JONES: I was handed 01-12.

7 MS. BINGHAM: That's the one I got.

8 MR. JONES: Okay.

9 MS. BINGHAM: I thought you said three.

10 MR. JONES: I might have.

11 MS. BINGHAM: Okay.

12 MR. JONES: If I did it was a mistake and I
13 apologize.

14 MS. BINGHAM: Okay.

15 MR. JONES: Is the record clear?

16 Move to Item 3 on the agenda, Ms. Stiner.

17 MS. STINER: Thank you, Mr. Chair. Mr. Onion
18 will also make that presentation.

19 MR. ONION: The next project for your
20 consideration is Knollwood Villas Apartments. It's a 264-
21 unit family project. The bond amount is 13,750,000. The
22 interest rate is 8.6 percent through and including May 31,
23 2002, and thereafter it's 7.6 percent until maturity May
24 1, 2041.

25 I did want to bring to the committee's

1 attention that zoning is subject to be finalized May 1,
2 2001. We are expected to close May 2, 2001.

3 MS. BINGHAM: This makes two --

4 MR. ONION: I'm sorry, ma'am?

5 MS. BINGHAM: Is this a May 2 drop-dead date
6 120 day?

7 MR. ONION: It's actually May 3. Yes.

8 MS. BINGHAM: May 3?

9 MR. ONION: Yes, ma'am.

10 It has been approved through Planning and
11 Zoning. The council meeting was expected to happen in
12 April. It was delayed until May 1 at six o'clock. We
13 expect to get the zoning approval and to have preliminary
14 permits by the time we close.

15 MR. CONINE: Did you have a TEFRA hearing on
16 this?

17 MR. ONION: Yes, sir. We did. There were
18 several people that spoke in favor of the project.

19 MS. BINGHAM: None opposed as I saw.

20 MR. ONION: Speaking for were three, no
21 speakers against, and I provided a transcript. Also the
22 same compliance history is with the same borrower
23 applicant. The highest score was 17, well below the 30.

24 MR. CONINE: Has staff done homework on the
25 zoning case in and of itself as opposed to the TEFRA

1 hearing? Are there going to be any opposition on the
2 zoning side in that May meeting that you're aware of?

3 MR. ONION: No, sir. I'm not aware of any
4 opposition. Bill Fisher, representative of the applicant,
5 is here, the developer, and could probably speak to the
6 extent of the work they've done to get through the zoning
7 if --

8 MS. BINGHAM: If the zoning is not approved
9 then it can't close, can it?

10 MR. ONION: That's correct. Yes, ma'am.

11 MS. BINGHAM: It's a moot issue and the drop-
12 dead date is 120 days, which is May 3, so --

13 MR. CONINE: Cutting it thin.

14 MR. JONES: Can Mr. Fisher address that?

15 MR. FISHER: Thank you very much. I'm Bill
16 Fisher with Southwest Housing.

17 MR. JONES: If you would, when you complete
18 speaking fill out a witness affirmation form.

19 MR. FISHER: Yes.

20 We've been working with the City of Denton on
21 both these zoning cases since basically December of last
22 year. Part of the zoning requirement for the city is to
23 conduct several neighborhood meetings, which we have done,
24 and [indiscernible] zoning cases there are 200-and 500-
25 foot notice -- radius notices where the surrounding

1 landowners and homeowners are notified.

2 I believe at last count for this family project
3 97 percent of the neighbors had actually voted in favor of
4 the project.

5 We have met extensively with the city council
6 members in Denton, and feel confident that we have the
7 votes to get zoning. Our previous zoning case, the one
8 you just passed on, Bluffview, passed 7-0 at the City of
9 Denton, and in the mayor's opinion it was the first time
10 in Denton in 30 years they'd had a unanimous vote on
11 anything, so we've done very good work with the
12 neighborhoods and with the representatives of the city and
13 have a lot of good local support and feel comfortable
14 we'll get zoning.

15 MR. CONINE: Especially multifamily.

16 MR. FISHER: If multifamily is not popular
17 anywhere, it's certainly not in Denton, so --

18 MS. BINGHAM: It is in Houston.

19 (General laughter.)

20 MS. BINGHAM: Our city council on Wednesday
21 gave unanimous support to a 4 percent deal, on Wednesday
22 before gave unanimous approval to two others. All
23 multifamily. We're getting better.

24 MR. JONES: The target audience for this
25 particular development -- would you describe that to me?

1 MR. FISHER: First of all, Denton is -- Denton
2 and Collin County come together basically very close to
3 this property location, and Denton and Collin are the two
4 fastest growing counties in North Central Texas. We're
5 almost 60 percent. These are family properties, rent
6 restricted at 50 percent of area median income.

7 Denton is covered by the Dallas metropolitan
8 area, but incomes are actually a little bit lower in the
9 Denton County area than they are in Dallas, so there is a
10 very large pool of working families in this area to fill
11 the property. Denton is moving some 1,800 families a year
12 into their community as a result of their growth, and we
13 feel -- I think the market study that the department's
14 seen -- there's pretty much a lay down. There's just tons
15 of demand.

16 And Denton is actually a little behind the
17 curve on affordable housing because of their growth, so we
18 feel confident that the market's there for this product.

19 MR. JONES: Thank you, sir.

20 MR. CONINE: Mr. Chairman, I move for approval
21 item 3, and I don't have a resolution number in front of
22 me, I don't think.

23 MR. JONES: I believe the appropriate
24 resolution number would be 01-13.

25 MR. CONINE: Move for approval.

1 MS. BINGHAM: I second.

2 MR. JONES: We have a motion made and seconded.

3 Any further discussion of the motion?

4 (No response.)

5 MR. JONES: Hearing none, I assume we're ready
6 to vote. All in favor of the motion, please say aye.

7 (A chorus of ayes.)

8 MR. JONES: All opposed to the motion, please
9 say nay.

10 (No response.)

11 MR. JONES: The motion carries.

12 Thank you, sir.

13 MR. FISHER: Thank you.

14 MR. JONES: Item four on the agenda, Ms.
15 Stiner, presentation, discussion, and possible approval of
16 the second quarter investment report.

17 MS. STINER: Thank you, Mr. Chair. The CFO,
18 Bill Dally, will come forward and make the presentation.

19 MR. DALLY: Good morning, Mr. Chairman,
20 committee members, Ms. Stiner. My name is Bill Dally,
21 chief financial officer for the department, and I'm asking
22 for your acceptance of the second quarter investment
23 report for the quarter ended February 28, 2001.

24 Essentially the portfolio as a whole did not
25 grow much. It grew by about \$233,000, so basically they

1 were small amount purchases over the sales maturities of
2 securities. Significantly though, the market value of our
3 portfolio did increase by about \$17 million, and that was
4 due to the fact of, as you know, the recent interest rate
5 reductions that we've had. It also affected the mortgage
6 rates. They were roughly around 7 percent at the end of
7 February, and so that was -- elevated the market value of
8 our overall portfolio.

9 The portfolio is still essentially the same mix
10 of securities: about 65 percent mortgage-backed
11 securities, 28 percent in [indiscernible] investment
12 agreements -- those are our bond funds that have not yet
13 been made into loans -- 4 percent in repurchase
14 agreements, and 3 percent in others, which are essentially
15 mutual funds and Treasuries.

16 I should also add as part of the audit work of
17 the auditors each year they go through and look at these
18 investment reports and look at -- for their compliance
19 with the Public Funds Investment Act, and this year we got
20 a clean opinion on those.

21 Are there any questions?

22 MR. JONES: Doesn't our investment advisor
23 usually comment on this to us?

24 MR. DALLY: He has in the past. I did not
25 provide him with a copy --

1 MS. BINGHAM: Is he under contract to comment
2 on these?

3 MR. DALLY: No. This is sort of beyond the
4 scope of -- his work is chiefly to look at the financial
5 feasibility of each of the bond deals and cash flow, so
6 this investment is a little bit --

7 MS. BINGHAM: Do the state auditors look at
8 these?

9 MR. DALLY: Actually, our independent auditors
10 look at this and then they submit a report to the state
11 auditors as part of the Public Funds Investment Act, so it
12 is reviewed.

13 MR. JONES: So his comments on prior occasions
14 have been gratuitous?

15 MR. DALLY: Yes.

16 MS. BINGHAM: Courtesy to the chair --
17 committee.

18 MR. JONES: Maybe to the board.

19 MR. DALLY: Are there any questions?

20 MR. JONES: Questions?

21 MS. BINGHAM: Do we need to approve this or is
22 this just --

23 MR. DALLY: It's accept --

24 MR. JONES: It's listed as approval. I think
25 we've to be frank with you, Ms. Bingham, gone both ways on

1 this, but I don't think we have to take any action on it.

2 MS. BINGHAM: I didn't think so.

3 MR. DALLY: I was just bringing you this report
4 as part of that.

5 MR. JONES: And we thank you.

6 MR. DALLY: Thank you.

7 MR. JONES: Any further discussion of item 4 on
8 the agenda?

9 (No response.)

10 MR. JONES: Hearing none, I believe that
11 completes our agenda. Are we ready to adjourn?

12 (No response.)

13 MR. JONES: I assume we are. We will then be
14 adjourned.

15 (Whereupon, at 10:30 a.m., the meeting was
16 adjourned.)

C E R T I F I C A T E

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MEETING OF: TDHCA Finance Committee
LOCATION: Austin, Texas
DATE: April 26, 2001

I do hereby certify that the foregoing pages, numbers 1 through 18, 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 and Community Affairs.

05/01/01
(Transcriber) (Date)

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