

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

Room E2.026
State Capitol Extension
1400 Congress Avenue
Austin, Texas

9:15 a.m.
Wednesday,
October 17, 2001

PRESENT:

MICHAEL JONES, Chairman
VIDAL GONZALEZ
NORBERTO SALINAS
C. KENT CONINE
ELIZABETH ANDERSON

STAFF:

RUTH CEDILLO, Acting Executive Director

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EXECUTIVE SESSION 33

P R O C E E D I N G S

1
2 MR. JONES: I now call to order the board
3 meeting of the Texas Department of Housing and Community
4 Affairs for October 17, 2001.

5 The first order of business after the call to
6 order is the roll call. Ms. Beth Anderson?

7 MS. ANDERSON: Present.

8 MR. JONES: Shadrick Bogany is absent.

9 M. Kent Conine.

10 MR. CONINE: Here.

11 MR. JONES: Mr. Vidal Gonzalez?

12 MR. GONZALEZ: Here.

13 MR. JONES: Mayor Salinas?

14 MR. SALINAS: Here.

15 MR. JONES: And Michael Jones is here. We have
16 five members present and one member absent, and I do
17 determine that we have a quorum.

18 Our next order of business is public comment,
19 and at the choice of our commenters, you have an
20 opportunity to either speak now at the beginning of the
21 board meeting if you care to, or to speak when we take up
22 the particular agenda item you'd like to speak on, but you
23 do need to turn in now a witness affirmation form to let
24 us know that you want to speak so that we can know who we
25 are going to be hearing from today. So if you would do

1 that, please turn in a witness affirmation form right now
2 to Delores.

3 With that, Mr. Steve Poppoon. Mr. Poppoon?

4 UNIDENTIFIED SPEAKER: He was just here.

5 MR. JONES: He was just here? I'm sorry.

6 Well, we'll come back to him.

7 Mr. Davis, Mr. Tres Davis?

8 MR. DAVIS: Yes, I'd like to wait.

9 MR. JONES: And what item would you like to
10 speak on?

11 MR. DAVIS: The HOME Program recommendations.

12 MR. JONES: Thank you, sir.

13 Mr. Mike Fields?

14 MR. FIELDS: I'm available to answer questions
15 only for Item 2(c).

16 MR. JONES: 2(c). Thank you, sir.

17 Mr. David Hail? Good morning.

18 MR. HAIL: Good morning. This is great. I'd
19 planned an extended stay in Austin today just to be able
20 to speak, and so --

21 MR. JONES: Well, we'll give you an option. If
22 you want to have an extended stay, we'll give it to you.

23 MR. HAIL: Right off the bat, love it.

24 My name is David Hail; I'm senior vice-
25 president of Allied Mortgage Capital Corporation and head

1 of the Rural Development Division for Allied Mortgage
2 Capital.

3 Let me give you a little bit of background
4 about Allied Mortgage Capital because I want to speak on
5 the HOME fund recommendations. We're the largest seller-
6 servicer of 502 leverage-direct loans in the United
7 States, according to Fannie Mae. Our sole purpose and my
8 sole job is to facilitate rural lending across the United
9 States. Of course, the fact that I live in the state of
10 Texas, my heart is definitely here. Ronnie Raidle, before
11 he passed away, he was head of the USDA Rural Development
12 Single Family Housing Division, and Ronnie was a good
13 friend of mine. And of course Scooter Brockett is a good
14 friend of mine and then we have another head of the United
15 States Department of Agriculture Rural Housing Division.
16 And of course, we work in conjunction with them.

17 I was asked two years ago by State
18 Representative Bill Carter and Senator Chris Harris -- we
19 were called into a meeting with USDA to address the issue
20 of helping out rural designated areas and so we took the
21 task, between us and USDA -- which Allied Mortgage Capital
22 and USDA have had a long relationship of working together
23 and doing deals; like I said, we're one of the largest in
24 the United States, if not the largest -- and we were asked
25 to address the issue of helping out rural designated

1 areas. And we did just that, we did what Bill Carter and
2 Chris Harris asked us to do.

3 We started out trying to do an out-of-funding-
4 cycle proposal to TDHCA; we submitted it and actually we
5 got no response whatsoever, not even a phone call. So we
6 called and we finally realized that what we needed to do
7 is just go into the funding cycle. By the way, we have
8 made previous applications for one single county but that
9 wasn't near what we were trying to accomplish.

10 Bottom line is we made an application for
11 Region 03 here in the state this year. We were denied
12 based on scoring; we got a score of 133 out of -- I don't
13 know what's the possible, but we got a score and we're not
14 recommended, which is a surprise to us because by our
15 calculations we should have scored at least 197 minimum.

16 I visited with Pam Morris about the scoring and
17 I hear what she's saying but it doesn't logically make
18 sense. So whether I solve the problem now, as I appeal to
19 you to reconsider your allocation to Allied Mortgage
20 Capital because not only are you making it to us, but this
21 is a proposal that was put together with us and United
22 States Department of Agriculture, and I'll explain why
23 it's so significant and what we'll be able to do that
24 nobody else can do momentarily.

25 The scoring, for example, in financial capacity

1 and cash reserves, we got a score of five points, I
2 believe it was, out of a possible 40. Now, how is it
3 possible that a lender who is a nationwide lender, we're
4 in 48 states, including Guam and the Virgin Islands, we're
5 approved with FHA, VA, Fannie Mae, we have warehouse lines
6 of probably \$30 million, we get a financial capacity score
7 and a cash reserve score of five.

8 Now, visiting with Pam, it sounded like there
9 was some little resolution that we failed to sign, even
10 though a year ago I asked TDHCA if there is something that
11 we are missing, let us know. There has been no response
12 and no help whatsoever.

13 Now, the reason I'm mainly here today is
14 because I feel so passionately about the cause that we're
15 trying to achieve, and that is helping people in rural
16 designated areas across the state of Texas. Us and USDA
17 do it better than anybody in the state.

18 Now, here's what we're able to offer to the
19 State of Texas, and even though we've expounded this
20 before -- even though I've given this out before, you can
21 pass those out -- and this is kind of a summary of what
22 we're able to offer.

23 Bottom line, there is no bond money program
24 that TDHCA can offer that can beat what we're able to
25 offer. We are able to provide assistance to people, as

1 far as payment assistance on their home loans, to as low
2 as a 1 percent interest rate on the biggest portion of the
3 loan. On a \$100,000 house, for example, they may have a
4 total house payment of, say, around \$600-650 a month with
5 taxes, insurance included. Nobody else can do that; there
6 isn't anything that TDHCA can offer, as far as bond
7 programs, that will accomplish that in rural designated
8 areas.

9 In addition, we can get these people into a
10 house for no cash whatsoever -- that's literally possible.

11 We can go into areas that nobody can achieve, we can hit
12 adjusted median family incomes that nobody else can
13 achieve. In our proposal that we made, we said that we
14 would guarantee you that at least 50 percent of our
15 allocation would go to people under 50 percent of the
16 median income. And I looked at what I saw proposed and
17 very little of that went to under -- of your funds, of the
18 HOME funds, went to people under 50 percent of the median
19 income.

20 In addition, now, we would have applied for the
21 entire state. Now, admittedly, we probably should have
22 come to more of the comment periods so that we could
23 address certain issues, and that's a mistake we're going
24 to correct in the future because keep in mind, we're a
25 mortgage company, and from talking to Pam, it sounds like

1 the system, the way the scoring is done and everything is
2 done is geared toward individual cities and CDCs is the
3 way the scoring is designed; it doesn't allow what Bill
4 Carter, in my discussion with him yesterday doesn't allow
5 for the wisdom of HOME fund allocations and the allowance
6 for a company like a mortgage company that doesn't fall
7 into the what do you call it -- boxes or the square pegs,
8 as I might put it, of dealing with HOME funds.

9 What we're able to offer is far beyond what
10 anybody else can offer.

11 The scoring flat didn't make sense to us. We
12 were asked to provide you with a solution for rural
13 development lending and we did just that. I noticed that
14 in Region 03, for example, that you had slightly over a
15 million dollars allocated for HOME fund allocations but
16 you only funded less than half a million, yet we were
17 asking for \$500,000 just for Region 03, and we would have
18 applied for the entire state. This citizen survey that
19 you came up with, or TDHCA or somebody came up with, put a
20 squelch to that because it is impossible for a national
21 lender, along with U.S. Department of Agriculture, to go
22 out to every city and county in the United States and come
23 up with a citizen survey because that would take too many
24 hours.

25 So not only did we provide you with 29 citizen

1 surveys, we gave you a pipeline. Now, Pam told me
2 yesterday that nobody in the staff understands what a
3 pipeline is, and a pipeline was better than a citizen
4 survey. We were showing you people that right now need
5 the money; we showed you that 80 people right now in
6 Region 03 have made loan application and can't do it
7 because they can't bridge that gap of affordability
8 because they don't have the funds to close.

9 We can get them in for a zero-down loan but
10 there are closing costs associated and there are sometimes
11 other issues as far as repairs. The greatest partner in
12 the world for the State of Texas could be TDHCA. USDA
13 Rural Development, and Allied Mortgage Capital. We are
14 the bridge for all these counties.

15 In Region 03 there was only one rural
16 designated city that received funds and that was the City
17 of Commerce in Region 03. When we made application, we
18 were applying for all 19 counties in Region 03 which
19 included every single city, no matter what size, that we
20 could help. There may be one deal that comes out of
21 Roane, Texas, or there may be one deal that comes out of
22 Nevada, Texas, one deal, but those are some people that we
23 could help that nobody else could help, and that's what we
24 made application for.

25 Now, I don't know where the flaw comes in in

1 the scoring, and I love what Bill Carter said yesterday.
2 He said, David, we're working on the wisdom of allocation.
3 We did everything that we were asked to do; we thought we
4 gave TDHCA everything they needed; we've asked for help;
5 we've gotten no technical assistance whatsoever, even
6 though we've asked for it.

7 And here's an interesting thing that Ronnie
8 Raidle said. Ronnie said, David, we have been trying for
9 years to accomplish what you're trying to accomplish --
10 this is before he passed away -- he said, David, I'll be
11 shocked if you're able to get this through. And I told
12 Ronnie, I said, Ronnie, I sincerely believe that they can
13 see what we're trying to paint the picture of, and
14 unfortunately, so far I'm wrong, because what we're able
15 to accomplish so far exceeds what you've been able to do
16 so far, you have no idea. The loan program we're offering
17 here is the greatest loan program in the United States.

18 Do you have any other questions?

19 MR. SALINAS: Who did you ask for assistance at
20 the office, technical assistance?

21 MR. HAIL: In September of 2000, we were asked
22 by Bill Carter and Chris Harris, almost two years ago --
23 we just missed the 1999 funding cycle -- we were asked to
24 step in and come up with a solution to help rural
25 designated areas across the state of Texas. We came up

1 with a proposal; unfortunately, we couldn't get it in in
2 time to make it happen. I wrote a letter to Pam Morris
3 and asked her for -- I said, I understand we may not
4 totally understand what's going on here, but we asked for
5 help. If our proposal is not the format that you need it
6 to be, tell us what you need to see.

7 In visiting with her yesterday, my
8 understanding of the scoring process doesn't lend itself
9 well to a mortgage company; the scoring is designed for
10 CDCs.

11 MR. SALINAS: You didn't get any help from the
12 office?

13 MR. HAIL: Oh, we've got no help whatsoever.
14 Now, I understand that they're going to have coordinators
15 out there, but see, we are the stop-gap, we are the bridge
16 for all these communities out there. Do you realize that
17 I counted, just in the 19 counties that we were asking for
18 help in or for assistance, I counted over 100 cities that
19 we could have done loans in, and only one in all of Region
20 3 gets help, and that was the City of Commerce. And
21 that's the only rural designated area in the whole state;
22 we could have done them all.

23 MR. SALINAS: But you're saying that you asked
24 for some assistance and some money from the Texas
25 Department of Housing and you didn't get any.

1 MR. HAIL: Zero.

2 MR. SALINAS: But that you have a good program
3 as far as financing homes at 1 percent.

4 MR. HAIL: Yes, sir.

5 MR. SALINAS: With Farmers Home?

6 MR. HAIL: They get a subsidy as low as 1
7 percent, depending upon their income. There's no better
8 financing program in the United States, period.

9 MR. SALINAS: And you didn't get approved.
10 Right?

11 MR. HAIL: No, sir, we were not approved.

12 MR. SALINAS: Can I ask the staff if anybody
13 else made an application similar to what he did, if
14 anybody else came in with the same proposal or the same
15 ideas as far as putting it together and getting 1 percent
16 finance for maybe a home of \$80,000?

17 MR. JONES: Could you please state your name
18 for the record, Pam?

19 MS. MORRIS: I'm Pam Morris, director of
20 Housing Finance Programs. With regard to the score model
21 for the 2001 score criteria, we used the sorts of criteria
22 that would make it very simple for any applicant to apply
23 for which was to get lender letters for lenders in your
24 area that were willing to offer mortgage products, what
25 type of loan products were available -- that was part of

1 the score criteria. The citizen surveys were part of the
2 score criteria which was to try to encourage our
3 applicants to do some outreach to find out what the demand
4 would be based on the income targets that they're
5 committing to in their application and the readiness to
6 proceed, so to speak.

7 We don't look particularly, at least in this
8 last score model, at specific loan products that an
9 applicant is applying for because out of the 244
10 applications, we probably only had about three mortgage
11 companies apply; most of them are all cities and counties
12 and CDCs that apply for the funds, or nonprofit
13 organizations. So the score model is not customized to
14 fit a mortgage company, and it is difficult for a scorer,
15 scoring that many applications to be able to read a
16 narrative and decide that that's a good product
17 necessarily; it's got to be very objective and not
18 subjective, and they fell short in some of the
19 documentation we'd asked for.

20 MR. SALINAS: But how could you compare his
21 application with anybody else in the city where a city
22 goes out and gives people \$5,000 down payment, and let the
23 builder charge them 12 percent. So you have somebody here
24 that's willing to work together with the city or whoever
25 and bring it down to a 1 percent and we're trying to get

1 people at a very low interest rate.

2 MS. MORRIS: Well, I don't know that some of
3 the administrators or the applicants that have applied
4 won't use a rural development product. I mean, many
5 lenders that they surveyed that submitted letters saying
6 they had loan products available were smaller banks within
7 their communities that had rural development loans or FHA
8 loans or Fannie Mae loans available to them. They just
9 need the down payment to be used in conjunction with that,
10 so that's what outreach the applicants went through to try
11 to determine what kind of loan products were in their area
12 because most of our applicants aren't mortgage companies,
13 as I said, they have to rely on an independent.

14 MR. SALINAS: But he was one of the first ones?
15 You were the only one that did an application?

16 MR. HAIL: Well, in Region 3 only one city
17 received funds that's in a rural designated area and
18 that's the City of Commerce. We were asking for funds
19 that would address every single rural designated area in
20 the entire Region 3, and so there's the issue that we're
21 trying -- we're trying to get out to everybody. Let's say
22 a population like Cross Plains, Texas, for example, it's a
23 1,200 population, they don't have the staff. They have
24 probably two cops that even patrol the streets; they don't
25 have the staff to apply for funds, and that's where we

1 came in; we were the bridge, I guess you'd say.

2 So we asked for funds for entire Region 3.
3 This was done in conjunction and support in our
4 application from United States Department of Agriculture.

5 If you realize what is behind us, the tremendous
6 resources that are behind us, and there may be a flaw in
7 the scoring system. That's what Pam is addressing here,
8 and I hear what she's saying. It may be so objective that
9 it needs to be re-looked at to allow for mortgage
10 companies because we have a small voice. Out of 240-
11 something application, is what Pam is saying, only three
12 of them were mortgage companies. But what we're able to
13 offer so far exceeds what one city can do -- and that's
14 inside the city limits.

15 In Region 3 only McKinney, Greenville, and
16 Commerce received funds; that's it. And only one of those
17 is a rural designated area, and we were asked to step in
18 because that's all we do is rural development lending. We
19 were scored less because we included all of Region 3 which
20 included Dallas and Tarrant County, but we didn't say we
21 wanted to do stuff in the city of Dallas or Fort Worth.
22 We wanted to do it in the rural areas, but yet we were
23 scored less as a result.

24 MR. JONES: Pam, I understand Mr. Hail's
25 criticisms of the scoring criteria, the scoring process, I

1 know he has problems with those, but I also understand his
2 criticisms of our failure to work with him, and all those
3 are issues I think we should look at it; there are also
4 issues that are more staff-oriented.

5 The thing that I'm very concerned about,
6 though, is he says I've got this great program, I can help
7 you help a lot more people than you're currently helping.

8 Do you agree with that statement that he makes?

9 MS. MORRIS: Yes, sir.

10 MR. JONES: So the bottom line is you agree
11 with him with regard to the concepts, the policy concepts?

12 MS. MORRIS: Correct, absolutely. Mr. Hail had
13 approached us about a year ago, as he had indicated, in
14 writing, and I recall from my memory -- and I'd have to
15 check notes -- I did talk to Mr. Hail about that proposal
16 and that at the time we were not accepting out-of-funding-
17 cycle recommendations, that we had been asked to put
18 everything in the cycle so that there were not direct
19 awards, per se, that it had to go through the competitive
20 process.

21 MR. JONES: Thank you.

22 Mr. Conine.

23 MR. CONINE: Mr. Hail, you don't have, quote, a
24 corner on the market on Department of Ag funds, do you?
25 Most all mortgage lenders that qualify under the Ag

1 program can have access to the funds that they use for
2 their subsidy. Is that correct? You just happen to be
3 the biggest and the brightest?

4 MR. HAIL: Well, technically, keep in mind it's
5 probably one of the most understood loan programs in the
6 United States. Most lenders don't mess with it because
7 it's one of the most difficult loans to deal with.
8 Actually, we probably are one of a handful across the
9 United States that even deals with them.

10 MR. CONINE: And can't you technically take
11 your loan program and go to all these awardees and do some
12 volume of lending all across the state of Texas with the
13 cities or nonprofits?

14 MR. HAIL: Well, yes. Like we could contact
15 the City of Commerce and do loans for them, but that
16 didn't help -- the thing is my point being is we gave
17 TDHCA a pipeline of people that are in all these different
18 cities and counties in Region 3.

19 MR. CONINE: Understood. Most mortgage
20 companies have pipelines all over -- all the time.

21 MR. HAIL: These are actual applications.

22 MR. CONINE: I understand. But it doesn't
23 prevent you from, again, having access to these same
24 dollars by going to the awardees, not that you don't
25 deserve an award yourself necessarily, but you can still

1 go to the individual nonprofits or cities or whoever wins
2 the awards today and still create the volume of loan
3 demand that you think will help rural citizens of Texas.

4 MR. HAIL: No, sir, we can't.

5 MR. CONINE: Why not?

6 MR. HAIL: Because in Region 3 we could only do
7 loans in one city with HOME funds, and that was the City
8 of Commerce.

9 MR. CONINE: Well, why can't you go to Region 5
10 and 7 and 11?

11 MR. HAIL: A lot of the regions received no
12 funds at all, and we would have applied for the entire
13 state, if it hadn't have been for the citizen survey
14 issue. It's physically impossible for -- we'll address
15 that issue in future public comment, but that citizen
16 survey didn't lend itself.

17 MR. CONINE: Every borrower that receives
18 assistance from us needs a mortgage loan to go with the
19 HOME assistance. Why can't you take the dollars you have
20 in your rural program and go to those particular towns or
21 cities?

22 MR. HAIL: Well, of course, we applied for
23 Region 3 and out of the probably over 100 cities in Region
24 3 that we could do loans in and use HOME funds, we were
25 able to only do one.

1 MR. CONINE: Why did you apply just for one
2 region?

3 MR. HAIL: Because of the citizen survey. We
4 originally intended to apply for the whole state but the
5 citizen survey -- because you have to physically have
6 someone go out and get a survey from an individual; it is
7 physically impossible for a nationwide lender to go out
8 and do that. We were able to get 29 of them but the rest
9 of it we decided to bridge by showing pipeline for Region
10 3, and that was done in conjunction with the United States
11 Department of Agriculture. We gave you better than a
12 citizen survey, yet we were knocked in score as a result
13 of that.

14 MR. CONINE: I'm still missing a link here
15 somewhere.

16 MR. HAIL: But what I'm saying, though, is
17 right now we can only use HOME funds -- am I right,
18 Pam? -- in one city in Region 3 that's a rural designated
19 area which is the City of Commerce; only the City of
20 Commerce received funds.

21 MS. MORRIS: When you mention rural designated,
22 is it rural developments designated?

23 MR. HAIL: Right.

24 MS. MORRIS: Because HOME funds would allow
25 those others in the regions.

1 MR. HAIL: The City of Greenville and the City
2 of McKinney, which are the only two in Region 3 that
3 received funds, are not considered rural designated areas;
4 so therefore, the City of Commerce is it. So out of the
5 at least 100 cities that are in Region 3, we can't do one
6 single -- don't get me wrong, we can do loans, but it
7 doesn't have anything to do with what we're trying to
8 accomplish here.

9 MR. CONINE: We would have to change our
10 policies substantially to grant block grants to regions of
11 HOME dollars.

12 MR. HAIL: We were asking for an in-cycle
13 allocation under the current guidelines for HOME funds.

14 MR. CONINE: But what I hear you asking for is
15 a block grant to Region 3 so you can go to any city in
16 Region 3 you want to go to.

17 MR. HAIL: Any city that's rural designated,
18 yes, sir.

19 MR. CONINE: I think that is a little bit
20 opposed to the current policy we have where we try to
21 target specific projects and developments that are going
22 to receive the benefits of the HOME funding.

23 MR. HAIL: I don't agree with that. My
24 understanding of the mandate from what I'm understanding
25 is that you're wanting to hit rural designated areas.

1 MR. CONINE: No. I'm talking about current
2 existing policy on awarding HOME funds that the department
3 currently has. A mandate is something that isn't policy,
4 I guess, at this point.

5 MR. HAIL: So if you're asking if we should
6 apply for each individual city --

7 MR. CONINE: No. What I'm asking for, I guess,
8 is your thought process of a block grant to a region as
9 opposed to a specific grant to a city. That's a different
10 concept for us.

11 MR. HAIL: I think the concept that has been
12 previously stated is that your system is geared toward
13 individual cities and CDCs and nonprofits.

14 MR. CONINE: The system is the policy. Do you
15 understand what I'm saying?

16 MR. HAIL: Yes, sir.

17 MR. CONINE: The policy is we go to a targeted
18 city, we don't do block grants to regions and let you
19 decide who gets the money.

20 MR. HAIL: Well, then how do these individual
21 towns -- other than doing it the way we do it, how do
22 these individual cities of 5,000 population, 6,000
23 population that don't have the staff to apply for HOME
24 funds, how do they get there unless we do it for them?

25 MR. CONINE: Well, we had a laundry list of

1 those who did, and some of them win; some of them lose.
2 Okay? It's just where the decision process takes place.
3 And I hear what you're saying that you may be able to do a
4 better job of it than we are because you have a pipeline
5 full of people that we're not aware of. We can only deal
6 with specific applications.

7 Unless we change our policy to block grant to
8 mortgage companies and let them decide where the money
9 goes -- which I don't think we're not here to decide
10 today -- but that's the reason behind the policy as it
11 sits today and probably why the scoring -- you can never
12 get there under the current policy and scoring manual,
13 you'll never get there because you don't have a specific
14 person, a specific project. You're just saying we're out
15 here with 1 percent mortgage money which in and of itself
16 is a good thing. Your testimony is good because we're
17 hearing it, I guess, and we can revisit that for future
18 allocations -- that's my point.

19 MR. JONES: I think Mr. Conine's comments are
20 real insightful because what we're dealing with here are
21 some major policy issues about the way you do things.
22 Once you get over the criticism of staff and some pretty
23 narrow regards with regard to your --

24 MR. HAIL: It's not meant to be criticism of
25 staff, it's has to do with criticism of policy.

1 MR. JONES: I understand that, but there are
2 some issues there that have been raised like assistance
3 from us in working with people, and secondly, how we score
4 things. I understand that as we've heard them, but there
5 are also some huge policy issues that you're raising.

6 MR. HAIL: Yes, sir.

7 MR. JONES: Any further questions?

8 MR. GONZALEZ: I was just curious, Pam, as far
9 as what your thoughts are personally and concerning this
10 situation for finding ways to work with mortgage companies
11 in the future when it comes to housing.

12 MS. MORRIS: Certainly. I think we can always
13 do a better job explaining what some of our requirements
14 are that people may have missed. One of the things that
15 Allied had fallen short with scoring on -- and I spoke
16 with Mr. Hail about this yesterday -- was the cash
17 reserves. I very well know that Allied has sufficient
18 cash reserves because of warehouse lines because I know
19 how the mortgage companies work; however, as a score, it
20 was required that as a governing body that they put in the
21 resolution that they were willing to put up cash reserves
22 to fund the down payment loans until they're reimbursed.

23 Every applicant was asked to do that so that we
24 would know that the governing body was in concurrence with
25 using that warehouse line. That was not in the resolution

1 so he didn't get points for that. I understand how
2 frustrating that is because they certainly had the ability
3 to do that, but we have to be consistent.

4 Same thing on the citizen surveys. The
5 applicants that received higher points actually surveyed a
6 number of people. I know it's a limited community and
7 they had the ability to do that, or they went to mortgage
8 companies to see what was in their pipeline to see if they
9 had eligible borrowers that would be willing to survey.
10 The pipeline report was not something scorers were
11 familiar with, so it was hard for them to judge whether
12 someone gets extra points for that, and we were trying to
13 keep it, as I said, very objective.

14 So those are things that they fell short on,
15 and I understand that that's frustrating, and we just need
16 to better educate as to what's in that criteria, what's
17 required in order to get an equitable score for everyone.

18 MR. HAIL: And I might add that we asked for
19 that assistance, and we were denied earlier as a result of
20 a failure of a resolution that would allow me, David Hail,
21 to proceed with this program. They said, Come back and
22 give us that and then we'll move forward. And we did
23 that, but no additional mention was added -- no one
24 mentioned that they also wanted this other documentation
25 which we could have provided them.

1 As a mortgage company, we have the capability
2 to do more than any of these CDCs or anybody else. And
3 that's the issue: what we're able to accomplish so far
4 exceeds what any of these CDCs are able to offer.

5 MR. CONINE: But you're missing my point, and
6 that is where does the decision-making for that assistance
7 lie: does it lie sitting here with these six or seven
8 people or does it lie with you, the mortgage company out
9 in the field. Heretofore, we believed it lies here
10 through the cooperation of local municipalities and local
11 nonprofit groups with specific projects, and I still say
12 that's the best alternative, but if you have a different
13 opinion -- which you stated here today -- you're free to
14 do so and we'll consider it.

15 MR. HAIL: Well, my point simply is that
16 instead of Region 3 receiving one city in a rural
17 designated area, we could have done them all.

18 MR. CONINE: But we wouldn't have had the
19 choice, you would have had the choice; that's the
20 difference.

21 MR. SALINAS: I guess you just forgot the
22 resolution, so it's a little bit late now, so maybe next
23 time around.

24 MR. HAIL: Well, but we asked for that
25 technical assistance, I might add too.

1 MR. SALINAS: And you didn't get it.

2 MR. HAIL: I think we need to revisit the issue
3 of policy as far as gearing these things to common sense.
4 I like what Bill Carter said: the wise distribution of
5 funds. Because what we could have done, we'd been asked
6 to do two years ago.

7 MR. SALINAS: Well, common sense is something
8 we've not had here for long time, so maybe we'll start
9 using that.

10 MR. HAIL: I see that now.

11 MR. SALINAS: Now, I know it's common sense
12 [inaudible].

13 MR. HAIL: Well, it's sad though.

14 MR. SALINAS: It's sad that you have a great
15 program and wish we had it in South Texas, and I'm sure,
16 like Mr. Conine said, maybe you can do some of that. But
17 I think here -- which is common sense -- you asked for
18 technical assistance and you didn't get it.

19 MR. HAIL: Out of almost \$8 million that was
20 made available in the HOME program, you only funded about
21 \$4 million and we only asked for half a million. So thank
22 you, sir.

23 MR. JONES: Thank you, Mr. Hail.

24 Next we have Mr. Larry Washburn.

25 MR. WASHBURN: Yes, I'm on the agenda. Can I

1 speak on it now?

2 MR. JONES: You can speak on it now if you care
3 to.

4 MR. WASHBURN: My name is Larry Washburn; I'm
5 with LCJ Management and also LCJ Construction which is a
6 division of LCJ Management. We are the developer -- I
7 guess you'd say Developer Number 2 on this project and
8 we're also the contractors. I'd like to just give you a
9 little overview of the complex.

10 This is '99 tax credits. The original
11 developer on the job, after some nine months, decided he
12 did not want to continue with it when he found out he
13 would have to personally guarantee the construction funds,
14 so they called us in to see if we would take over as the
15 developer on the complex, and we did that in April of
16 2000, I guess.

17 This is kind of an unusual complex in that
18 there is no public water supply in the city of Huffman,
19 which means we would have to put in our own well and water
20 system for the complex. Fortunately, the City of Houston
21 had, about a half a mile away, a sewer treatment plant, so
22 we didn't have to do that, but we had to go through the
23 City of Houston for all of our plans and specifications.
24 The City of Houston fire marshal made us put in an 84,000-
25 gallon tank to fight fires on the complex. Even though

1 this is not within the city of Houston, it is in their
2 jurisdiction.

3 We finally signed into our construction loan on
4 November 15, 2000. We thought we had plenty of time to
5 get the job constructed, but between the 15th of November
6 and the 1st of February in Houston, we had so much rain
7 that we got three weeks of work done in that 2-1/2 months
8 because you're working in the ground and when it rains
9 every three days, it's very difficult.

10 We're asking and we've requested from the board
11 an extension of 30 days. We were supposed to be complete
12 the 15th of October; we've asked for an extension to the
13 15th of November.

14 As an aside, last Thursday, Friday and
15 Saturday, we had ten inches of rain on the project, three
16 inches, four inches and two inches in those three days, so
17 we've been kind of fighting the rain for quite some time.

18 We've had about 68 lost days from rain since we started.

19 Thank you.

20 MR. JONES: Thank you, sir. Appreciate it.

21 MR. WASHBURN: Thank you.

22 MR. JONES: We like rain in Texas, though,
23 don't we. Keep it coming.

24 Mr. Robert Sherman.

25 MR. SHERMAN: I'd rather speak when the item

1 comes up on the agenda.

2 MR. JONES: Okay. And what item is that, sir?

3 MR. SHERMAN: Item 2(a).

4 MR. JONES: Thank you, sir.

5 Mr. MacDonald.

6 MR. MacDONALD: I'd rather speak at the time

7 also.

8 MR. JONES: Okay. And what item is that?

9 MR. MacDONALD: 2(a) and 4(c), I believe.

10 MR. JONES: Ms. Patricia Wentworth.

11 MS. WENTWORTH; I would rather speak when Item

12 3(f) comes up on the agenda, please.

13 MR. JONES: Thank you.

14 Mr. Chavira?

15 MR. CHAVIRA: 3(f).

16 MR. JONES: Thank you.

17 Mayor Javier Mancha.

18 MAYOR MANCHA: 3(f)

19 MR. JONES: Thank you, sir.

20 Mr. Bruce Spitzengel?

21 SPEAKER FROM AUDIENCE: He's actually out in

22 the hall but he wants to speak on Item 3(a).

23 MR. JONES: Mr. Westbrook?

24 MR. WESTBROOK: 3(f).

25 MR. JONES: Representative Price?

1 MR. PRICE: Former Representative Price.

2 MR. JONES: Former Representative Price.

3 MR. PRICE: 2(a).

4 MR. JONES: Once you've had that, don't you
5 always get to keep it, or do they take it away from you?

6 MR. PRICE: You're correct.

7 MR. JONES: Thank you, sir.

8 MR. PRICE: I didn't want anybody to think that
9 I was here presently serving.

10 MR. JONES: Thank you, sir. I thought it was
11 like judges, you know, they're always that way.

12 Mr. Harms?

13 MR. HARMS: 3(g).

14 MR. JONES: Ms. Banks.

15 MS. BANKS: 3(g).

16 MR. JONES: Thank you.

17 Those are all the forms that I have. Is that
18 everyone that would like to speak today? All right, we
19 will then close the time for public comment and we will
20 come to those people who want to speak at the time the
21 particular agenda item is brought up. Did Mr. Poppoon
22 come back?

23 MR. POPPOON: Yes, sir. 4(e).

24 MR. JONES: Thank you, sir.

25 We will now turn to Item 1 on our agenda with

1 regard to the action items which is the presentation,
2 discussion and possible approval of the minutes of the
3 board meeting of September 19, 2001.

4 MR. CONINE: Move for approval.

5 MS. ANDERSON: Second.

6 MR. JONES: The motion has been made that it be
7 approved by Mr. Conine, I think it was seconded first by
8 Ms. Anderson. Further discussion? Hearing none, I assume
9 we're ready to vote. All in favor of the motion, please
10 say aye.

11 (A chorus of ayes.)

12 MR. JONES: All opposed to the motion, please
13 say nay.

14 (No response.)

15 MR. JONES: The ayes have it.

16 At this point, without objection, I believe,
17 from talking with our acting executive director -- or our
18 assistant executive director -- excuse me -- that we would
19 probably be best served to go ahead and go into executive
20 session, and at this time I would like to call the board
21 into executive session, unless someone has an objection to
22 me doing so out of order. Hearing no objection, I will do
23 that.

24 On this October 17, 2001, at a regular board
25 meeting of the Texas Department of Housing and Community

1 Affairs held in Austin, Texas, the board of directors
2 adjourned into a closed executive session, as evidenced by
3 the following: The board of directors will begin its
4 executive session today, October 17, 2001, at 9:55 a.m.

5 The subject matter of this executive session
6 deliberation is as follows: personnel matters; personnel
7 matters on executive director position and application;
8 personnel matters on resignation of current executive
9 director and appointment of acting executive director;
10 litigation and anticipated litigation; consultation with
11 attorney pursuant to Section 55.071(2) of the Texas
12 Government Code; consultation with attorneys concerning
13 litigation on Cause Number GN102058, Kenneth H. Mitchell,
14 et al. v. Texas Department of Housing and Community
15 Affairs; consultation with attorneys concerning pending
16 litigation in Cause Number GN102420, The Encinas Group of
17 Texas, et al. v. Texas Department of Housing and Community
18 Affairs, et al; and discussion of any time listed on our
19 board agenda for this same date.

20 At this point we will go into executive
21 session.

22 (Whereupon, the meeting was recessed, to
23 reconvene following executive session.)

24 MR. JONES: I hereby certify that the board of
25 directors has completed its executive session of the Texas

1 Department of Housing and Community Affairs on October 17,
2 2001 at 11:07 a.m. The subject matter of this executive
3 deliberation was as follows:

4 Personnel matters, action taken none; personnel
5 matters on executive director position and applications,
6 action taken none; personnel matters on resignation of
7 current executive director and appointment of acting
8 executive director, action taken none; litigation and
9 anticipated litigation (potential or threatened under
10 Section 551.071 and 551.103 of the Texas Government Code)
11 action taken none; consultation with attorneys pursuant to
12 Section 551.071(2) of the Texas Government Code, action
13 taken none; consultation with attorneys concerning
14 litigation on Cause Number GN102058, action taken none;
15 and consultation with attorneys concerning pending
16 litigation in Cause Number GN102420, action taken none;
17 and discussion of any item listed on the board meeting
18 agenda of even date, action taken none.

19 I hereby certify that this board agenda meeting
20 of an executive session of the Texas Department of Housing
21 and Community Affairs is properly authorized pursuant to
22 Section 551.103 of the Texas Government Code posted at the
23 Secretary of State's Office seven days prior to the
24 meeting pursuant to 551.044 of the Texas Government Code,
25 that all members of the board of directors were present,

1 with the exception of Shadrick Bogany, and that this is a
2 true and correct record of the proceedings pursuant to the
3 Texas Open Meetings Act, Chapter 551, Texas Government
4 Code, signed by myself as chair of the Board of the Texas
5 Department of Housing and Community Affairs.

6 MR. JONES: With that, we will then return back
7 to our agenda and turn to Item 2 on the agenda which is
8 the presentation, discussion and possible approval of low
9 income housing tax credit items, and Ms. Cedilla, would
10 you bring those to the front for us.

11 MS. CEDILLO: David Burrell, could you please
12 make those presentations?

13 MR. CONINE: Mr. Chairman, if I might?

14 MR. JONES: Yes, sir.

15 MR. CONINE: Based on some information that we
16 were apprised of in our executive session, I'd like to
17 make a motion we table Item 2(a) until our next board
18 meeting.

19 MR. SALINAS: Second.

20 MR. JONES: We have a motion that's been made
21 and seconded by the Mayor. We have a motion to table Item
22 2(a) on our agenda and it has been seconded. Is there
23 further discussion? Hearing no discussion, I assume we're
24 ready to vote. All in favor of the motion, please say
25 aye.

1 (A chorus of ayes.)

2 MR. JONES: All opposed, nay.

3 (No nays.)

4 MR. JONES: Would you like to speak, sir?

5 MR. NWANERI: Board members, Ms. Cedillo. My
6 name is Charles Nwaneri, the acting manager for the Low
7 Income Housing Tax Credit Program. The item that is to be
8 postponed relating to the waiting list project is
9 something that I think I need to say something now such
10 that the board will know the impact postponing it today
11 will have on the program.

12 The amount of funds that we have today that
13 we're trying to allocate, if it's postponed to the next
14 board meeting, it might result to getting too close to the
15 end of the year where maybe any or all of the --

16 MR. JONES: If I could interrupt you just for a
17 minute, sir. What I would suggest you do is the board
18 does want to move on this as expeditiously as possible.
19 The board does need further information, and I think if
20 you and the acting executive director will get together,
21 you'll probably be able to resolve those concerns.

22 MR. NWANERI: Okay, thank you.

23 MS. CEDILLO: The board has agreed to work with
24 us and try to get this resolved as soon as possible and
25 they'll set their next board meeting to where we can

1 accommodate the concerns that you have.

2 MR. NWANERI: Okay.

3 MS. CEDILLO: Thank you.

4 MR. JONES: Yes, sir?

5 MR. SHERMAN: I'm sorry if I'm out of order,
6 but I did ask to speak on what you voted. May I have a
7 couple of moments at the microphone?

8 MR. JONES: You may.

9 MR. SHERMAN: Thank you. Mr. Chairman, ladies
10 and gentlemen of the board, thank you for allowing me to
11 speak out of order. I'm representing, as you know, Mr.
12 Price in a matter in 2(a)

13 The first thing I want to do is apologize for
14 confusing the issue last time when I spoke in saying that
15 there was an order of priority. It was written from an
16 old QAP; I was quite incorrect and I apologize if I left
17 anybody with the wrong impression.

18 I have some points that I want to make on this
19 item. Is it appropriate to make them now?

20 MR. JONES: Yes, you may.

21 MR. SHERMAN: It is? Very well.

22 MR. CONINE: Well, I think he's asking is it
23 appropriate now or should he wait until the next board
24 meeting when it comes up again.

25 MR. JONES: He has every right to do it now.

1 MR. CONINE: You have a right to do it now, or
2 you can do it then.

3 MR. JONES: You need to understand that we are
4 going to take up these items at another board meeting, and
5 you have every right to speak to it now, as I understand
6 our rules and regulations. You can also speak to it at
7 that time too.

8 MR. SHERMAN: If I may, I'll take two minutes
9 of your time, not a long-winded thing.

10 First of all, Mr. Nwaneri is quite right. If
11 we go up against December 31, we're in real trouble
12 putting it together, although we can do it, but it puts us
13 at a -- we'd have to start right now and gamble a lot of
14 money right now that we could make it.

15 The main points I wanted to make is I received
16 a memorandum -- so did everyone -- dated September 10. It
17 uses the 2001 and 2002 forward commitments as perfectly
18 good logic for approving the Spindletop Estates in
19 Beaumont. Another memo written October 9 -- which is
20 after September 10, of course -- uses the 2000 round, the
21 2000 Qualified Allocation Plan, combining it with the
22 forward commitments of the 2001 Qualified Allocation Plan
23 for logic in moving the Spindletop Estates to the bottom
24 of the list and then perhaps putting other properties in
25 front of it.

1 This memo also states that it's the first year
2 the agency has used the regional allocation formula, and
3 that's 2001, not 2000, and my point is that if we were
4 applying -- we did apply under the 2001 Qualified
5 Allocation Plan, I feel with my logic that we fall under
6 the 2001 rules which includes a 2002 forward commitment
7 which is precisely what the first memo came to me saying
8 as completely logical for the selection of the Beaumont
9 deal, Spindletop Estates, but the second memorandum brings
10 up an old Qualified Allocation Plan where there was --
11 this is very important -- where there was no regional
12 allocation formula, and somehow, using whatever logic,
13 combines it with the 2001 forward commitment.

14 I would submit to you that we operated under
15 the 2001 with a regional allocation, including 2002
16 forward commitments, and to go back into a QAP that didn't
17 even carry that designation, didn't have a regional
18 allocation plan, and assume that we're now part of that
19 old 2000 application round where the rules have been
20 superseded by the 2001.

21 The first memo made perfect sense to me. The
22 second one, with all due respect to the agency and those
23 who did a lot of hard work putting this together --
24 because it's complicated -- I would respectfully disagree
25 with. I don't think you should use an old QAP, outdated,

1 without that designation in it at all and say we're now
2 part of that. We didn't apply under that; it's history,
3 it's gone.

4 I was also asked -- and this may influence the
5 decision-making, I understand that, but I'm going to say
6 it -- Mr. Conine asked the last time, said to me: I want
7 to know how this thing works at 80 or 100 units when you
8 submitted 120. The answer is that the land is only
9 \$260,000 for the whole thing; you go from \$2,000 a unit up
10 to \$2,600, so I would never put together a deal -- and Mr.
11 Conine knows that I've been in the business some time -- I
12 would never put in a deal where \$600 or \$800 or even
13 \$1,000 per unit at \$2,000 to \$3,000 a unit for land would
14 ever influence the deal. So I wanted to assure all of
15 you, and especially Mr. Conine, that the deal is perfectly
16 sound at 80 or 100 units.

17 With that, I'll rest, and I thank you once
18 again for allowing me to speak out of order.

19 MR. JONES: Sure, and we appreciate your input.

20 And just by way of background, obviously this board is
21 under a number of pressures here: we've been sued; we're
22 trying to comply with court orders; we're also acting upon
23 advice of the Attorney General's Office; we're also trying
24 to make sure we accommodate everyone's interests here.
25 And we understand the timing issue and it is our intent to

1 accommodate that, but we do need to gather some further
2 information on this subject matter to make sure we comply
3 with all the various factors here --

4 MR. SHERMAN: I'll make sure we make it, by the
5 way.

6 MR. JONES: -- kind of coming to this V in this
7 vortex. So thank you, sir, and we certainly do understand
8 the timing issue.

9 MR. SHERMAN: I will make sure we make it,
10 whatever the timing is.

11 MR. JONES: All right. Thank you, sir.

12 Also on 2(a), besides Mr. Sherman, Mr.
13 MacDonald had said he wanted to speak on that subject.

14 MR. MacDONALD: Thank you, Mr. Chairman. I'll
15 keep it brief.

16 I'm speaking on behalf of 039, the Park Meadows
17 Apartments in Boerne; Texas that's on the wait list. I'm
18 somewhat concerned that it appears we've created some type
19 of priority on the wait list as established under this
20 item with the Beaumont properties, two from Laredo and one
21 from Refugio. It doesn't seem to me like it's fair for
22 the wait list to have two from the same city on it, and if
23 this list is somehow the priority list, I'd like for that
24 to be rethought.

25 Region 8A which is where Park Meadows is

1 located -- this is a rural elderly project -- received no
2 rural allocations this year. I realize that the
3 allocation for rural is based on a state allocation;
4 however, in the past the department has tried to spread
5 those allocations in rural areas out equally and 8A
6 received no allocations at all for rural this year.

7 And I'd also like to bring up that on this
8 particular project we're using about 25 percent less
9 credit units, dollar per unit than all the others that are
10 listed on the agenda.

11 MR. JONES: Thank you, sir.

12 MR. MacDONALD: Thank you.

13 MR. JONES: Former Representative Price.

14 MR. PRICE: Mr. Chairman and members, thank you
15 very much. My name is Al Price and I appreciate the
16 opportunity to appear before you.

17 The argument has been made, and we shall stand
18 by, awaiting your further action, and we'll be ready to
19 proceed. Thank you.

20 MR. JONES: Thank you so much.

21 Those are all of the individuals that I had
22 that wanted to speak on 2(a). Have I missed anybody? I
23 don't believe I have then, and we will then move forward
24 to Item 2(b) on the agenda.

25 MS. CEDILLO: Charles Nwaneri is going to make

1 that presentation.

2 MR. NWANERI: Thank you, Mr. Chair, Ms.
3 Cedillo. My name is Charles Nwaneri, the acting manager
4 for the Low Income Housing Tax Credit Program.

5 We have about six extension requests that we
6 are coming to you today to request your approval for these
7 extension requests for placement in service. They relate
8 to 1999 allocations that were made to these developments,
9 and the other two are coming in requesting extension of
10 the commencement of substantial construction.

11 Before I get into that, in the last board
12 meeting, there were a couple of questions that some board
13 members asked that made me throw in additional information
14 this time that would help to give you enough information
15 relating to a particular development that is asking for
16 extension. So on your agenda you see where we started off
17 with number of units, cost of development of unit based on
18 the amount allocated, and I think this will be enough for
19 your request, but if you notice that there is some
20 information that I'm missing today that we can add on,
21 please let know.

22 The first one on the list is Sunset Arbors
23 Apartments, Project Number 99126. This project is located
24 in the city -- county -- Abilene in Taylor County and is
25 from the general set-aside. It's a new construction for

1 220 low-income units; the amount of award was \$1,100,880,
2 giving us a cost per unit of \$5,004. They have paid the
3 \$2,500 extension fee. The deadline, as established by the
4 department, was October 31, 2001 for meeting the placement
5 in service. The IRS, however, allows them all through
6 December 31 this year to place this project in service,
7 and the applicant is requesting all through December 15
8 this year to complete this project.

9 This has not requested an extension before on
10 this project in the past, and the reason for the request
11 is delays caused by weather, rain. There's a total of 15
12 buildings in this property and I think some of it has been
13 placed in service already. About nine have been placed in
14 service and they need a little extra time to complete the
15 remaining six.

16 Staff has looked at their request and has
17 recommended approval from the board.

18 MR. CONINE: Move for approval.

19 MS. ANDERSON: Second.

20 MR. JONES: Have a motion made and seconded
21 Any further discussion? Hearing none, I assume we're
22 ready to vote. All in favor of the motion, please say aye.

23 (A chorus of ayes.)

24 MR. JONES: All opposed say nay.

25 (No nays.)

1 MR. JONES: Motion carries.

2 I notice the information he just gave us we
3 have in our board packets, and I know from prior
4 experience that the board members have all reviewed that.

5 Are there any further questions you might have for staff
6 concerning those?

7 MR. CONINE: Move for approval of the balance
8 of 2(b).

9 MR. JONES: We have a motion on the floor that
10 we approve the balance of 2(b).

11 MR. SALINAS: Second.

12 MR. JONES: There is a second. Further
13 questions, comments, discussion? Hearing none, I assume
14 we're ready to vote. All in favor of the motion, please
15 say aye.

16 (A chorus of ayes.)

17 MR. JONES: All opposed to the motion, please
18 say nay.

19 (No nays.)

20 MR. JONES: The ayes have it.

21 Item 2(c), I think we also have the information
22 with regard to those extension requests. Are there any
23 questions for staff?

24 MR. SALINAS: I'll move for the approval of all
25 of Item (c).

1 MS. ANDERSON: Second.

2 MR. JONES: We have a motion made that we
3 approve them; we have a second. Any further discussion?
4 Hearing none, I assume we're ready to vote. All in favor
5 of the motion, please say aye.

6 (A chorus of ayes.)

7 MR. JONES: All opposed, nay.

8 (No nays.)

9 MR. JONES: The ayes have it, motion carries.
10 Thank you, sir.

11 MR. NWANERI: Thank you. Made it easy for me.

12 (General laughter.)

13 MR. JONES: Which I think brings us to Item
14 3(a) of the agenda. Oh, excuse me. Somebody wanted to
15 talk on 2(c), Mr. Fields.

16 MR. FIELDS: Questions only, if needed.

17 MR. JONES: I assume you're okay, no
18 complaints. Right? I apologize.

19 Moving along, 3(a).

20 MS. CEDILLO: David Burrell is going to make
21 the presentation on the appeals process.

22 MR. BURRELL: Good morning. I'm David Burrell,
23 director of the Housing Programs.

24 This morning we are asking for the approval of
25 our appeals process and the adoption of the proposed

1 rules. The rules, as you'll see, is basically the appeals
2 process that we have but just in a different form so that
3 we can get it into actually the rules of our program.

4 Under the appeals process, we are asking the
5 board to approve a process which is in two stages: one is
6 a staff appeals process, and the other portion is the
7 board appeals process. Under this particular process,
8 we're including all the programs except for the Low Income
9 Housing Tax Credit Program. The Low Income Housing Tax
10 Credit Program is having its appeals process included in
11 the Qualified Allocation Plan which you will be seeing
12 next month.

13 According to this, an applicant for funding can
14 appeal the disposition of their application based upon a
15 misplacement of an application, a mathematical error, or a
16 procedural error. The applicant must file a written
17 appeal with TDHCA no later than 14 days after the date
18 that the department publishes through a notice on its
19 website the results of the application evaluation and the
20 scoring. The executive director must respond in writing
21 no later than 14 days after receipt of that appeal.

22 When the executive director does his or her
23 review, they can concur with the appeal and make the
24 appropriate adjustments to the staff's decision, or
25 disagree with the appeal and provide the reason that the

1 appeal was denied. If for some reason the applicant is
2 not satisfied with the executive director's response, then
3 that applicant can make a request directly to the board
4 within 60 days of the executive director's response.

5 In the case where the executive director finds
6 that the applicant should be funded, then we can fund from
7 the current year's funding, and if there is no funding
8 available, then we can make a commitment from the next
9 year's funding or from a pool of de-obligated funds.

10 Moving on to the board appeal process, once the
11 board receives an appeal directly from the applicant, the
12 board -- which will be made up of three members which will
13 be appointed by the chairman -- that committee would
14 review the application, along with the appeal with any
15 additional documentation that has been presented, and that
16 committee can then make a recommendation to the full
17 board, and the board can either concur with the appeal and
18 make the appropriate adjustment and provide the funding if
19 it's available, or make a commitment from the next year's
20 funding or de-obligated funds; or the board can disagree
21 and provide the basis for rejecting the appeal to the
22 applicant.

23 Basically, that's what we have on this.

24 MR. JONES: Thank you.

25 MR. CONINE: Move for approval of the appeals

1 process.

2 MR. GONZALEZ: Second.

3 MR. JONES: We have a motion made by Mr. Conine
4 and seconded by Mr. Gonzalez. We had one person who said
5 they wanted to speak on this issue, but I believe he has
6 withdrawn his request. Mr. Spitzengel, is that correct?
7 Any further discussions.

8 MS. CEDILLO: We've got the rules also that
9 have to be approved. Do you want to do it concurrently?

10 MR. CONINE: Did I miss part of that?

11 MS. CEDILLO: The process and the rules.

12 MR. JONES: The rules.

13 MR. CONINE: 3(a) in its entirety.

14 MR. JONES: So your motion is the approval of
15 the appeals process and adoption of the proposed rules.
16 Correct?

17 MR. CONINE: That's correct. And I would like
18 to tell the board that I had some questions on this I
19 think last time, the reason it got put off until this
20 times, and staff was gracious enough to have a conference
21 call with me and work out a lot of my concerns, so I'm
22 fully supportive.

23 MR. JONES: Thank you.

24 We have a motion that's been made and seconded.
25 Further discussion? Hearing none, I assume we're ready

1 to vote. All in favor of the motion, please say aye.

2 (A chorus of ayes.)

3 MR. JONES: All opposed, nay.

4 (No nays.)

5 MR. JONES: Motion carries.

6 Item 3(b).

7 MS. CEDILLO: Homer Cabello is going to make
8 the presentation. As you might recall, you approved
9 primary members of the Colonia Residents Advisory
10 Committee at your last meeting with the exception of the
11 primary recommendation that's being made for Willacy
12 County, and this is the present the secondary members of
13 the advisory committee.

14 MR. CABELLO: Good morning. As Ruth mentioned,
15 my name is Homer Cabello, director for the Office of
16 Colonia Initiatives.

17 At last month's board meeting, you approved the
18 Colonia Resident Advisory Committee as prescribed under
19 Senate Bill 322. Due to the issues raised about the items
20 that were noted on the website and the board book only,
21 those members were the only ones approved. We have
22 provided a list of additional members to be added to this
23 committee as secondary members. In case the primary is
24 unable to attend, there's an alternate member that will be
25 able to attend to represent the county. We're also adding

1 primary and secondary members for Willacy County.

2 MR. JONES: Thank you. Is there a motion?

3 MR. SALINAS: I move that we approve all of
4 Item (b), the appointment recommendations.

5 MR. GONZALEZ: Second.

6 MR. JONES: A motion has been made by the Mayor
7 and seconded by Mr. Gonzales. Any further discussion?
8 Hearing none, I assume we're ready to vote. All in favor
9 of the motion, please say aye.

10 (A chorus of ayes.)

11 MR. JONES: All opposed, nay.

12 (No nays.)

13 MR. JONES: Motion carries.

14 Item 3(c).

15 MS. CEDILLO: Tom Gouris is going to make the
16 presentation on the long term affordability and safety of
17 multifamily-level rental housing development policy.

18 MR. GOURIS: Good morning. My name is Tom
19 Gouris; I'm the director of credit underwriting for the
20 department.

21 Senate Bill 322 had some requirements regarding
22 long term affordability policy be adopted by the board no
23 later than November 1. We have taken the language from
24 the bill and drafted a policy for your review and hopeful
25 approval. We did this not to create a new rule, just to

1 set that as policy, and rules will come from this as the
2 policy is established.

3 There is one correction that I need to make to
4 the policy as it's proposed in the second paragraph. The
5 third line where it talks about, extremely low, very low,
6 it should say, low, and moderate incomes.

7 MR. CONINE: Could you repeat that one more
8 time? I missed you on that one.

9 MR. GOURIS: Second paragraph of the policy
10 itself, the third line, the back side of that line starts
11 saying, extremely low, very low. It should say, low and
12 moderate incomes.

13 This policy was sent around to a number of the
14 advocates who had participated in the legislative session
15 to get their input, and that was actually caught by one of
16 the advocates, and I was very appreciative of that catch.

17 The other comment that we received dealt with
18 an additional subsection of this portion of the
19 legislation that deals more with preservation issues.
20 That is going to be addressed in a forthcoming
21 preservation policy that the staff is working on, so it's
22 unaddressed here.

23 MR. CONINE: I've got a couple of questions.

24 MR. JONES: Please.

25 MR. CONINE: The first paragraph offers an

1 incentive which I'm all for. The project developments
2 have an incentive for scoring criteria to keep these
3 things in preservation longer. What we're doing with the
4 last paragraph, though, it says for projects which we
5 provide loans or grants or loan guarantees for in excess
6 of 33 percent of market value, well, that's pretty much
7 all of them, isn't it?

8 MR. GOURIS: No. Some of our HOME rental
9 projects wouldn't that it might not apply, but the reality
10 is typically they're going to be 30-year loans, and so
11 they're going to be a 30-year affordability anyway, so it
12 ends up not being a significant effect. Again, we took
13 this language from the bill itself to try to make sure
14 that we comply with the intent of the bill. Some of the
15 Housing Trust Fund loans also may not be 33 percent of the
16 market value.

17 MR. CONINE: Make it simple for me. On the tax
18 credit deals, are we extending them from 15 to 30 years
19 under this scenario, the 9 percent credit deal? I don't
20 think we are, but I'm trying to read between the lines, Or
21 for projects which the department provides tax credits but
22 excluding the 501(c)(3) bonds.

23 MR. GOURIS: Right. I think the effect is that
24 all the tax credit projects go for 30 years now, but
25 that's already in effect because of scoring issues, and

1 this just requires it beyond scoring and provides a
2 scoring incentive for beyond 30 years.

3 MR. CONINE: They're only mandated federally
4 for 15 years. Correct?

5 MR. GOURIS: Correct.

6 MR. CONINE: So we have scoring criteria that
7 encourages to get from 15 to 30 already in the QAP.

8 MR. GOURIS: Correct.

9 MR. CONINE: And what we're saying here is
10 that -- all right, I'm okay with that. I'd be interested
11 to hear if there's any other comments. Do we have any
12 speakers on this item, Mr. Chairman?

13 MR. JONES: We do not.

14 MR. GOURIS: If I may point out that I've
15 spoken with the tax credit staff and they believe that the
16 draft of the QAP complies materially with this, and so I
17 don't know what kind of input they've gotten, but
18 hopefully that will be addressed in there.

19 MR. SALINAS: And it goes up to 30 years.
20 right?

21 MR. GOURIS: Right. It could go beyond 30
22 years.

23 MR. SALINAS: Beyond 30 years.

24 MR. CONINE: No more questions.

25 MR. JONES: Does anybody care to make a motion

1 on this item?

2 MR. CONINE: Oh, I thought it was already on
3 there.

4 MR. JONES: I don't think there's ever been a
5 motion on this issue.

6 MR. CONINE: Move approval of Item 3(c).

7 MR. JONES: We have a motion by Mr. Conine. Is
8 there a second?

9 MR. SALINAS: I second it.

10 MR. JONES: The motion has been seconded by the
11 mayor. Further discussion? Hearing none, I assume we're
12 ready to vote. All in favor of the motion, please say
13 aye.

14 (A chorus of ayes.)

15 MR. JONES: All opposed, nay.

16 (No nays.)

17 MR. JONES: The ayes have it, the motion
18 carries.

19 We then will turn to item 3(d) on the agenda.

20 MS. CEDILLO: We have the request for approval
21 of the TDHCA Section 8 payment standard for housing choice
22 vouchers. David Burrell is going to make that
23 presentation.

24 MR. BURRELL: Again, I'm David Burrell with the
25 Housing Programs.

1 The TDHCA Section 8 program is required by the
2 U.S. Department of Housing and Urban Development to adopt
3 a payment standards schedule that estimates the voucher
4 payment standard amounts for each fair market rent area in
5 our jurisdiction. We must establish the payment standard
6 amounts for each unit size where the unit size is measured
7 by the number of bedrooms. In operating as a PHA in
8 nonparticipating jurisdictions, we establish the payment
9 standards amounts for unit size at any level between 90
10 percent and 100 percent of the published fair market rent
11 for the rent size.

12 We're recommending that we establish our
13 payment standards at 100 percent of the fair market rents,
14 with one exception, that the executive director be given
15 the authority to go up to 110 percent of fair market rents
16 in extenuating circumstances. We have a chart of the
17 rents and the different unit sizes in there broken down by
18 regions: the Dallas region, Houston region, and the San
19 Antonio region in which we participate.

20 MR. CONINE: Move for approval.

21 MR. JONES: We have a motion for approval by
22 Mr. Conine.

23 MR. SALINAS: Second.

24 MR. JONES: Seconded by the mayor. Further
25 discussion? Hearing none, I assume we're ready to vote.

1 All in favor of the motion, please say aye.

2 (A chorus of ayes.)

3 MR. JONES: All opposed to the motion, please
4 say nay.

5 (No nays.)

6 MR. JONES: Motion carries.

7 Item 3(e), I believe.

8 MS. CEDILLO: Pam Morris and Jeannie Arellano
9 will be making the recommendations on Disaster Relief Fund
10 under the HOME Program.

11 MS. MORRIS: I'm Pam Morris, the director of
12 Housing Finance Programs.

13 I'm presenting today a recommendation for
14 funding some Disaster Relief applicants from the Donley
15 County disaster and the Houston area disaster. I won't go
16 into all the details; it was fairly clear in the write-up.

17 We had set aside back in June of this year a
18 million dollars out of the de-obligation pool for disaster
19 relief, anticipating applications for this particular
20 disaster. We received two applications: one from Donley
21 county for that particular area, and then one from the
22 City of China for owner-occupied rehab as well.

23 Both applicants were reviewed for basic
24 threshold requirements. I would like to make the comment,
25 just as a footnote, that the City of China, even though

1 they had originally been disqualified in the 2001 funding
2 cycle because of a delinquent audit certification form,
3 that form came in in July and this particular application
4 wasn't due till the end of August, so they had passed that
5 threshold.

6 So what we're recommending is \$500,000 be
7 awarded to the City of China for owner occupied rehab and
8 \$40,000 be awarded to Donley County for owner-occupied
9 rehab, and we are also recommending administrative funds
10 of up to 4 percent for both applicants.

11 MR. SALINAS: I move for the recommendation.

12 MS. ANDERSON: Second.

13 MR. JONES: A motion has been made and
14 seconded; it was made by the mayor, and Ms. Anderson
15 seconded it. Further discussion? Hearing none, I assume
16 we're ready to vote. All in favor of the motion, please
17 say aye.

18 (A chorus of ayes.)

19 MR. JONES: All opposed, nay.

20 (No nays.)

21 MR. JONES: Motion carries.

22 MS. ANDERSON: I have a question, Mr. Chairman.

23 MR. JONES: Sure.

24 MS. ANDERSON: Since there was a million set
25 aside and based on the applications received, there's

1 still some de-obligated money sitting there, what are the
2 options for the money at this time?

3 MS. MORRIS: That's a good question. We had
4 another disaster recently that was brought to our
5 attention and we will be doing some field work to
6 determine the needs there, so obviously those funds will
7 go for any other disasters that come up. And we've talked
8 with Ms. Cedillo about possibly doing more of an open
9 cycle, so to speak, for disasters, so it's a first-come,
10 first-served and there's a disaster application you fill
11 out and it's a more limited type application.

12 MS. ANDERSON: Take them on a rolling basis
13 with some very defined criteria.

14 MS. MORRIS: Absolutely.

15 MR. CONINE: We don't lose the money then; it's
16 still there. Just clarifying that point. I was glad to
17 see that the City of China has figured out we're here.

18 MR. JONES: I'm just glad to see when you ask a
19 question, Beth, it's a good question because I never hear
20 that when I ask a question. Nobody ever says: That was a
21 good question.

22 MS. MORRIS: I'll keep that in mind.

23 (General laughter.)

24 MR. JONES: I think we'll move to Item 3(f).

25 MR. CONINE: They normally tell you it's a dumb

1 question.

2 MR. JONES: Yes, that's the way they always
3 look at me, like what an idiot.

4 (General laughter.)

5 MR. JONES: Item 3(f).

6 MS. CEDILLO: And that's Pam's also, and she'll
7 be making recommendations on the remainder of the HOME
8 Program funding categories with the exception of the
9 rental housing developments.

10 MS. MORRIS: We gave you a quite lengthy write-
11 up -- I apologize for it being so long, but we felt that
12 it was important for the board members to understand how
13 we've worked over the last couple of years and how we've
14 tried to get to a point in time to where we've made some
15 improvements.

16 I'd like to say, first of all, that I do
17 commend the HOME staff considerably for what they've done.
18 They've been a very dedicated team. We have gone through
19 a lot of turnover, we've had a lot of new staff come
20 through, but they've worked very hard to support Jeannie
21 and I, and to make some improvements that they think are
22 important to the program, so I do want to commend them for
23 all of the work that they've gone through.

24 We did make some changes in policies and
25 procedures in addition to the HOME application. That was

1 based on a number of audits that the program had been
2 challenged with, and we took them very seriously and tried
3 to do what we could to make appropriate changes so that we
4 don't continue to have audit findings.

5 The changes to the application cycle were
6 basically a number of elements. We tried to use the new
7 uniform application cycle in its draft form to introduce
8 that into our applicants so they get familiar with the new
9 application as it is formed for this next funding cycle.

10 We did completely revise the score model. We
11 had been told by the auditors and it was recommended that
12 we have a more objective score model and not so
13 subjective, so we took that into consideration and tried
14 to think it through as a group as to what they had seen in
15 the past and what they had seen through the administration
16 of the program to try to make sure that we were
17 appropriately looking at the score model and giving the
18 points that we felt were most important.

19 We did prioritize to nonparticipating
20 jurisdictions. We had to introduce that into this year's
21 score model and application as far as list of who the
22 nonparticipating jurisdictions were as dictated by HUD and
23 who our participating jurisdiction was. That's also in an
24 effort to start implementing the intent of the new law in
25 the Sunset bill which states that 95 percent of our funds

1 will be expended in nonparticipating jurisdictions. Five
2 percent will be allowed in a participating jurisdiction
3 but it will have to be for applicants servicing people
4 with disabilities. So we've been trying to work toward
5 that direction.

6 We also looked at the Administrative Code and
7 the state rules, tried to do a thorough review of that, to
8 make sure it was all incorporated in the application and
9 the proper threshold checks. As a result of that, we did
10 get some complaints and concerns from some applicants with
11 regard to disqualifications, and that will be the next
12 agenda item that I'll share with you.

13 We had score teams developed; I even was able
14 to, fortunately, pull in some managers from some of the
15 other programs that I'm responsible for so that we had
16 some very quality score teams. They were all trained; we
17 went through every score sheet and explained it very
18 carefully so that everyone understood what each score
19 element meant.

20 Every application was scored three times.
21 Jeannie and I personally looked at every score sheet for
22 all applicants that were scored to make sure that there
23 was consistency, that there were equitable decisions and
24 that match and cash reserves most particularly were looked
25 at to make sure that at least a thorough review had been

1 conducted.

2 The applications were available on the web so
3 that people could print them off of the web or at least
4 read the rules and regulations. We conducted application
5 workshops to advise applicants as to how to fill the
6 application and the forms out and what was needed in their
7 application. We also allowed every applicant to submit
8 questions and we asked that they were in writing and we
9 posted all questions and answers on the web so that all of
10 our applicants during the application process could read
11 and see what questions other applicants had to see if they
12 could be better informed of the process.

13 We did all of our thorough checks and making
14 sure that everyone was in compliance with any current
15 TDHCA programs or any loans that they had with the agency.

16 We also did an informal review with an executive review
17 advisory committee -- I may not be saying that exactly
18 right -- as a first step to do kind of a practice run, if
19 you want to call it, to see what the other directors'
20 feedback was, and I think it was a very worthwhile process
21 because it was nice to hear other directors' input and as
22 a team make sure that we were all making the right
23 decisions.

24 Fortunately, we were able to get all of the
25 write-ups and all of the lists of recommendations on the

1 web in advance of the board meeting so that everyone had
2 access to all of the information. We didn't get every
3 letter mailed that we wanted to; we got most of them all
4 mailed before the board meeting, but at least we referred
5 them to the web and they could read the write-ups and it
6 might answer most of their questions.

7 We also did publish all the score summaries so
8 everyone could go on the web and see all the details of
9 their scores to see where they may have fallen short or
10 what they may have needed to improve on.

11 I won't go into a lot of detail about the score
12 model; I tried to lay it out in the work paper. The needs
13 assessment score model component was very important.
14 We've gotten a lot of compliments on that because
15 communities didn't have to write a narrative and do their
16 own market study research; we were able to rely on what
17 Housing Resource Center already had available in
18 information and it worked very well. And Sarah Anderson's
19 group was very instrumental in developing that and making
20 sure that it was understood by the applicants.

21 We anticipate taking the recommendations, the
22 number of units that we're capturing in contracts that
23 will be reported in our performance measures for the first
24 quarter of this year. We failed to meet that deadline
25 last year because of the thorough review that we needed to

1 conduct to make sure that we were making the proper
2 recommendations.

3 MS. CEDILLO: I would like to mention that even
4 though the HOME awards were not made before the August 31
5 deadline for reporting the annual performance measures, we
6 did make over 80 percent of our performance measures for
7 last year.

8 MR. JONES: Thank you.

9 MS. MORRIS: We still have some changes that
10 we're continuing to make. We're trying to improve on the
11 policies and procedures manual so that it's more clear,
12 more user-friendly to our applicants, and looking on how
13 we can improve our CHDO set-aside because that was one
14 concern we have with the nonparticipating jurisdiction
15 rule that we'll be faced with.

16 To get down to the recommendations, we have
17 four different activities that are allowed under the HOME
18 Program: homebuyer assistance for people that are
19 purchasing their home; we have owner-occupied rehab for
20 people needed rehabilitation for their existing home;
21 tenant-based rental assistance which is for eligible
22 tenants to used rental assistance vouchers in various
23 projects within their community; and rental housing
24 development. We had percentages set aside for the funds
25 for each one of these activities and it was also built

1 into the consolidated plan and it's part of the regional
2 allocation formula that HOME is subject to.

3 We received a total of 244 applications; 213
4 were eligible for scoring and 97 are being recommended to
5 you today. Out of those 97, only six are actually
6 servicing a participating jurisdiction, but those were
7 limited to the tenant-based rental applications and they
8 are serving special needs.

9 The HOME Program Funding Plan that I gave you,
10 and that's the detailed front sheet of the spreadsheet,
11 shows you the regional allocation formula, what was
12 available for activity and what we funded. We fell short
13 in total eligible homebuyer assistance applications; we
14 didn't get as much demand on that. The highest demand we
15 received was from owner occupied rehab and for special
16 needs, TBRA and owner occupied.

17 So we looked in every region. we fully funded
18 every homebuyer assistance applicant that was above
19 threshold and any balance that was remaining was moved to
20 other eligible applicants in the next activity but always
21 within the same region, so each region received their full
22 allocation for the total amount of HOME funds, it just may
23 have been a different activity.

24 We also complied with the full intent of the
25 consolidated plan and stayed within our percentages.

1 The application numbers that were shaded on
2 your spreadsheets were the ones that were originally
3 disqualified but were allowed a deficiency correction
4 period. For example, things like a resolution may have
5 had an error in it, a typographical error, a blank may
6 have been missing on a form, so those things were allowed
7 to be corrected as long as it didn't have a significant
8 impact on their scoring of the application.

9 The rental housing development applications
10 have been scored and have been preliminarily underwritten
11 but there were some concerns about readiness to proceed
12 and some workout, so to speak, that we needed to address,
13 so we felt it was more prudent to wait until we could have
14 that completely reviewed.

15 So having said that, we are recommending that
16 we allow for a little bit more time for the CHDO rental
17 applicants for review. We are requesting approval of the
18 2001 HOME Program recommendations and all the set-asides
19 attached on those lists. We are also recommending that
20 any applicant that's eligible -- which I believe for-
21 profits are the only ones that are not eligible -- to
22 receive the 4 percent administrative funds in connection
23 with the projects that they're being awarded and 5 percent
24 to CHDO applicants because we have one that we're awarding
25 for operating expenses which is allowed under the CHDO

1 set-aside.

2 I think that's it with regard to this
3 particular item.

4 MR. JONES: We have a number of people who
5 would like to speak on this topic. Mr. Davis?

6 MR. DAVIS: I signed up for 3(g).

7 MR. JONES: 3(g)? I'm sorry, I got that wrong.
8 Mr. Hail, I think has already spoken.

9 Ms. Wentworth?

10 MS. WENTWORTH: Mr. Chairman, I would like to
11 yield my time to Robert Chavira.

12 MR. JONES: Okay. Mr. Chavira?

13 MR. CHAVIRA: Members of the board, Ms.
14 Cedillo. My name is Robert Chavira. I am representing
15 two applicants who are being recommended for funding
16 today. The applicants are Bluebonnet Trails MHMR and the
17 City of Encinal. Although these applicants are being
18 recommended for funding, I am here to appeal on the
19 category or allocation of funds that Bluebonnet Trails is
20 being recommended under and the amount of project funds
21 that are being recommended for the City of Encinal.

22 Now, in the case that I'd like to make, I will
23 be referring to the board book which I believe is under
24 Tab 3 (f), but I'd like to begin with Bluebonnet Trails.
25 Bluebonnet is a nonprofit organization that serves persons

1 with disabilities, more particularly mental health and
2 mental retardation. They have an eight-county wide
3 jurisdiction which includes the counties of Bastrop,
4 Burnet, Caldwell, Fayette, Gonzales, Guadalupe, Lee and
5 Williamson.

6 Now, due to the TDHCA's regional boundary map,
7 the eight counties within the service area were divided:
8 six counties fall under Region 7 and eight counties fall
9 under Region 8A, but being that the clientele or the
10 targeted population that Bluebonnet Trails works with --
11 which is persons with special needs -- they saw the
12 opportunity to increase their chances of funding by
13 submitting three applications: one application was
14 submitted under Region 7, one under Region 8A, and the
15 last one under the special needs set-aside.

16 Now, as far as these regional allocation
17 applications versus the special needs set-aside, if an
18 application is funded under a regional allocation, then
19 you must serve the clientele within that region, versus
20 special needs which is a statewide type allocation and you
21 can serve anybody as long as they reside in your service
22 area.

23 Bluebonnet Trails scored very well in all three
24 categories. In fact, with special needs, they scored the
25 second highest. And you can see that on page 3 of your

1 special needs section -- you can see that they scored a
2 246 which, once again, was the second highest ranked. If
3 you turn to the latter pages of your section and you look
4 under the regional allocation TBRA, under Region 7, they
5 scored a 257, came in second, and under Region 8A they
6 scored the highest ranked.

7 When the recommendations were made before you,
8 being that they scored one or two, staff could have
9 decided to recommend funding under any one of those three
10 allocations. They decided to make the recommendation
11 under Region 7. Now, we feel that the reason why that was
12 made is because if you look at page 3 of the special needs
13 TBRA section, every single applicant that met the
14 threshold scored a 180 is being recommended for funding
15 and they're also being recommended for the full amount.

16 But in doing so, if they would have recommended
17 everybody that met the threshold under the special needs
18 allocation for TBRA, that would have left very little
19 money to be moved over to the owner occupied special needs
20 allocation. So what they did, our feeling, is they put
21 Bluebonnet, rather than in special needs, they put them
22 under Region 7 so they could free up some money.

23 Now, Bluebonnet Trails is appreciative of the
24 fact that we're being recommended. Unfortunately, because
25 it's under Region 7, we can only serve applicants that are

1 applying for this TBRA in Region 7, leaving the residents
2 under Region 8A -- which is two counties -- with no funds
3 to apply for.

4 Now, of course, with appeals, if we're approved
5 and being that we ranked second under special needs --
6 because that's our request; we would prefer that the
7 recommendation be made under the special needs
8 allocation -- what that means is that you'll probably
9 knock off the lowest ranked person which I believe is
10 Tropical Center. In fact, they scored a 189, only nine
11 points above the threshold score, whereas Bluebonnet
12 Trails scored a 246. But we really don't want to see that
13 happen.

14 There's really maybe one alternative that can
15 occur here. If the board cannot approve Bluebonnet's
16 funding of \$500,000 under the special needs and the only
17 option is just to keep it under Region 7, we ask that the
18 board allow Bluebonnet Trails to also serve clients under
19 Region 8A. Essentially it's the same outcome if it was
20 approved under the special needs. We basically want to
21 serve everybody in the service area.

22 I also want to talk to you about the City of
23 Encinal, but if you have any questions regarding
24 Bluebonnet, I'll be glad to answer.

25 MR. CONINE: Could we get, I guess, an

1 interpretation from the rules under the HOME Program
2 whether the board has that discretion to do that, number
3 one; and then I'd like to hear Pam's comment on that if I
4 could.

5 MS. MORRIS: We did review applicants that were
6 applying in multiple regions; it was a requirement in the
7 application that an applicant is limited to a
8 recommendation of only up to \$500,000 for one activity.
9 They applied under TBRA so it was the same activity, just
10 in different spots: special needs in different regions.

11 When you look at trying to keep the full
12 integrity of the regional formula intact, we took into
13 consideration whether or not someone should be funded in
14 special needs or under the regional formula so that we
15 could fully fund what we could within the formula.

16 Special needs had different scoring criteria
17 with regard to the AHN score than the other ones, so
18 sometimes a score is going to be different on special
19 needs versus a nonspecial needs, but that's the basic
20 explanation I had. We had three applications, all
21 totaling more than \$500,000, so a decision had to be
22 made -- when an applicant doesn't necessarily prioritize,
23 you know, if I have a choice, then I want to be plugged
24 here, we have to make a business call, basically, on
25 making sure we keep the regional formula intact as much as

1 we could.

2 MR. CONINE: You kind of skewed off my question
3 just a little bit.

4 MS. MORRIS: Sorry.

5 MR. CONINE: Because one person lives on one
6 side of the tracks versus the other, in your opinion, is
7 there any harm done if the board has the authority to
8 grant the exception for them to go and service their
9 entire area? Is there any downside to that, from your
10 perspective?

11 MS. MORRIS: You know, it may raise question to
12 any other applicant, you know, that might want to expand
13 outside the region, and we lose the integrity of the
14 region by the whole point of limiting it.

15 MR. CONINE: So you've got audit concerns from
16 HUD or whomever.

17 MS. MORRIS: No, I don't believe HUD would
18 necessarily have a concern; I'm just saying other
19 applicants that may have applied multiple times as well
20 may want to open it up. It's a hard question to answer.

21 MR. CONINE: Is this something that maybe in
22 the next go-round we need to address in our rules of the
23 game for those jurisdictions that, again, happen to fall
24 on the lines? Is there enough policy there?

25 MS. MORRIS: If an applicant conveys a

1 priority, if they're going to submit multiple applications
2 and could tell us whether special needs is what their
3 priority is, or Region 7 or Region 5, whatever they're
4 applying in, then we will know when they're going to pop
5 up and score well in all three, we can't fund all three,
6 we have to make a judgement call. So maybe we give the
7 option to the applicant to give us a priority on their
8 application.

9 MR. CONINE: But I see his point. It would be
10 terrible sitting down there with \$500,000 and somebody
11 walks in and they can only service half of their region or
12 whatever. It would just be kind of a bad situation to be
13 in.

14 MR. JONES: This is going to be one of those
15 dumb questions. I'm struggling with this, but what I hear
16 you saying is you're okay with it. Right? Number one.

17 MS. MORRIS: Yes.

18 MR. JONES: And number two, what I hear you
19 saying is we do have the authority to do what he's asking.
20 Is that right?

21 MS. MORRIS: Yes, sir.

22 MR. JONES: That's an unequivocal yes.

23 MS. MORRIS: Yes, sir.

24 MR. JONES: We won't be violating any laws,
25 regulations, rules, whatever you might name?

1 MS. MORRIS: Not that I'm aware of, unless I'm
2 missing something.

3 MR. JONES: Thank you. Would you please state
4 your name?

5 MS. ARELLANO: Jeannie Arellano, HOME Program
6 manager.

7 MR. JONES: Thank you.

8 MS. ARELLANO: We had a lot of applicants that
9 applied under the other activities, especially owner
10 occupied, that submitted applications both under special
11 needs and under the regional, and my concern would be that
12 you'd have many applicants out there that may question the
13 ability to also be able to serve two regions.

14 MR. JONES: A long time ago I realized I
15 couldn't make everybody happy in this job and I don't
16 think any board member is under the impression we can, but
17 I do want yes or no answers to these questions. Number
18 one, is it staff's recommendation that this sounds like a
19 good idea to us; and number two -- I understand the reason
20 why you did what you did, you've explained that well --
21 are we going to violate any rule of the department,
22 regulation, statute, anything else if we do this. You are
23 telling us: Board, you have the authority to do what he
24 has just asked us to do. And I'd kind of like an
25 unequivocal answer to that.

1 MS. ARELLANO: I think that you have the
2 authority.

3 MR. SALINAS: Let me say one thing. If you
4 have a recommendation for us, you're going to hold
5 yourself to the recommendation. Right? And I've been
6 watching her recommendations to the board and she makes a
7 lot of sense. Now, what I would like to do is for us not
8 to break that trust on the staff simply because he comes
9 around and he gets funded and he doesn't like the way he
10 got funded. Well, at least you got funded; there are 100-
11 and-some-odd cities that didn't get funded. You know, I
12 cannot understand this system. I've been here maybe three
13 months and people are complaining because they get funded
14 but they didn't get funded in the right place.

15 And I would hate to go against the
16 recommendation of our staff that work on it, and you know,
17 we don't have the best reputation here in the last two
18 years, and what I would like to do is to support our
19 staff, to support Ms. Cedillo here, and do what we have to
20 do.

21 And Senor, you just got a bunch of money here
22 but you just don't like it in the right place; you don't
23 have it where you want it, and I think, as she says, if we
24 do it for you, we've got to change it for everybody else.

25 Just get in line.

1 It's like the first item we had on the agenda
2 where somebody else complained about the assistance that
3 she didn't give them and I think she even talked to them
4 about that resolution. It's not her fault that the guy
5 didn't get the resolution in the package, and I think
6 we've got rules, and I think it's about time this agency
7 starts obeying those rules and quit playing around with
8 certain people's way of funding. Well, you didn't like
9 it, give it to somebody else who might want it.

10 I'm sorry that I feel this way but I traveled
11 350 miles to come to this meeting and I'm surprised that
12 some people get funded and they just don't like it the way
13 they got it. I'm sorry, guys.

14 MR. JONES: I understand.

15 Ms. Anderson?

16 MS. ANDERSON: I really want to hear staff's
17 recommendation from a policy perspective because it's my
18 experience that a lot of community agencies have cachement
19 areas or areas of jurisdiction for housing programs or
20 other kinds of social service programs that don't align
21 neatly with maybe what a state regional thing is. And my
22 concern is setting a direction or a precedent about when
23 someone applies in one area and wants to sort of seek the
24 board's approval to then provide service in another area,
25 we have these kinds of problems across our social service

1 community, so I'm real interested in what you all think
2 the implications of that are.

3 MS. MORRIS: I do agree. I believe that when
4 an applicant has applied for a region, nonspecial needs,
5 their intent was if they receive that, they could fully
6 fund that region. I understand, as well, to be as
7 competitive and to have a chance at an application to be
8 awarded, they provide multiple applications, hoping that
9 if I don't get it here, I might get it over here. So I
10 understand the intent of why they do that, but some
11 decisions have to be made when you're oversubscribed in
12 one area and you're not in another, and we made those
13 decisions and I personally feel that it ought to be held
14 to that region to give the region a chance.

15 MR. JONES: Thank you.

16 Did you want to speak on another issue?

17 MR. CHAVIRA: Yes, sir. I understand the
18 recommendation will remain with Region 7.

19 MR. JONES: There haven't been any motions by
20 the board, we have just discussed.

21 MR. SALINAS: But she's recommending Region 7,
22 \$500,000.

23 MR. CHAVIRA: The next one is the City of
24 Encinal. The City of Encinal, a small city in La Salle
25 County about 30 miles north of Laredo, has a very high

1 population of elderly persons. The City of Encinal, as a
2 result of the elderly persons, it's eligible under a
3 special needs set-aside application as well.

4 Now, with special needs, there's three
5 categories: TBRA -- which is what I discussed; owner
6 occupied housing assistance, and homebuyer assistance.
7 They submitted under owner occupied housing assistance to
8 rehab these homes that are dilapidated that are owned by
9 these elderly families.

10 The City of Encinal scored the second highest
11 ranked application, and you can see that, once again, on
12 page 1 of your special needs, the second highest with a
13 258, and it's being recommended for \$235,331. Its request
14 was \$500,000.

15 Now, the basis for the city's appeal is that we
16 feel that there was not consistency in the dollar amounts
17 that were actually being recommended versus the amounts
18 that were actually being requested. In every case
19 throughout all allocations or all pools of funds that are
20 available under the HOME Program, if there was a first and
21 second ranked applicant and there were subsequent ranked
22 applicants, the first and second applicant received the
23 exact amount of money that those applicants requested
24 except for the City of Encinal. The City of Encinal's
25 request was cut in half, basically.

1 So we feel that this was not fair. So in fact,
2 had staff followed the same priorities or policies or
3 whatever decision-making process they made as it relates
4 to funding first and second ranked, the City of Encinal
5 should have received the amount that they requested which
6 is \$500,000.

7 Another point that I wanted to make, with
8 special needs there was a total of about \$4.1 million to
9 be divided among all activities: TBRA, owner occupied,
10 and homebuyer assistance. Unfortunately, in this
11 particular case, there were not any homebuyer assistance
12 applicants being recommended, just TBRA and owner
13 occupied. Out of the \$4.1 million, 73 percent, or about
14 \$3.4 million, was placed in the TBRA and the rest of it
15 was put in owner occupied, about a million two. So that's
16 another reason why we feel that Encinal was shortchanged.

17 So if staff had decided to maybe apply more of
18 the special needs money into owner occupied, then Encinal
19 would have probably had a greater chance of getting more
20 money than what's being recommended.

21 Now, as far as policy is concerned, there is no
22 policy, no rule, there's nothing regarding the
23 distribution of special needs dollars among all
24 activities. This is strictly an arbitrary decision made
25 by staff, and as a result of that, my client was

1 shortchanged. Now, once again, I want to focus on
2 consistency. Everyone else, first and second ranked
3 received the amount they requested, and we're talking
4 \$500,000 as far as second ranked; in this case the City of
5 Encinal received half of what they requested, so we feel
6 that this is not fair.

7 I also want to point out, as it relates to
8 special needs, the City of Encinal is not a participating
9 jurisdiction. There are six participating jurisdictions
10 under TBRA that are being recommended for the full amount
11 that they requested, amounts that range from \$4- to
12 \$500,000, and also scores that fall as low as 189. 189 is
13 receiving \$400,000, yet a 258 under owner occupied, the
14 City of Encinal, is receiving half the amount. So once
15 again, it's just a matter of inconsistency and it's a
16 matter of unfairness.

17 MR. SALINAS: You got a 258 and Tropical got
18 189?

19 MR. CHAVIRA: 189, yes, sir. And you have to
20 switch pages because Encinal is on page 1 and the TBRA on
21 page 3.

22 MR. SALINAS: What does the staff say?

23 MR. JONES: Pam, I think there's a question for
24 you.

25 MR. SALINAS: How many cities applied for these

1 funds? I mean, how many got funded and how many did not
2 get funded?

3 MS. MORRIS: In a particular category or in
4 all?

5 MR. SALINAS: In this category concerning
6 Encinal.

7 MS. MORRIS: Well, I don't know the total
8 number of applicants. There were 32 for owner occupied in
9 special needs and there were a total of 20 for TBRA in
10 special needs. Generally, when we were looking at the
11 oversubscription in nonspecial needs, so many funds were
12 pulled from other categories into owner occupied because
13 we were so oversubscribed in owner occupied, and we were
14 so undersubscribed in TBRA in the nonspecial needs -- as
15 you can see on the recommendations, there's very few
16 cities being recommended nonspecial needs -- we made the
17 decision to fund more TBRA in special needs because we
18 were so oversubscribed on owner occupied and were awarding
19 so many owner occupied already that we felt that the TBRA
20 applicants. Because they do offer a lot of match for the
21 apartment on their applications, in addition to trying to
22 even out the activities as much as we could, we awarded
23 more in TBRA.

24 I would like to make a comment that I do agree
25 with Mr. Chavira in that this is actually a typographical

1 error on the City of Encinal. They would have been
2 awarded the full \$500,000. Unfortunately, when we did our
3 final threshold checks for compliance, we had some
4 applicants that were being recommended that had to be
5 removed, and it skews a very large Excel spreadsheet, and
6 so unfortunately we did not catch that error, so I
7 apologize and we can certainly make that right.

8 MS. ANDERSON: What was the error?

9 MS. MORRIS: He indicated correctly that the
10 city was being awarded \$235,331. That may have been what
11 they were originally being awarded before we had taken
12 some disqualified applicants out at final checks and the
13 number didn't get changed.

14 MR. SALINAS: So how much is it right now,
15 actually what he's going to get for Encinal?

16 MS. MORRIS: \$500,000. We can have that
17 changed.

18 MR. SALINAS: So that's an error on the part of
19 the staff.

20 MS. MORRIS: Absolutely.

21 MR. SALINAS: So it would leave Tropical Texas
22 the same.

23 MR. JONES: So do you have any further
24 comments?

25 MR. CHAVIRA: Yes, sir, just one.

1 MR. JONES: Okay, thank you, sir.

2 MR. CHAVIRA: I did want to make a point. Now,
3 of course I'm representing the clients that I work with.
4 As it relates to Bluebonnet Trails, once again, we do
5 appreciate the fact that we are being recommended for
6 funding, but of course since we represent a large area and
7 as far as the division of the counties as a result of the
8 boundary lines that we had no control in, Region 8A
9 clients won't be able to apply. I mean, we felt that it
10 was our duty to the clients of Region 8A to come speak
11 before you; if we didn't, then we'd have some very upset
12 clients. So once again, we had no choice but to be here.

13 MR. JONES: Thank you for your input.

14 The next individual that I have that would like
15 to speak on 3(f) is Mayor Mancha.

16 MAYOR MANCHA: Thank you. I got my money.

17 (General laughter and applause.)

18 MR. JONES: You're very eloquent, Mayor, very
19 eloquent; the most eloquent speaker I've ever heard.

20 Mr. Westbrook, and Mr. Westbrook, that's going
21 to be hard to follow.

22 MR. WESTBROOK: My name is Gilson Westbrook; I
23 represent St. John Colony Neighborhood Association. We've
24 been recommended for funding under rental housing, and I'd
25 like to know when are we going to receive our money. We

1 know the amount but we have no indications of what "to be
2 determined" means. Based on your rules, we can't contact
3 staff, so we have to wait on the web or correspondence.

4 MR. JONES: Thank you, sir.

5 MS. CEDILLO: The staff is working on that and
6 we'll try to get it to the board as quickly as possible,
7 possibly by the next board meeting.

8 MR. JONES: Thank you.

9 Mr. Harms is the next person, I believe, that
10 would like to speak.

11 MR. HARMS: I'll defer to Ms. Banks.

12 MR. JONES: Thank you.

13 Ms. Banks, how are you today?

14 MS. BANKS: Fine. Mr. Chairman, ladies and
15 gentlemen of the board, I'm Jewel Banks, executive
16 director for Angels Oaks.

17 We are seemingly disqualified for our Angels
18 Oaks II because we did not submit a letter saying we did
19 not owe an audit. So the next thing is we have found
20 nothing in the guidelines or submission checklist asking
21 for written documentation. So in the booklet that we gave
22 you in the folder, our folder supplies exhibits mentioned
23 above.

24 And I have the best person in the world to have
25 helped me with my project, the most beautiful project in

1 the state of Texas, and I invite you to come to Angels
2 Oaks. And if you'd like to speak with Mr. Mike Harms,
3 he's the best.

4 MR. JONES: Thank you. Any questions?

5 MR. SALINAS: So they were not recommended for
6 funding?

7 MR. JONES: Would you like to respond to that,
8 Mr. Harms?

9 MR. HARMS: It seems in the board packet that
10 we've been disqualified for not submitting a letter that
11 we don't owe an audit. We don't owe an audit until the
12 year 2002 for our 2001 project -- Angelica Homes is the
13 first phase. We could find nowhere in the application or
14 the checklist where we had to prove a negative. We don't
15 owe an audit, we're not in default, we're in none of those
16 things, but we could find nowhere where we had to provide
17 that, but we're on the disqualification list which seems
18 like that's going to be corrected but we can't really tell
19 if that's going to be corrected. And we scored a 187
20 which puts us fourth on the list.

21 MR. JONES: Would you like to address this?

22 MS. CEDILLO: Ms. Morris will address it.

23 MS. MORRIS: Certainly. I was going to go into
24 more detail with the next agenda item with regard to the
25 disqualifications, but we did, through the final

1 verification checks, any applicant that had not submitted
2 their audit certification form, we followed the same
3 process as we'd done on the original checks and there were
4 some recommendations that came up delinquent for the audit
5 certification.

6 MR. JONES: So where do we stand on that?

7 MS. MORRIS: That's the next agenda item as far
8 as the recommendations.

9 MR. JONES: We're ahead of ourselves.

10 MS. MORRIS: Right.

11 MR. JONES: All right. We're on 3(g); let's
12 stay on 3(f). I'm sorry.

13 We've heard, I think, from everybody that
14 wanted to talk on 3(f). Is that correct? Anybody else
15 want to make public comment that I missed?

16 MR. CONINE: Move for approval of staff
17 recommendations on Item 3(f).

18 MR. SALINAS: Second.

19 MR. JONES: We have a motion made by Mr.
20 Conine, seconded by the mayor.

21 MS. MORRIS: Do you want to amend the one
22 contract dollar amount and number of units on the
23 correction for the City of Encinal?

24 MR. CONINE: Yes, I'll accept that amendment.

25 MR. SALINAS: Second.

1 MR. JONES: The motion is so amended and the
2 motion is seconded as amended. Further discussion on the
3 motion? Hearing none, I assume we're ready to vote. All
4 in favor of the motion, please say aye.

5 (A chorus of ayes.)

6 MR. JONES: All opposed to the motion, please
7 say nay.

8 (No nays.)

9 MR. JONES: The motion carries.

10 At this point in time I need some instruction
11 from the board. It won't take a minute. I'm not going to
12 do it, I don't think, Mr. Conine. I know there have been
13 concerns about lunch in the board meeting and I have
14 received those concerns; I know we also have flights that
15 we need to catch. Is the chair correct in assuming that
16 at this point we want to plug forward, or do we want to
17 break for lunch?

18 (No comments.)

19 MR. JONES: Hearing no comments, I assume we
20 want to go forward. Now, having said that, Delores is
21 going to help us because I know some of us may need to
22 have a little sustenance here, and Delores, here's 20
23 bucks, help everybody out. Anything they want, can you
24 get somebody to get it for them? Okay, thank you.
25 Because I do know there are planes to catch and I'm sorry

1 to make us miss lunch, but I don't know what else to do,
2 unless some board member has a better solution.

3 MR. CONINE: I need to lose weight.

4 MR. JONES: Yes, Mr. Conine would kill me if I
5 shut us down.

6 MR. CONINE: I'm fine. But take care of Beth;
7 she needs something to eat.

8 MR. JONES: Okay. We will then move to 3(g).

9 MS. MORRIS: I would also like to state before
10 I get started that any other errors that are brought to
11 our attention through this process -- because I know we're
12 not completely perfect, as much as we try to make sure
13 that it is -- we will review that and come back. If
14 anything comes up, so I just wanted to make sure that
15 everyone was aware of that.

16 This is a presentation with regard to the
17 disqualified applications, the analysis and the
18 recommendations that we're making. This has been a very
19 long, drawn-out process, and I'm sure you all are aware,
20 with the many public comments that we received.

21 MR. JONES: You're kidding.

22 (General laughter.)

23 MS. MORRIS: I want to get it over with for
24 you. To try to be prudent in our checks, we did do pretty
25 thorough threshold checks on the things that were stated

1 in our state rules. I tried to go into the types of those
2 thresholds, I've provided you with the qualifying
3 threshold requirement page that listed that out for you,
4 in addition to every explanation of every applicant that
5 was disqualified and why.

6 It worked out to be into three parts. The
7 first set of appeals, so to speak, that we looked at were
8 with regard to documentation. These were things that in
9 the threshold requirement list were considered items that
10 may disqualify you for funding, and those were things like
11 an incomplete form, a missing resolution. Those were the
12 main things that were considered something that you could
13 be disqualified for.

14 Now, we took it to the full intent and we
15 looked at every application very thoroughly, but we did
16 receive some criticism that we needed to be more flexible.

17 So as a group we met and we gave some applicants the
18 opportunity to make those corrections and those were the
19 ones that were shaded on the previous presentation that
20 were allowed in the round.

21 The second set of disqualifications were part
22 of the second part of the threshold requirements which
23 stated that if the following items are not satisfied, the
24 applicant is automatically disqualified, there was no
25 leeway on that. That was with regard to loan

1 delinquencies with the department, any compliance issues
2 that may be outstanding with the department, or any
3 required past due audit, in addition to expenditure rate
4 thresholds. So those items were checked and those
5 applicants that were disqualified were not overturned or
6 allowed in the round.

7 However, specifically with regard to the audit
8 certification forms, as you have heard from our public
9 comment in the past, it is our recommendation, after
10 meeting with executive and discussing this at length, that
11 since the application itself didn't actually state an
12 audit certification form -- it said any past due audit
13 delinquent with the department -- we are recommending that
14 the applicants that fell in that category that are listed
15 on the write-up be allowed a 14-day grace period to submit
16 their audit certification form. If they submit the form
17 and it discloses that they were not subject to a single
18 audit for the fiscal year in question, that they be
19 allowed to be scored and reviewed as the funding plan
20 worked out and if they would have been eligible for
21 recommendation based on the amount of funds available and
22 the way it was presented, that they be recommended --
23 which will come back to the board -- out of de-obligated
24 funds to award those applicants.

25 However, if the audit certification form

1 indicates they were subject to a single audit, it will be
2 delinquent as of the date of this recommendation because
3 we only captured audit certification forms for fiscal
4 years that would have been through December of 2000. An
5 audit is required by HUD, through the Single Audit Act,
6 for any applicant that has expended any federal dollars,
7 whether they're with the agency or any other agency of
8 \$300,000 in expenditures during that fiscal year. If that
9 ends as late as December of 2000, that audit would be due
10 to the department by September, and we've passed that
11 marker, so if that's not in, then they will be delinquent.

12 MS. CEDILLO: And disqualified.

13 MS. MORRIS: And disqualified. And I don't
14 know if you have any questions; I don't know how far you
15 wanted me to go in this explanation.

16 MR. SALINAS: Looking at all this list --

17 MS. MORRIS: That many had delinquent audit
18 certification forms.

19 MR. SALINAS: If they bring in their audit
20 reports, they'll be considered the next meeting?

21 MS. MORRIS: If they bring an audit
22 certification form in that discloses they were not subject
23 to a single audit, then they'll be eligible for scoring
24 and then we'll see how they would have fallen out in the
25 recommendations as previously done.

1 MR. CONINE: Do you have an idea of what the
2 total dollar amount of that list is, just off the top of
3 your head?

4 MS. MORRIS: Off the top of my head, I don't.
5 Part of the funds are from CHDOs because these are CHDO
6 applicants which were undersubscribed, so if they are
7 awarded, they will come out of the CHDO set-aside. There
8 are some applicants that we feel they're going to be very
9 close to a requirement for a single audit, but the ones
10 that we looked at, as far as their score and what we know
11 today -- because some of them haven't been scored -- I
12 believe it came to about \$2.9 million. I believe that
13 included CHDOs, I'm not sure -- it may not have.

14 MR. CONINE: Then you go through the 14 days,
15 they all come in, you're going to bring the results of
16 that back to the board at the next meeting? Is that the
17 intent here?

18 MS. MORRIS: Right. And they'll only be
19 recommended if they would have received a recommendation
20 based on what I presented today.

21 MR. CONINE: Right. Move for approval of Item
22 3(g), Mr. Chairman.

23 MR. JONES: We have a motion that's been made.

24 MR. SALINAS: Second.

25 MR. JONES: The motion has been made and

1 seconded. Any further discussion? All in favor of the
2 motion, please say aye.

3 (A chorus of ayes.)

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

5 (No nays.)

6 MR. JONES: Motion carries.

7 MR. CONINE: Mr. Chairman, I'd like to state
8 for the record that I think Ms. Morris and her whole HOME
9 Program management team, along with Ms. Cedillo's help,
10 has done a commendable job here, and we appreciate your
11 hard effort because you have a tough balancing act between
12 meeting the demands of the citizens of Texas and the HUD
13 watchdog and some of the audit procedures, and I
14 appreciate your efforts.

15 MS. MORRIS: Thank you.

16 MR. JONES: Mr. Davis, did you care to speak?
17 I'm sorry, I just noticed that you cared to speak. Are
18 you here to speak on this issue?

19 MR. DAVIS: Yes, I am, and I'll be brief, I
20 promise.

21 MR. JONES: Yes, sir.

22 MS. CEDILLO: While he's coming up, I would
23 like to concur with Mr. Conine. Ms. Morris and Ms.
24 Arellano have done an excellent job in trying to meet
25 those demands that we have for the funds under the HOME

1 Program.

2 MR. DAVIS: I'm Tres Davis with Grant Works and
3 I'm actually here to say thank you on behalf of all of our
4 communities and thank you to Pam and the HOME Program
5 staff for reconsidering their decision. And I have
6 letters of appreciation and support from the cities of
7 China, La Coste and Merkel, and I'll just give them to
8 Delores. Thank you.

9 (Applause.)

10 MR. JONES: Thank you.

11 I think we can now move to Item 4 on the
12 agenda, Mr. Conine.

13 MR. CONINE: Is it me?

14 MR. JONES: I think it's the Finance Committee.

15 MR. CONINE: All right, let me get to it here.

16 We're going to call Mr. Byron Johnson up for the
17 presentation on 4(a) probably. Just give us a 30-second
18 version.

19 MR. JOHNSON: Good afternoon. Byron Johnson,
20 director of Bond Finance.

21 I'm here today to request that we extend the
22 certificate purchase period for Program 55A. The bonds
23 were issued back in May of 2000, \$50 million in bonds, and
24 we've used all of the money for mortgages except for about
25 \$5 million. If we do not extend the program, we would

1 have to use the money to call bonds, and we believe firmly
2 that we can originate mortgages, so we're requesting that
3 we extend the program period.

4 MR. CONINE: Move for approval, Mr. Chairman.

5 MR. JONES: There's been a motion made.

6 Second?

7 MR. SALINAS: Second.

8 MR. JONES: Seconded by the mayor. All in
9 favor of the motion, please say aye.

10 (A chorus of ayes.)

11 MR. JONES: Opposed, nay.

12 (No nays.)

13 MR. JONES: The ayes have it.

14 Item 4(b).

15 MS. CEDILLO: Betty Marks will handle that.

16 MR. CONINE: Betty is going to do that? Okay.

17 MS. MARKS: Betty Marks, general counsel.

18 You have in front of you a full explanation of
19 exactly how we RFP for outside counsel, but for new board
20 members, I wanted to also explain that I know you met in
21 the last meeting with our outside tax credit counsel.
22 There are really three positions; there will be from time
23 to time requirements, for example, if we're in litigation
24 where we will be represented by the attorney general --
25 that's by state law -- and so you will meet other outside

1 counsel, however, with respect to various programs.

2 There are two outside counsel presently in our
3 Bond programs. One is our bond counsel and the other is
4 for a separate issue, and we're one of the states that
5 does this and I think we're very smart to do it is we have
6 bond disclosure counsel. That means that they are
7 overseeing all the SEC regulations in terms of disclosure
8 as far as our bonds are concerned.

9 With that in mind, the AG's office has
10 requested that we RFP for these positions on an annual
11 basis. They have made exception, however, where you have
12 specialty items, for example, like in our bond issues.
13 Since the bond issues sometimes extend more than on an
14 annual basis, they have allowed us to have an automatic
15 extension for bond counsel for two years. That two-year
16 period went up since the announcement by the AG, and so
17 this year we sent out RFP or we published a request for
18 proposal for legal counsel to come in and make a proposal.

19 We had five requests for a copy of the RFP for
20 bond counsel and two written proposals were received by
21 the department by the close of that request for proposal
22 period which was September 10. Vinson & Elkins submitted
23 a very lengthy proposal for bond counsel; McCall,
24 Parkhurst & Horton submitted a proposal for bond
25 securities disclosure counsel; and I've summarized in your

1 board book materials each of those proposals.

2 I'm recommending that we retain Vinson &
3 Elkins; they've done an outstanding job for us in our bond
4 counsel, and their proposal was very well presented. I'm
5 also recommending that we employ McCall, Parkhurst &
6 Horton as our bond securities disclosure counsel.

7 MR. GONZALEZ: So moved.

8 MR. JONES: We have a motion by Mr. Gonzalez.

9 MR. CONINE: I'll second it as well. And if I
10 could, Mr. Chairman, I think for the benefit of the new
11 board members, sometimes it's better to put a face with a
12 name, and I'd ask each of the two recommended people that
13 represent these two firms to come up and give us the 30-
14 second version of why they would love their opportunity to
15 serve us to the Texas Department of Housing and Community
16 Affairs.

17 MS. MARKS: I thought you were going to ask me
18 a question, in which case I was going to say that was a
19 good question.

20 (General laughter.)

21 MS. MARKS: This is Elizabeth Rippey with Vinson
22 & Elkins; she's the partner in charge of our bond issues.

23 MR. JONES: I didn't know that's who you were
24 talking about; now I can't vote.

25 (General laughter.)

1 MR. RIPPY: Mr. Chair, members of the board.
2 I'm Elizabeth Rippy; I'm a partner with Vinson & Elkins
3 here in the Austin office; I've worked on the your account
4 since 1994. Vinson & Elkins has represented the
5 department as bond counsel since the previous agency was
6 formed in 1980, and I appreciate your consideration of our
7 request and thank you for the opportunity to continue to
8 serve in that capacity.

9 MS. MARKS: Elizabeth is not old enough to have
10 represented us since Vinson & Elkins started representing
11 us.

12 This is Alan Raynor and he's from McCall,
13 Parkhurst.

14 MS. RAYNOR: I'm Alan Raynor with McCall,
15 Parkhurst & Horton, and we have been fortunate enough to
16 serve as your securities disclosure counsel since you
17 first created that position. I've also been involved with
18 the department and the predecessor agency since the mid
19 80s in connection with many of your financings and would
20 be pleased to continue this relationship.

21 As Mr. Conine and I had a brief opportunity to
22 visit earlier today, the fact that we may have been the
23 only person interested in this job could be interpreted
24 two different ways. Number one, we certainly prefer the
25 interpretation that the department has had excellent

1 representation in this area and that that is recognized
2 outside the department; it could be that nobody else
3 wanted the job is the other explanation, but I certainly
4 hope it is the former.

5 We really have enjoyed our relationship with
6 the department and would like to continue giving you the
7 kind of service you'd like to have.

8 MR. JONES: Thank you.

9 MR. CONINE: Sometimes it's good for the other
10 board members to see some of those faces that show up in
11 our audience sometimes but don't get a chance to speak,
12 and I appreciate both of your willingness to serve and
13 appreciate the relationship we have with your respective
14 firms.

15 MR. JONES: We have a motion that's been made
16 and seconded. Further discussion? All in favor of the
17 motion, please say aye.

18 (A chorus of ayes.)

19 MR. JONES: All opposed, nay.

20 (No nays.)

21 MR. JONES: The ayes have it.

22 MR. CONINE: Item 4(c), I guess Mr. Dally will
23 be doing our investment report.

24 MR. DALLY: Good afternoon, Mr. Chair, board
25 members, Ms. Cedillo. My name is Bill Dally; I'm chief

1 financial officer for the department.

2 You'll find under Item 4 Tab (c) the quarterly
3 investment report for the department's investments for the
4 quarter ended August 31. This is not an action item but a
5 report item that's required by the Public Funds Investment
6 Act, and you'll find all the elements there.

7 It shows the activity for this beginning with
8 the first part of the quarter through the end, as I said,
9 8/31. You'll see both the carrying values and market
10 values of our investments; I'll just hit the highlights.

11 Overall, the portfolio decreased by about \$37
12 million over the quarter, so it's now at \$1.124 billion.
13 The portfolio is made up entirely of fixed income
14 securities; there are no equities in this. This is
15 entirely for the purpose of doing mortgage loans for both
16 single family and multi-family, so it's all fixed income
17 securities.

18 The portfolio is made up of 70 percent
19 mortgage-backed securities. Those are Ginnie Mae and
20 Fannie Mae that we issue and so those are the loans that
21 back our bonds. Twenty-two percent is in guaranteed
22 investment contracts and investment agreements. Those are
23 where we put our bond proceeds and we use that to invest
24 in the Ginnie Maes and Fannie Maes when those pools are
25 put together. We have 6 percent in repurchase agreements;

1 those are overnight repurchase agreements which is where
2 the liquid funds that we use to operate the department are
3 kept. And then we have 2 percent other in some mutual
4 funds.

5 For activity, we had \$27-1/2 million in
6 purchases of mortgage backed securities for this
7 particular quarter, so that's showing you our activity
8 using our bond funds to purchase Ginnie Mae and Fannie
9 Mae. We had new issues of \$21.3 million in multi-family.

10 Overall, the market value of the portfolio
11 increased by \$12.9 million; that's a result of, as you
12 know, the interest rates have been lowered over the last
13 six months or so, and that has the effect of increasing
14 the value of our portfolio.

15 The 30-year fixed mortgage for the week ending
16 August 31 was at 6.92 which was a decrease in rates from
17 what it was at the first of the quarter in June at 7.24.

18 Are there any questions with regard to the
19 report?

20 MR. JONES: Thank you, sir.

21 MR. CONINE: Item 4(d) would be the
22 participating lenders for the bond programs, and who's
23 going to handle this one? Pam?

24 MS. MORRIS: Hello again. I'm presenting today
25 the list of lenders that had submitted applications to

1 TDHCA for participation in Bond Program 57 and 57A. All
2 of these lenders -- which is a total of 41 -- have been
3 approved internally by the department and a few of them
4 are still subject to approval by the master servicer,
5 Countrywide Mortgage. They do some additional checks when
6 you're a brand new participant to make sure that there are
7 certain requirements that are met.

8 We'll be doing lender training in the next two
9 weeks across the state to advise the lenders on how to
10 submit their packages and go through the actual loan
11 process of the bonds.

12 MR. CONINE: Move for approval of the
13 participating lender list on Item 4(d).

14 MR. GONZALEZ: Second.

15 MR. JONES: The motion has been made and
16 seconded. Any further discussion? Hearing none, I assume
17 we're ready to vote. All in favor, say aye.

18 (A chorus of ayes.)

19 MR. JONES: All opposed, nay.

20 (No nays.)

21 MR. JONES: Motion carries.

22 MR. CONINE: Item 4(e) are the multi-family
23 mortgage revenue bonds inducement resolutions, and I
24 presume Robert Onion will be doing this one.

25 MR. ONION: Good afternoon, Chairman, board

1 members, Ms. Cedillo. My name is Robert Onion, director
2 of Multi-Family Housing.

3 I want to give you a quick overview of the
4 applications we received. We received 80 applications for
5 the Private Activity Bond Program; three were withdrawn;
6 of the 77 remaining, 74 met our guideline criteria. Our
7 guideline criteria is back behind the narrative portion of
8 our program. That includes all of them under Resolution
9 35 and also 36; that leaves three remaining resolutions
10 which did not meet the guidelines.

11 Resolution Number 37 and 38, the applicant has
12 proposed a structure with an interest rate of 6.35 at 40
13 years which represents a HUD transaction 221(d)(4). The
14 reason we have not considered that interest rate in our
15 assumptions is because our concerns that under a
16 221(d)(4), the length of time it takes to close that
17 transaction and the amount of time that the applicant has
18 from the time of reservation is only 120 days. As soon as
19 you come up with any kind of guideline rule, there's an
20 exception to that guideline rule. In these two cases,
21 these transactions have already been presented to HUD
22 under a 501(c)(3) transaction. Many of the third party
23 reports have already been prepared and so that alleviates
24 at least 45 days in the process.

25 Again, I'm trying to apply our assumptions

1 fairly and evenly across the board. They did not meet
2 those guidelines; however, I'm willing to consider that
3 Resolution 37 and 38 as an exception to our guidelines.

4 The balance, which is Resolution Number 39,
5 Park Meadow Apartments in Boerne, did not meet our
6 assumption guidelines based upon the amount of deferral of
7 developer's fee. Our deferral of developer's fee cutoff
8 point was at no more than 80 percent deferred developer's
9 fee. It's penciled out at 92 percent deferred developer's
10 fee. I've had conversations with the applicant, the
11 interest rate that we used was 6.35 at 30 years. We
12 established those guidelines approximately 90 days ago;
13 since that time, interest rates have gone down.

14 We recently closed a transaction, Wildwood in
15 Meridian with an Ambank Sun America [phonetic] structure
16 where the bonds on 30-year long term were 5.9 percent.
17 The applicant has brought that to my attention. I
18 certainly don't know what the interest rates are going to
19 do six-seven months from now; certainly 30 basis points
20 swing one way or the other would make a difference in this
21 transaction. I have asked both of the applicants on 36,
22 37 and 38 to be here today to answer any questions that
23 you might have with regard to our suggestion that these be
24 considered.

25 MR. CONINE: Let me make sure I heard you

1 correctly. On 36, clarify the reason for me one more
2 time. Was that the HUD loan, the 221(d)(4)?

3 MR. ONION: Yes, it was, but that was included
4 under the guideline. What we did is we used the interest
5 rate assumption of 7.4 at 40; we went back and used 6.35
6 at 30 which was a little more favorable, and it made it
7 under the line. So from a guideline standpoint, all that
8 are in 35 and 36 met the guideline; it's 37, 38 and 39
9 that did not.

10 MR. CONINE: Under the?

11 MR. ONION: The guideline or assumptions that
12 we use.

13 MR. CONINE: And that's just because of the
14 time frame on the reduction of interest rates. I thought
15 there was a concern that the (d)(4) couldn't get closed in
16 120 days.

17 MR. ONION: There is a concern that the (d)(4)
18 may not be able to get done within 120 days. The reason
19 why I'm willing to consider an interest rate under the
20 221(d)(4) is because the applicant has already gone through
21 the process, has ordered many of their third party reports
22 which has shortened the time frame needed in order to get
23 a HUD commitment.

24 MR. CONINE: They haven't gotten an SAMA letter
25 or any of those sorts of things yet from HUD?

1 MR. ONION: I probably would need to refer that
2 to the applicant representative.

3 MR. JONES: There's somebody who would like to
4 speak to this issue.

5 MR. POPPOON: My name is Steve Poppoon; I'm the
6 project coordinator for Cedar Park Ranch I and II and
7 Eagle Glenn at Kenswick. These properties have already
8 received their letter of invitation from HUD, so they're
9 ready to --

10 MR. CONINE: So you can fast-track them and get
11 it done within 120 days.

12 MR. POPPOON: If you gave us the allocation
13 today and we could start the process today, we could close
14 in 45 days from today. They've already been through it,
15 HUD has underwritten them. HUD actually underwrote these
16 programs first under the (e)(3) program which is
17 specifically for tax exempt bonds, and they went back
18 through and now have the letters of invitation for the
19 (d)(4), so they're ready to go. And the reason we pursued
20 this avenue was with a lower interest rate they can build
21 a much nicer product that affords with the HUD guarantee,
22 obviously, more protection for the issuer. HUD has their
23 own annual underwriting that they do so there's an added
24 layer of supervision of the finances of the property, and
25 the lower interest rate just makes it a more solid deal

1 economically. If it wasn't for that, we wouldn't have
2 pursued it on this basis, but since we already have it in
3 hand, there won't be any delay and it will be just like
4 any of the other properties you're considering.

5 MR. JONES: Thank you, sir.

6 MR. CONINE: Mr. Onion, do I understand that
7 it's staff's recommendation that even though these four
8 are close, you would recommend we go ahead and let them go
9 into the lottery and see what happens?

10 MR. ONION: Yes, sir.

11 MR. CONINE: Okay. I'll make a motion then,
12 Mr. Chairman, that we approve Item 4(e).

13 MR. JONES: And would that be Resolutions 35,
14 36, 37, 38 and 39?

15 MR. CONINE: Yes, inclusive of all those
16 resolutions per staff recommendation.

17 MR. GONZALEZ: Second.

18 MR. JONES: Seconded by Mr. Gonzalez. Further
19 discussion, comments, questions? I assume we're ready to
20 vote, hearing none. All in favor of the motion, please
21 say aye.

22 (A chorus of ayes.)

23 MR. JONES: All opposed, nay.

24 (No nays.)

25 MR. JONES: The ayes have it.

1 Item 5, Mr. Gonzalez?

2 MR. GONZALEZ: We need to have approval of the
3 fiscal year 2001 Internal Audit Plan that is under 5(a).

4 MR. JONES: Mr. Gaines is here.

5 MR. GAINES: Board members, Ms. Cedillo. I'd
6 just like to say thank you for saving the best for last.
7 I believe I heard Mr. Conine say he had to leave at 2:30
8 today so I'll try to finish up by then.

9 The first item on the agenda is Item 5(a) and
10 the agenda has a typo on there. You'll notice it says the
11 Fiscal Year 2001 Audit Plan; that should be Fiscal Year
12 2002 Audit plan. If you'll turn to Tab 5(a), I'll go over
13 that plan.

14 The Internal Audit Division solicited input
15 from board members, from management, and external auditors
16 in the development of the annual plan. The plan is based
17 upon this input and upon a risk assessment that we perform
18 annually. The risk assessment uses nine different risk
19 factors and we apply each of those risk factors to each
20 auditable unit within the department. We've defined
21 auditable units within the department as those LBB
22 strategies by which we're measured in the appropriations
23 bill.

24 We've also broken out the administration
25 strategy into significant operations such as data

1 services, human resources, facilities and support,
2 payroll, disbursements and purchasing, grant accounting,
3 and the cash-receiving processes.

4 Based upon the input received and risk
5 assessment, we've developed the audit plan that's in front
6 of you, and I'll just briefly walk through those projects
7 for you.

8 The first project is intended to assess whether
9 processes are in place to facilitate the communication of
10 board policy to staff and if that policy is reduced to
11 operating policies and procedures; secondly -- and this
12 might be the other half of the coin -- to assess whether
13 there are processes in place to ensure that board
14 responsibilities are identified and communicated to the
15 board members in a timely, accurate, complete and useful
16 manner whereby you can fulfill your responsibilities.

17 The next project is a review of the project
18 management framework being used by management in the
19 development of the department-wide database. This review
20 will assess whether the methodology is adequate to help
21 ensure the success of the project. Specifically, we'll be
22 considering the areas listed there before you by the
23 series of bullets. Some of those areas will have more
24 emphasis than others: the first four bullets I think will
25 receive considerable attention; the sixth bullet, approval

1 of the work in phases as work is completed, will receive
2 considerable attention; and the eighth bullet,
3 identification of a strengths task during the planning
4 phase of the project ensuring internal controls and
5 security features are thought out and in the plan.

6 The objectives of this audit also will include
7 consideration of the Texas Government Code, Information
8 Resources Management Act, Section 2054.151 of the code, as
9 it relates to project planning, monitoring and control.
10 These are standards that have been established by the
11 State in the development of projects.

12 We're anticipating using an independent third
13 party consultant to provide quality assurance over the
14 audit project plan, procedures, results, and conclusions.

15 The plan is we'll jointly sign the report, the consultant
16 and the director of Internal Audit.

17 The next project is a Low Income Housing Tax
18 Credit project. The objectives are to compare project
19 deliverables associated with tax credits that have been
20 awarded by the board to the actual deliverables that have
21 been provided. Unfavorable differences between what was
22 planned and what was delivered will be reviewed and
23 analyzed to assess what control was not in place or what
24 control was not operating that allowed such unfavorable
25 conditions to materialize.

1 The next project is also a tax credit project.

2 The objectives of this review will be to assess whether
3 management has established adequate controls to ensure
4 successful implementation of Senate Bill 322 of the 77th
5 Legislature as it relates to the tax credit program.

6 We're also proposing a payroll audit. This has
7 been on and off several times now. The objective of this
8 audit will be to determine that access to the payroll
9 system is adequately restricted to those that need the
10 access to perform their job, that payrolls are properly
11 authorized, calculated and supported, that the department
12 complies with the required state and federal filing
13 requirements, and that terminated and resigned employees
14 are properly removed from the payroll system.

15 The remaining projects, for the most part, are
16 just ongoing activities and they include activities such
17 as tracking and monitoring and reporting to the board
18 prior audit issues, coordination of external auditors, and
19 the preparation of the annual report which we'll be
20 discussing in a moment, and the annual internal audit plan
21 which I'm going through now.

22 Note also that we're scheduling an external
23 quality assurance peer review of the department's internal
24 audit function. This is required in accordance with
25 professional standards; we're required to have this review

1 once every three years.

2 Are there any questions in regard to this plan?

3 MS. ANDERSON: I have several questions, and
4 I'm new to this. This is my first time here looking at
5 one of your audit plans, and actually I'm reading ahead so
6 I'm reading Tab (c) which describes what's in the Fiscal
7 '01 audit plan, and there are a lot of sort of gray boxes
8 where it looks like things weren't completed or maybe the
9 board maybe amended the audit plan, you know, internal
10 security audit, several things from last year.

11 Can you explain to me what these gray boxes in
12 this column mean? Were those items deferred, were they
13 just not delivered on schedule, were they taken off the
14 list? Because I think before we vote on the contents of
15 the audit plan for the year going forward, I at least need
16 to understand what happened to these outstanding items.

17 MR. CONINE: In two minutes or less.

18 MR. JONES: No. As long as it takes.

19 MR. CONINE: Well, if he goes case by case, it
20 may take a while.

21 MS. ANDERSON: I mean, I can kind of take you
22 through what my questions are. There was an internal
23 security internet security audit planned for March 2001
24 and then there's this gray box, so I can't tell if that
25 was done, deferred, what's going on.

1 MR. GAINES: Yes, ma'am. The original plan
2 approved in October 2000 was amended in 2001. On page 3
3 there's explanations for the reasons for those amendments.

4 That particular audit, I had coming on board the
5 following Monday, when I was notified Friday, a technical
6 person that had the expertise to conduct that particular
7 audit. Unfortunately, he had a better offer between
8 Thursday and the following Monday, so I rescheduled that.

9 MS. ANDERSON: Okay. So when it's blank there,
10 it means those things were sort of taken off the to-do
11 list.

12 MR. GAINES: Right. If it started out on the
13 October plan and it's not on the amended March plan,
14 that's what happened.

15 MS. ANDERSON: Then my question becomes, with
16 regard to the 2002 plan, what process did you go through
17 to determine that the items that are on here -- and
18 they're all good items -- that they were higher risk areas
19 than some of these things that looked like we needed to do
20 them a year ago and they're not being carried forward on
21 to the 2002 plan.

22 MR. GAINES: Yes, ma'am, and we go through an
23 annual risk assessment. A lot of the considerations on
24 the current period, current assessment related to the much
25 recent legislative session and the output of that. Some

1 of the risk factors we consider are the complexity of the
2 programs, experience levels of management, extent of
3 public third party interest. Those considerations may
4 weigh more heavily to bump those projects up and the
5 previous ones down.

6 MS. ANDERSON: Do we consider among the
7 considerations the internal expertise of staff on board to
8 do some things? I'll just pick on internet security
9 again, you didn't have the expertise you needed to do that
10 last year because the person took another offer; have we
11 now brought that kind of skill set into the department or
12 not, and was that a reason that that particular one might
13 not have been put back on the radar screen?

14 MR. GAINES: We haven't brought that expertise
15 in. The Internal Audit staff consists of me and two other
16 professionals. The afforded budget for professional fees
17 has 19 projects right now; I believe the highest risk in
18 the department based on our current assessment is a
19 department-wide database that we stood before the
20 legislature and have drawn lines in the sand that this
21 will correct many of the problems they've had in getting
22 information as well as problems the department has had in
23 retrieving information.

24 MS. ANDERSON: So that's why the project
25 management tasked for that.

1 MR. GAINES: Yes, ma'am.

2 MS. ANDERSON: Then I just have one other
3 question about the 2002.

4 MR. CONINE: These are all good questions; go
5 right on ahead.

6 MR. GAINES: How are the answers?

7 (General laughter.)

8 MS. ANDERSON: So with regard then to the
9 project management framework for the central database
10 project, one thing that I don't see in the list of bullets
11 that I think is a best practice in terms of project and
12 program management is periodic reviews. There's one word
13 in here that alludes to it which is "checkpoints" but
14 normally when you're engaged in a large project,
15 particularly a technology project, you want periodic
16 reviews so that you don't get too far down the path to
17 realize that your estimate to completion, you're going to
18 be over schedule and over budget.

19 MR. GAINES: Yes, ma'am. That may not be
20 obvious in that but in looking at the project management
21 plan, we'll be looking at significant phases, and integral
22 to that is users confirming the specifications, having
23 test plans in place, acceptance testing. We'll be working
24 through that and identifying whether management has
25 identified those key control points and it's a part of the

1 project plan.

2 MS. ANDERSON: And the delivery of the central
3 database, or line in the sand, as you call it, what is the
4 expected go-live date for that database?

5 MR. GAINES: I was seeing if our IT director is
6 here. I believe it's been kind of a moving target and
7 that's one of the risk factors that brought this to the
8 surface.

9 MS. CEDILLO: The most current date we've been
10 given is December 2002, but we're still working with them
11 to move that a little bit closer because we're concerned
12 about the dates. And we are working with our information
13 systems group and we've set up a committee, our IS project
14 committee, to where we're going to be working closely with
15 our IS staff.

16 MR. JONES: That would be Information Systems?

17 MS. CEDILLO: Yes.

18 MS. ANDERSON: Thank you.

19 MR. GAINES: Yes, ma'am. Any other questions
20 regarding that plan?

21 MR. CONINE: Do we need to move for approval
22 here?

23 MR. JONES: I believe we do.

24 MR. CONINE: I move for approval of the audit
25 plan presented by Mr. Gaines on Item 5(a).

1 MR. GONZALEZ: Fiscal Year 2002, and I second
2 that.

3 MR. JONES: We have a motion made and seconded.
4 Further discussion, questions, comments? Hearing none, I
5 assume we're ready to vote. All in favor of the motion,
6 please say aye.

7 (A chorus of ayes.)

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

10 (No nays.)

11 MR. JONES: Motion carries. Okay, 5(b).

12 MR. GONZALEZ: The next item is the proposed
13 amended charter for the internal audit charter.

14 MR. GAINES: Yes, sir, and for the newer
15 members of the board, the audit charter basically just
16 provides for the purpose, authority and responsibility of
17 the internal audit function, and the proposed amendments
18 you have in front of you have been redlined on your draft,
19 and I'll briefly discuss those proposed amendments.

20 The second paragraph of the authority on page 1
21 of the charter is being proposed for amendment to include
22 the expectations of management in regard to responding to
23 audit information requests. The initial recommendation
24 was a 24-hour turnaround time; that's the recommendation
25 you see in front of you. I thought this might be

1 reasonable, in that this is what IBM uses and I thought
2 they might be a good benchmark to measure ourselves by.

3 However, in receiving feedback from interested
4 parties, the belief is that a 48-hour turnaround would be
5 more workable, and that's certainly workable with internal
6 audit. Any circumstances whereby management has
7 significant pressing needs, we're more than willing to
8 accommodate them even in that 48-hour turnaround time.

9 MR. CONINE: So you're recommending that we
10 amend this to say 48 hours versus 24 hours?

11 MR. GAINES: Yes, sir.

12 That particular amendment also clarifies
13 information to include that to be considered confidential
14 in nature.

15 Several amendments are being proposed on page 3
16 of 4 under the Responsibilities section. The first
17 proposed amendment is the third bullet from the top of the
18 page, and this provides for the expectation of management
19 to include a target date for completion of corrective
20 actions taken in response to audit issues. It also
21 provides that management respond to report drafts issued
22 by the Internal Audit Division within five working days.

23 The next amendment is the second bullet from
24 the bottom of the page. This amendment establishes the
25 expectation of the director of Internal Auditing to

1 coordinate with the directors of the Compliance and
2 Underwriting divisions to enable those divisions to
3 provide periodic reports to the Audit Committee and to the
4 board through the Audit Committee. This will allow the
5 board to be fully informed of those oversight and risk
6 management functions and the results of those activities
7 on an ongoing basis.

8 The final amendment is a statement of support
9 for the Internal Auditing Division to promote and
10 encourage the advancement of audit and control knowledge
11 through dissemination of that type of information and
12 active participation in professional groups and
13 organizations.

14 MR. CONINE: Ms. Cedillo, could you comment
15 from a management perspective on whether any of these
16 proposed amendments would place an undue hardship on staff
17 or the workings of the department?

18 MS. CEDILLO: I think the amendment on page 1
19 of 4 works well for the divisions. Sometimes their tasks
20 are numerous and to get that turnaround within 24 hours is
21 quite difficult, so giving them some extra time really
22 will help.

23 MR. CONINE: In your opinion, Ms. Cedillo, do
24 we need to clarify that as to business days so we didn't
25 go and call on a weekend or something like that?

1 MR. GONZALEZ: That's a good point.

2 MS. CEDILLO: Yes, sir, I think we do. I think
3 the directors would appreciate that.

4 MR. CONINE: Holidays, or whatever the case may
5 be.

6 MS. CEDILLO: Yes, sir. Thank you.

7 MR. CONINE: So management is in agreement with
8 these amendment changes to the internal audit charter?

9 MS. CEDILLO: Yes, sir.

10 MR. CONINE: I move for approval, Mr. Chairman,
11 subject to the amendments mentioned before.

12 MR. JONES: Which is two business days.

13 MR. CONINE: Yes.

14 MS. ANDERSON: Second.

15 MR. JONES: Seconded by Ms. Anderson, I
16 believe. The motion has been made and seconded. Further
17 discussion? Hearing none, I assume we're ready to vote.
18 All in favor of the motion, please say aye.

19 (A chorus of ayes.)

20 MR. JONES: All opposed, nay.

21 (No nays.)

22 MR. JONES: The ayes have it; motion carries.
23 5(c).

24 MR. GAINES: The next report item is an annual
25 internal auditing report that's required by the Texas

1 Internal Auditing Act. The format and content of this
2 report is prescribed by the State Auditor's Office. The
3 report is distributed to the Office of the Governor, the
4 Legislative Budget Board, Sunset Advisory Commission, and
5 the State Auditor's Office.

6 I'd like to just walk you through the report,
7 giving you a general overview and highlighting some of the
8 specific information. The first page of the report is the
9 transmittal letter which is followed by the report. And
10 then turning through the report, you'll see that the first
11 three pages to be the department's internal audit plan for
12 the year just ended, and Ms. Anderson brought up some of
13 the questions I wanted to speak to, basically the original
14 plan, amended plan, reasons for the amended plan being on
15 page 3 of your report.

16 If you will also note on page 3 the last bullet
17 which discusses a deviation from the amended plan, and
18 this deviation relates to the delay in releasing the
19 Single Family Liens Procedures Audit. The primary reason
20 for this delay has been the result of basically not
21 anticipating sufficient budget to consider the multiple
22 systems and processes associated with the department's
23 decentralized systems which are pretty much by the program
24 areas that actually fund and process the single family
25 loans. Right now we're really shooting for a November

1 release date on that.

2 MR. JONES: Which is next month.

3 MR. GAINES: Yes, sir, and I would suspect that
4 would be after the November board meeting, so we hope to
5 bring that to the board in the following month.

6 Page 4 of the report is a summary of the most
7 recent quality assurance review which was conducted in
8 August of '99. The results of the review concluded that
9 the Internal Auditing Division is in substantial
10 compliance, which is the highest of three possible
11 ratings.

12 Beginning on page 5 of the report is a listing
13 of the audit findings and recommendations for the year
14 with the current status of each. Again, for the newer
15 board members, a separate report is provided periodically
16 on the status of prior audit issues. This schedule here
17 and this report will provide you a good overview of where
18 we're currently at on audit issues that have been released
19 over the last fiscal year.

20 And on page 20 of the report is a copy of the
21 department's organizational chart which is a little bit
22 outdated at this point. The purpose of the chart is to
23 identify where in the organization is the internal auditor
24 located. The chart reflects that I'm in a position
25 whereby I report to the governing board which is in

1 compliance with the Internal Auditing Act.

2 On page 21 is information on other activities
3 of the Internal Auditing Division for Fiscal Year 2001,
4 and I believe actually your board book reflects Fiscal
5 Year 2000; that's been corrected, that is Fiscal Year
6 2001.

7 And finally, on page 23 will be the internal
8 auditing plan for the coming year, the plan that was just
9 approved by the board.

10 Any questions in regard to the annual report?

11 MS. ANDERSON: I have a question. The current
12 status column indicates a lot of times implemented per
13 management which I think is management advising you that
14 they've taken the corrective action. What is the
15 independent assessment? Some of these say implemented per
16 independent assessment.

17 MR. GAINES: Well, it's exactly that, that the
18 status has been reviewed and assessed by a party
19 independent to management which if it's external audit
20 reports, it's normally their follow-up audits in the
21 subsequent year; if it's internal audit, it's something
22 that we did.

23 MS. ANDERSON: Okay. So in the case of items
24 that are described from the Section 8 management review,
25 then those would have been a follow-up audit by HUD.

1 MR. GAINES: Actually, those per independent
2 assessment is based on correspondence received from HUD
3 based on information that's been provided to them, so you
4 might call that an audit, yes. They have not come back on
5 site.

6 MR. CONINE: An additional question, Mr.
7 Gaines. On the organizational chart that you indicated
8 was a little bit outdated at this point, the numbers in
9 parentheses under some of these bottom boxes down here, is
10 that number of full-time employees that we have related in
11 each of those departments?

12 MR. GAINES: Yes, sir.

13 MR. CONINE: Can you provide us with a revised
14 chart, getting it updated, and a list of those employees
15 that are in each of these boxes on a separate sheet or
16 list or something?

17 MR. GAINES: Yes, there would be no problem at
18 all. There is a chart that I need to get current for this
19 report, and pursuant to your request, that will -- it's a
20 department-wide chart with the details which will list
21 each individual within each division.

22 MR. CONINE: The reason I'm asking this is I
23 think the board is getting ready to embark on a search for
24 a new executive director and it would be important for
25 those candidates to see an updated fresh list of how this

1 thing is set up and running, who's in what spot, so the
2 quicker you can get that, the better off we'd be. Thank
3 you.

4 MR. GAINES: Yes, sir. Thank you very much.

5 MR. JONES: Thank you. I believe that
6 completes Item 5 for the Audit Committee. Right? Great.

7 We then come to Item 6 which is the
8 presentation, discussion and possible approval of election
9 of a vice-chair and secretary of the board. The chair has
10 a suggestion that the current secretary be elected who is
11 Delores.

12 MR. CONINE: So moved or seconded, whatever.

13 MR. JONES: There's been a motion made.

14 MR. GONZALEZ: Second.

15 MR. JONES: Seconded by Mr. Gonzalez. Further
16 discussion? Hearing none, are we ready to vote? I assume
17 we are. All in favor of the motion, please say aye.

18 (A chorus of ayes.)

19 MR. JONES: All opposed, nay.

20 (No nays.)

21 MR. JONES: Thank you, Delores.

22 MR. CONINE: Are you sure? Thank you.

23 MR. JONES: Thank you. I'm surprised you would
24 do that, but thanks so much.

25 We now need to elect a vice-chair and the

1 chairman has no recommendations.

2 MS. ANDERSON: You have no recommendations?

3 MR. JONES: I have none.

4 MS. ANDERSON: I would like to make a
5 nomination.

6 MR. JONES: You certainly may.

7 MS. ANDERSON: I would like to nominate Mr.
8 Conine.

9 MR. GONZALEZ: Second.

10 MR. JONES: Mr. Conine has been nominated. The
11 chair does have an objection, but I guess he'll let it go
12 without saying.

13 MR. CONINE: So does the applicant.

14 (General laughter.)

15 MR. JONES: We have a motion made and seconded
16 that Mr. Conine be elected. Further discussion? Hearing
17 none, I assume we're ready to vote.

18 THE REPORTER: Who seconded?

19 MR. JONES: It was Mr. Gonzalez, I believe.
20 There were probably several seconds, to be real honest
21 with you, everybody but Mr. Conine. All in favor of the
22 motion, please say aye.

23 (A chorus of ayes.)

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

1 (No nays.)

2 MR. JONES: Motion carries.

3 MR. CONINE: Thank you, and don't you get sick.

4 MR. JONES: I plan on it; I'm going on a
5 vacation.

6 Item 7 we will move to then, is the
7 presentation, discussion and possible approval of election
8 of a board representative concentration policy ad hoc
9 committee. I made a mistake. We had Mr. Brewer do this
10 before; at just an open board meeting we did that. I did
11 talk to the mayor to see if he would be willing to serve
12 in that capacity and he said that he would, and so that's
13 what's happened, but we can elect whoever we want to
14 elect.

15 MR. CONINE: We'll follow your lead.

16 MR. SALINAS: Don't you want to wait on that
17 until we find out what really is going to happen?

18 MR. GONZALEZ: In the interim, he can still
19 serve.

20 MS. ANDERSON: Since you appoint the committees
21 and you make other kinds of appointments, why would this
22 just not also be in your discretion?

23 MR. JONES: I don't know, I just don't think it
24 is. Delores, you tell me.

25 MS. GRONECK: The board in the past had to

1 elect a representative to this concentration policy group,
2 and Mr. Conine made a motion at one meeting and Mr.
3 Brewer, and we just followed that procedure.

4 MR. JONES: I guess it's history. I'll tell
5 you what transpired, just to make sure everybody
6 understands it, Delores had told me we needed one because
7 Mr. Brewer obviously was no longer on the board and I had
8 called the mayor, but that's just how it happened.

9 MS. ANDERSON: I'd move that we ratify your
10 phone call to the mayor.

11 MR. CONINE: Second.

12 MR. JONES: Appreciate it. All in favor of the
13 motion, please say aye.

14 (A chorus of ayes.)

15 MR. JONES: The next thing is the appointment
16 of the committees. I hope that I've talked to everybody
17 about those, and that is under my purview, so I have
18 appointed the committees as reflected there. What I'm
19 going to ask Delores to do as our secretary is to call
20 each member of the committee. I think the only committee
21 that stayed the same is the Finance Committee, but all the
22 other committees are new. Delores, if you'd call each
23 committee member and just inform them of the history of
24 that committee and kind of how it's operated.

25 MS. GRONECK: We've got some stuff in writing

1 we'll get to you.

2 MR. JONES: Great. And maybe just talk to them
3 about it because some of us have questions that need to be
4 answered there, and I think that would be very helpful.

5 The committee I would like, though, to talk to
6 us about, Mr. Conine and Mayor Salinas -- and Mr. Bogany
7 is not here -- but why don't you just talk about your
8 plans on the Executive Director Search Committee, if you
9 would.

10 MR. CONINE: Thank you, Mr. Chairman. I
11 appreciate the opportunity to serve in this particular
12 capacity. My thought to the fellow board members is that
13 we're in the application acceptance stage right now for
14 the position. We have several applicants, as you know,
15 and the committee probably needs to get together and meet.

16 I would probably prefer to have some sort of
17 double interview process, or the first interview, maybe
18 we'll get it whittled down on the applicants just from
19 their resumes down to just, say, eight or six, somewhere
20 along that range, and have the first interview with that
21 group of candidates. And then, subject to that interview
22 and further information that the committee would get, get
23 it whittle down to say two or three or four to have a
24 second interview with. And then finally from that process
25 try to come up with a name that we can recommend to the

1 full board, and try to give some of the reasons why.

2 That process is just one that I have
3 participated in in other organizations that I've been
4 involved in, it's one that has seemed to work fairly well.

5 You gain a lot, I think, from the second interview
6 process of various candidates. And I would also say that
7 this is not a closed committee, we'll try to make sure
8 that any other board member that's not on this particular
9 committee that wants to give input or listen in to the
10 various interviews would be welcome to do so.

11 Those are my thoughts, Mr. Chairman. If
12 there's any other thoughts that any other board members
13 have, would love to have them at this time.

14 MR. JONES: The only comment that I would make
15 is I really think there needs probably to be participation
16 by other board members at some point in the interview
17 process, and the only thing I'll say in that regard is
18 we've got to be real careful about the quorum issues and
19 the open meeting acts, and I think the way you do that is
20 just to have interviews of the same candidate on more than
21 one occasion because no more than three board members can
22 ever participate at any particular time. So that's the
23 only comment I would make.

24 MR. CONINE: Is the new quorum four now instead
25 of five or six or whatever it was?

1 MR. JONES: It's four. So just as long as you
2 have three people there, you're okay, but you can't go to
3 four.

4 MR. CONINE: Well, that's valuable information.

5 MR. JONES: But that certainly does not mean
6 that those of us who are not on the committee cannot
7 participate in interviews.

8 MR. SALINAS: When you say select one and bring
9 it to the board, would it be better if we choose three and
10 let the board decide out of the three to support one, or
11 how would we go about doing that?

12 MR. CONINE: If I could comment on that. My
13 experience -- again, in going through this and other
14 groups that I've been involved in -- is that it's just
15 almost impossible for the balance of the board to have the
16 volumes of information on each of the candidates and
17 almost unfair to the rest of the board for us to have the
18 advantage of having interaction with the candidates and
19 the understanding and the conversations, and yet having
20 the final ultimate decision rest with a group that hasn't
21 had the advantage of that interaction. And it has worked,
22 I think, best in other groups that the committee assigned
23 to go through the evaluation process actually has to make
24 a single recommendation so that you take some of that
25 unknown process out of the equation.

1 Again, it's a degree of delegation that the
2 board needs to feel comfortable with the three members
3 that the chairman has appointed to this particular
4 committee, but they have a job to do and it's a tough job
5 to do, and hopefully we're up to the task.

6 MR. SALINAS: I don't have a problem with that
7 but how do you all feel, that we just bring one
8 recommendation to the board instead of maybe bringing two
9 or three?

10 MS. ANDERSON: As an individual, I'm
11 comfortable with that process, particularly given the
12 chairman's comments about opportunity to have input or sit
13 in and get some feel for at least maybe the short list of
14 candidates, to the extent we're able to.

15 MR. JONES: And let me piggyback that comment.
16 I appreciate your comment and I agree with it too. I
17 just want to make sure -- and I think Delores can really
18 help us on this -- that any time any board member wants in
19 the process that we make that opportunity, because I think
20 that why when you do come back with a recommendation to
21 us, we'll all feel good about it, and we don't want
22 anybody to get too far ahead of us.

23 MR. CONINE: We'll make sure that happens, and
24 there's no -- currently we haven't got a set timeframe but
25 we would hope to go through this project -- generally it

1 takes two or three months, at least to go through this
2 sort of search, and I know we have quite a few candidates
3 that have applied already and just an unwritten target, if
4 you will, of the end of the year getting all this done and
5 wrapped up and done, that's what we'll try to do.

6 MR. JONES: Thank you. Further discussion?

7 MR. CONINE: Is there not a chair of the
8 Programs Committee? Is that a typo, or how are we going
9 about that particular process?

10 MR. JONES: I think it's a typo, isn't it,
11 Delores? Yes, I think that's a typo.

12 MR. CONINE: I just wanted to make sure.

13 MR. JONES: I honestly can't remember now, but
14 I think it's a typo.

15 Any further discussion? Hearing none, we'll
16 move to Item 9. On Item 9, as the board knows, I think
17 everybody received a copy -- did they not, Delores -- of
18 our executive director's resignation? And I have been
19 advised by our financial department as well as our legal
20 counsel that we can accept that letter of recommendation
21 on the terms suggested in the letter, and I will certainly
22 do that acting upon that advice which brings us to Item 9
23 which is the presentation, discussion and possible
24 approval of the selection of the appointment of an acting
25 executive director of the Texas Department of Housing and

1 Community Affairs and approval of resolution regarding
2 signature authority.

3 I would say, too, that Ms. Cedillo is willing
4 to serve, and I would love to hear a motion to allow her
5 to so serve.

6 MS. ANDERSON: So moved.

7 MR. GONZALEZ: Second.

8 MR. SALINAS: Would we have to accept the
9 resignation of Ms. Stiner first?

10 MR. JONES: I don't know that we have to do
11 that. It's not on the agenda; I looked at the agenda and
12 it's not on the agenda, so I think the position is vacant,
13 and I will do that to the extent I can, but since it's not
14 an agenda item, I don't even think we can do it today.

15 The issue of --

16 MR. CONINE: Can I amend that motion?

17 MR. JONES: Yes.

18 MR. CONINE: I was going to amend that motion
19 to say that Ms. Cedillo will be compensated at the amount
20 that the previous executive director was compensated at
21 during her time as acting executive director.

22 MR. JONES: We have a motion on the table. Is
23 there a second?

24 MR. GONZALEZ: Second.

25 MR. JONES: Seconded by Mr. Gonzalez. Further

1 discussion? You're not running out of the room?

2 I assume we're ready to vote. All in favor of
3 the motion, please say aye.

4 (A chorus of ayes.)

5 MR. JONES: All opposed, nay.

6 (No nays.)

7 MR. JONES: The ayes have it.

8 MR. JONES: We then turn to the report items,
9 the executive director's report.

10 MS. CEDILLO: We have some information for you
11 which you probably have received some of it, but it's with
12 regard to the public hearings that have been held. We've
13 held 12 public hearings regarding the various documents
14 that the department must submit, including the Low Income
15 Housing Plan, the Low Income Housing Tax Credit Allocation
16 Plan, and we've also included the TDHCA uniform
17 application for housing programs, the 2002 Regional
18 Allocation Formula.

19 As you know, it was used for the allocation of
20 the HOME Program and we will have to make some adjustments
21 to the formula, and those adjustments are being discussed
22 at the public hearings, and the issue is going to be the
23 other funds that are available to the various regions, and
24 that is being taken into consideration for the next year.

25 And we've also been discussing the development

1 of the 2002 Consolidated One-Year Action Plan which
2 includes the HOME Program, the CDBG Program and also the
3 Emergency Shelter Grant Program, and Housing Opportunities
4 for Persons with AIDS. We have three more public hearings
5 that are scheduled that have not yet been conducted for
6 November 13 in Canyon, and November 14 in Tyler, and then
7 November 15 in El Paso.

8 The comment period for the QAP is between
9 October 5 and November 4 of 2001, and then the comment
10 period for the one-year action plan is between November 2
11 and December 3, 2001. And that's all we have.

12 MR. JONES: Thank you. We have another
13 resolution we need to take up. Thank you for bringing it
14 to my attention. It's Resolution Number 01-44 which is a
15 resolution of the board of directors regarding amendment
16 and restatement of Resolutions 95-42, 95-60, 96-139, 97-
17 10, 98-01, and 00-09, designating signature authority for
18 the department.

19 MR. CONINE: So moved.

20 MR. SALINAS: Second.

21 MS. CEDILLO: We've not passed the acting
22 executive director.

23 MR. JONES: Okay, good deal.

24 MR. CONINE: We need to approve that.

25 MR. JONES: Yes, thank you. This deals with

1 the governing body hereby authorizes and designates the
2 executive director or acting executive director to sign.
3 Any further discussion of that resolution? Hearing none,
4 I assume we're ready to vote. All in favor of the
5 resolution, please say aye.

6 (A chorus of ayes.)

7 MR. JONES: All opposed, nay.

8 (No nays.)

9 MR. JONES: Motion carries.

10 Any further items of business for the board at
11 this board meeting?

12 MR. CONINE: Our next board meeting is -- I
13 forget which date, Delores.

14 MS. GRONECK: We set it for November 14; Mr.
15 Gonzalez has called and said he can't make it that date.

16 MR. CONINE: And we've got a pressing issue of
17 these waiting list tax credit things.

18 MS. GRONECK: And the QAP has to be approved by
19 the 15th.

20 MR. CONINE: And the QAP has to be approved by
21 the 15th.

22 MR. SALINAS: We have to do it before the 14th?

23 MR. CONINE: Yes, I think we probably should at
24 least consider that, Mr. Chairman, and ask you to look
25 into that and check everybody's schedules and see if we

1 can't push up the November meeting date. You know, I
2 don't know whether we need to have two in November or not.

3 It doesn't sound like it, but if we push that other one
4 up, it might be helpful.

5 MR. JONES: I apologize to everybody. As soon
6 as we get one scheduled, it seems like we're rescheduling
7 it. My suggestion would be, Delores, that you call
8 everybody immediately, and immediately would be tomorrow.

9 I would say this too, and I don't want to
10 offend any board member, and if I do, certainly tell me,
11 these time deadlines are crucial and we'll probably be
12 moving forward with quorums at this point in time, as
13 we've done in the past. But trust me, we will never
14 select meetings by who can -- I mean, we're not going to
15 try to figure out how we'll vote, but I'm just saying
16 we'll move forward with quorums.

17 Further business? Hearing none, can I hear a
18 motion to adjourn.

19 MR. GONZALEZ: Do moved.

20 MR. CONINE: Second.

21 MR. JONES: Motion has been made by Mr.
22 Gonzalez, seconded by Mr. Conine. All in favor of
23 adjourning, say aye.

24 (A chorus of ayes.)

25 MR. JONES: We're adjourned.

1 (Whereupon, at 1:30 p.m., the meeting was
2 concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Department of Housing and Community
Affairs Board

LOCATION: Austin, Texas

DATE: October 17, 2001

I do hereby certify that the foregoing pages,
numbers 1 through 143, 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.

(Transcriber) 10/23/01
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